ML 168736

ORDER NO. 86995

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

Issue Date: May 21, 2015

On May 11 and 12, 2015, the Public Service Commission of Maryland ("Commission") held a legislative-style hearing in the above-captioned cases to review the matters of the semi-annual EmPOWER Maryland reports filed by The Potomac Edison Company ("PE"),[1] Baltimore Gas and Electric Company ("BGE"),[2] Potomac Electric Power Company ("Pepco"),[3] Delmarva Power & Light Company ("Delmarva"),[4] and Southern Maryland Electric Cooperative, Inc. ("SMECO")[5] (collectively, the "Utilities"), as well as the Department of Housing and Community Development ("DHCD"),[6] for the third and fourth quarters of 2014. The Commission also reviewed the comments as filed by the Maryland Alliance for Fair Competition and the Heating and Air Conditioning Contractors of Maryland, Inc. ("the Alliance");[7] the Office

[1] ML#164034: *The Potomac Edison Company Semi-Annual EmPOWER Maryland report* ("PE Report") (Feb. 12, 2015); ML#164145: *Compliance Filing of The Potomac Edison Company* ("PE Compliance Filing") (Feb. 13, 2015).

[2] ML#164176: *Baltimore Gas and Electric Company Semi-Annual Report for Third and Fourth Quarters – July 1 through December 31, 2014* ("BGE Report") (Feb. 13, 2015); ML#164871: *Errata to Baltimore Gas and Electric Company's Q3/Q4 2014 Semi-Annual Report* ("BGE Errata") (March 9, 2015); ML#167253: *Informational Filing of BGE Regarding Innovative Programs and Request for Increase in Program Investigation Budget* ("BGE PIDD Request") (April 17, 2015); ML#167954: *Response of BGE to Comments of the Maryland Alliance for Fair Competition and the Heating and Air Conditioning Contractors of Maryland, Inc.* ("BGE Comments") (May 5, 2015); ML#168175: *Correction to May 5, 2015 Response of BGE to Comments of the Maryland Alliance for Fair Competition and the Heating and Air Conditioning Contractors of Maryland, Inc.* ("BGE Comments Errata") (May 8, 2015).

[3] ML#164163: *Potomac Electric Power Company Semi-Annual EmPOWER Maryland Report* ("Pepco Report") (Feb. 13, 2015); ML#164150: *Pepco's Updated Executive Summary Tables* ("Pepco Compliance Filing") (Feb. 13, 2015).

[4] ML#164164: *Delmarva Power & Light Company Semi-Annual EmPOWER Maryland Report* ("Delmarva Report") (Feb. 13, 2015); ML#164151: *Delmarva's Updated Executive Summary Tables* ("Delmarva Compliance Filing") (Feb. 13, 2015).

[5] ML#164134: *Southern Maryland Electric Cooperative, Inc.'s Q3/Q4 2014 Semi-Annual EmPOWER Maryland Report* ("SMECO Report") (Feb. 13, 2015).

[6] ML#164168: *Maryland Department of Housing and Community Development Semi-Annual EmPOWER Maryland Report* ("DHCD Report") (Feb. 13, 2015); ML#164199: *Maryland Department of Housing and Community Development's Request to Extend the 2015 MEEHA Budget Funding Period* ("DHCD MEEHA Budget Request") (Feb. 18, 2015); ML#165818: *Maryland Department of Housing and Community Development's Report of Status as to ITRON's Recommendations (Order No. 86785 and ML No. 159226) and request for clarification* ("DHCD Motion") (March 26, 2015).

[7] ML#167453: *Comments on BGE's Semi-Annual EmPOWER Maryland Report* ("Alliance Comments") (April 22, 2015).

of People's Counsel ("OPC");[8] the Maryland Energy Administration ("MEA");[9] and Technical Staff.[10]

The parties' reports and comments included requests for program modifications and budget adjustments, and recommendations pertaining to programmatic improvements. In this Order, we address these requests and direct certain parties to undertake next steps as detailed below. We direct the Utilities and DHCD to effectively and aggressively execute the programs associated with the additional funding approved herein, and we direct the Utilities to make related compliance filings, including tariff pages and surcharge provisions, consistent with this Order.[11]

I. Residential Programs

Residential HPwES Program

In Order No. 86785, we affirmed our earlier decision to define duct sealing as an eligible Home Performance with Energy Star ("HPwES") measure and directed the Utilities to exempt whole house duct sealing from the savings-to-investment ratio ("SIR") requirement.[12] As conveyed by Staff, the Alliance asserted as part of a subsequent HPwES Work Group meeting that the language of our December order exempted duct sealing measures from *any* qualification criteria.[13] Because other stakeholders disagreed with this interpretation, before us now is a

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[8] ML#167841: *Office of People's Counsel Comments on EmPOWER Maryland Semi-Annual Comments – Correction* ("OPC Comments") (April 30, 2015).
[9] ML#167441: *Maryland Energy Administration Comments on EmPOWER Maryland Semi-Annual Reports* ("MEA Comments") (April 22, 2015).
[10] ML#167445: *Staff 2014 Semi-Annual EmPOWER Maryland Programmatic Report for the Third and Fourth Quarters* ("Staff Overview Comments") (April 22, 2015); ML#167447: *Staff 2014 Semi-Annual EmPOWER Maryland Programmatic Report for the Third and Fourth Quarters of the Maryland Department of Housing and Community Development* ("Staff DHCD Comments") (April 22, 2015).
[11] In keeping with this directive, we note that the Utilities have each filed revised Executive Summary tables for the 2015 – 2017 program cycle, consistent with Order No. 86785. The Commission notes these compliance filings as the revised ES tables conform to prior Commission orders and directives.
[12] Order No. 86785 (Dec. 23, 2014) at 10-11.
[13] Staff Overview Comments at 8.

request for clarification regarding the guidelines in consideration of duct sealing measures.[14] Specifically, the Alliance requests that we direct the Utilities to forgo the requirement that a duct blaster test be performed in conjunction with a blower door test, and that the results be included as part of the job application and submitted to Beacon.[15]

Staff's semi-annual comments reflect a substantial amount of research, information, and documentation of efforts by the HPwES Work Group to address the Alliance's outstanding concerns about the duct sealing measure.[16] Appended to Staff's comments is a list of suggested criteria derived from Building Performance Initiative ("BPI") best practices, on which the HPwES program has been primarily established.[17] We concur with Staff that these criteria are necessary to ensure program integrity, accountability, and value, and find that such implementation criteria are consistent with the Commission's objective of standardizing program implementation statewide, using best practices and cost-effective practices. Furthermore, funneling the duct sealing jobs through the Beacon software is not inconsistent with our earlier directive as asserted by the Alliance. Staff notes that the measures must be input into the Beacon software for tracking purposes, although the information will not be used to preclude duct sealing measures based on application of an SIR.[18] In addition, as observed by BGE, HVAC contractors are not required to obtain BPI certification prior to performing duct sealing measures, and thus the adoption of BPI best practices as described by Staff will not impede referrals by HPwES contractors.[19] Therefore, consistent with our policy to apply best practices, we deny the

[14] While the Alliance also sought clarification in its filing regarding whether the duct sealing measure needs to be completed by a participating HPwES contractor, BGE subsequently confirmed that this was not the case so long as the HVAC contractor performing the duct sealing is a sub-contractor to a participating HPwES contractor. *See* BGE Comments at 2.
[15] Alliance Comments at 6-9.
[16] Staff Overview Comments at Appendix B.
[17] *Id.* at 9.
[18] *Id.* at 10.
[19] BGE Comments at 5.

Alliance's request to remove the duct blaster test as a criterion for whole house duct sealing measures.[20]

Residential Natural Gas Conversion Pilot Program

In Order No. 86366, issued May 28, 2014, we approved BGE's request to pilot a Natural Gas Conversion Program as part of its EmPOWER Maryland residential portfolio through the end of the 2012 – 2014 program cycle.[21] In January 2015, we extended the Pilot until after the spring 2015 semi-annual hearing.[22] As part of its February 13, 2015 report, BGE requested that we approve a full-scale deployment of the Pilot as requested in its 2015 – 2017 proposal. While Staff expressed concern regarding the establishment of the Natural Gas Conversion Pilot as a regular EmPOWER Maryland program at this time,[23] Staff did express support for continuation of the Pilot for an additional year.[24]

In prior orders addressing this matter, we have noted our intent to extend the Pilot until such time that the Commission can review the first round of data results, including the overall energy savings and cost-effectiveness of such programs.[25] We have further observed that additional data generated by the Pilot will further the efforts of the Natural Gas – Electric Efficiency Coordination Work Group by providing context, real-time examples, and primary information on which to base the required analysis.[26] Because it is too early in the Pilot's implementation to conduct the necessary retrospective cost-effectiveness evaluation as

[20] We similarly deny the Alliance's request that the Utilities require HVAC contractors to submit a copy of the HVAC permit with all rebate submissions, as the enforcement of HVAC permitting requirements is a local jurisdictional issue and would create an additional administrative burden with no measurable incremental benefit.
[21] Order No. 86366 (May 28, 2014) at 51 ¶31.
[22] Order No. 86806 (Jan. 9, 2015) at 6 ¶2.
[23] Staff Overview Comments at 23-24. Specifically, Staff recommended a delay until such time that BGE can provide actual (*i.e.* verified) electric savings, therm increases, and costs based on completed conversions. *Id.*
[24] May 12, 2015 Tr. at 254, 255. (Hurley).
[25] Order No. 86806 at 5.
[26] *Id.* at 5, note 28.

contemplated by our prior orders,[27] we approve a further extension of the BGE Residential Natural Gas Conversion Pilot until June 30, 2016 so that we can fully evaluate the results of the pilot program. We further direct BGE to include with its next semi-annual filing a detailed status report providing updates on number of participants, broken down by enrolled and completed conversions, and the standard data consistent with pilot evaluations: expenses, avoided costs, annualized energy savings (MWh) and peak demand reduction (MW), and natural gas usage (therms). We also direct BGE to submit a calculation of net carbon emissions associated with the conversions, as it relates to the reduced use of electricity and incremental natural gas used.

II. Commercial and Industrial Programs

C&I Prescriptive Program

In its February 13, 2015 report, BGE filed a joint request on behalf of the EmPOWER Maryland Utilities for modification of the C&I LED measures and incentive levels offered as part of the Utilities' C&I Prescriptive Program.[28] In making the request, the Utilities conducted a review of individual LED measures, incentive levels, and equipment costs currently available in the industry, and are proposing to align EmPOWER incentives with present market pricing.[29] As noted by BGE, approval of the requested modifications will not impact the budget at this time, although the Utilities and Staff will continue to monitor the prices of the C&I LEDs and resulting impacts on the C&I Prescriptive Programs.[30] Consistent with the Utilities' request and

[27] *See* May 12, 2015 Tr. at 250. (Harbaugh) (discussing also the fact that EmPOWER cost-effectiveness evaluations are conducted on an annual basis for data sets gathered between July 1st and June 30th of the subsequent calendar year). We note, however, that Staff has reviewed the assumptions for energy savings, therm usage, and avoided costs from which BGE calculated initial Pilot cost-effectiveness findings and found the assumptions to be both reasonable and consistent with data from the Mid-Atlantic Technical Resource Manual. *See* Staff Overview Comments at 24.
[28] BGE Report at Appendix E.
[29] *Id.* at 58.
[30] *Id.* at 57.

Staff's recommendation,[31] we approve the C&I Prescriptive Program modification to reflect the C&I LED measures and incentive levels included in BGE's February 13, 2015 report.[32]

III. Demand Response Programs

Residential and Small Commercial Demand Response Programs

Both Delmarva and Pepco filed requests to increase their respective residential and small commercial demand response program budgets for the 2015 – 2017 program cycle.[33] As noted by Staff,[34] the requests are unusual in that neither company's budget is nearing exhaustion because their three-year budget approvals were only recently received through our December order.[35] However, we concur with Staff that in this instance the preemptive action by the companies is forward-thinking and appropriate.[36] As explained by Delmarva and Pepco, the companies are moving the control systems for all demand response programs from the contractor's facilities to the PHI facilities to comply with the U.S. Department of Homeland Security's Industrial Control System recommendations; thus the programs are each allocated the appropriate share of the total PHI-wide compliance costs.[37] Furthermore, the companies are forecasting additional marketing and education costs to support the 2015 installation goals for the programs, and Pepco is projecting increased incentive costs based on the higher-than-expected enrollments during the latter half of 2014.[38] Pepco projects additional savings for residential and small commercial demand response programs, as does Delmarva for its small commercial demand response program.[39] In light of these projections, and because of the need

[31] Staff Overview Comments at 88.
[32] BGE Report at 60-61.
[33] *See* Delmarva Report at Appendix C-16; Pepco Report at Appendix C-16.
[34] Staff Overview Comments at 79 and 83.
[35] *See* Order No. 86785 at 40, ¶49.
[36] Staff Overview Comments at 78.
[37] *Id.* at 78, 82.
[38] Delmarva Report at Appendix C; Pepco Report at Appendix C.
[39] Staff Overview Comments at 79-82.

to comply with the U.S Department of Homeland Security's recommendations, we approve the requested budget increases and commensurate metrics associated with the Maryland Energy Wise Rewards Residential and Small Commercial Demand Response Programs for both Delmarva and Pepco.[40]

Master-Metered Account Demand Response

In Order No. 86785 we directed Pepco to discontinue its Master-Metered Account Demand Response Program after finding that, despite numerous programmatic modifications approved throughout the 2012 – 2014 program cycle, the program had not achieved its desired effectiveness.[41] In its instant filing, however, Pepco has requested that we establish a budget for the program during the 2015 – 2017 program cycle so that the company may honor its incentive commitments for customers and building managers that enrolled prior to the program's discontinuance, to fund communications with customers regarding the program's discontinuance and upon expiration of the devices' warranties in 2017.[42] While we approve the requested marketing and customer bonus budgets in the amount of $75,984 and $1,215, respectively,[43] so that Pepco may appropriately ramp down the program, we deny the requested capital and operations and maintenance ("O&M") budgets as recommended by Staff.[44] We find that it is inappropriate to allocate the incremental O&M costs associated with the implementation of the

[40] We note that, because we decline in the subsequent section to assess the discontinued Pepco Master-Metered Account Demand Response Program a share of the compliance costs stemming from the U.S. Department of Homeland Security's recommendations, the O&M cost allocation to the active residential and small commercial demand response programs in the PHI portfolio will increase.
[41] Order No. 86785 at 20, 41 ¶57.
[42] Pepco Report at Appendix C-17.
[43] *Id.*
[44] Staff Overview Comments at 80.

U.S. Department of Homeland Security's recommendations[45] to a discontinued program, and we decline to authorize additional capital costs through the EmPOWER surcharge so that Pepco may repair and replace the installed devices that are no longer supported by an EmPOWER program. To the extent that these devices remain used and useful, the company may request recovery for these devices through the normal ratemaking processes.

IV. Limited-Income Programs

Calendar Years 2016 – 2017 Program Implementer

In Order No. 86785, we authorized DHCD to proceed as the program implementer of EmPOWER Maryland limited-income programs for calendar year 2015.[46] Today we extend our authorization so that DHCD is the approved program implementer of both the Limited-Income Energy Efficiency Program ("LIEEP") and the Multifamily Energy Efficiency and Housing Affordability ("MEEHA") Program for the remainder of this program cycle, calendar years 2016 – 2017.[47] We similarly approve the previously-filed programmatic budgets for calendar years 2016 – 2017 for both LIEEP and MEEHA.[48]

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[45] Pepco Report at 14, wherein the Company explains costs associated with the U.S Department of Homeland Security recommendations by stating, "PHI has established a cybersecurity strategy to secure its control systems. In compliance with U.S. Department of Homeland Security's Industrial Control System – Computer Emergency Response Team (ICS-CERT) recommendations, PHI's cybersecurity strategy includes managing electric system control head-end systems, including the EWR IntelliSource control system, within PHI's data centers. To comply, the Company must move the EWR programs' proprietary demand response operations platform from the implementation contractor's business facilities to PHI. The total project costs are prorated to each of PHI's DR programs in Maryland, New Jersey, Delaware, and the District of Columbia. The approved budgets for the Pepco's Residential Demand Response Program and Small Commercial Demand Response Program are insufficient to bear the increase in costs."

[46] Order No. 86785 at 25.

[47] While Staff was generally supportive of DHCD's request to continue implementing the MEEHA program, it noted the continued difficulties experienced by the Utilities with respect to timely receipt of invoices from DHCD. *See* Staff DHCD Comments at 12. We take this opportunity to reiterate our previous directive that DHCD timely submit LIEEP and MEEHA invoices to the Utilities, and to simultaneously provide the Utilities with a clear description of the accompanying expenditures. *See* Order No. 86698 (Nov. 5, 2014) at 17, 22 ¶18.

[48] *See* ML#158679: *DHCD's EmPOWER 2015-17 Low Income Energy Efficiency Program Proposal Errata* (Sept. 16, 2014).

In granting this approval, we also extend to DHCD the same flexibility afforded to the Utilities with respect to operating within the three-year budget categories approved for individual programs.[49] Because of our decision to authorize DHCD as the LIEEP and MEEHA program implementer for the entire 2015 – 2017 program cycle, two pending requests by DHCD are rendered moot: (1) DHCD's Feb. 18, 2015 request to extend the 2015 MEEHA Budget Funding Period to allow projects committed by December 31, 2015 to be funded through December 31, 2016;[50] and DHCD's May 12, 2015 request to access additional MEEHA funding for the Pepco service territory.[51] Should DHCD exhaust the flexibility afforded by the three-year program cycle, it may seek a budget adjustment or program modification from the Commission through the well-established semi-annual process. Proactive engagement and implementation of these energy efficiency programs should afford ample time to request a budget adjustment during the three-year program cycle, and in the event that Staff holds that a request warrants our interim attention, we are committed to such a review.

Limited-Income Work Group

As noted by OPC, the "recent activities of the limited-income work group have helped identify and come to agreement on a number of program enhancements" and "the activities of this work group should continue on a regular basis in the next program cycle."[52] We are encouraged by this progress, and agree with OPC's observation. We further address several of the Work Group's recommendations. *First*, we adopt the proposed equipment replacement

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[49] DHCD may spread customer incentives approved in this Order and in Order No. 86785 throughout the 2015 – 2017 program cycle. The shifting of approved monies during the 2015 – 2017 program cycle is limited to within the approved budget category (i.e. customer incentives; EM&V; outside services; and administrative) and within the associated service territory. This flexibility does not allow DHCD (or the Utilities) to allocate monies from one budget category to another.
[50] DHCD MEEHA Budget Request at 1.
[51] ML#168209: *Maryland Department of Housing and Community Development request to access additional PEPCO funding for the MEEHA program* (May 12, 2015).
[52] OPC Comments at 51.

criteria as developed and recommended by the Limited-Income Work Group.[53] *Second*, we adopt the Work Group's recommendation to approve DHCD's February 4, 2015 proposed Standard Measure Price List;[54] however, as requested by the Work Group, we condition this approval on the continued review of the Price List by the Limited-Income Work Group to ensure that the measures offered are still commercially available and provide meaningful energy efficiency savings.[55] *Third*, we adopt the recommendation that DHCD should update its written policies to include a clear articulation of its procedures for contractor suspension; DHCD should share its revised policy with the Limited-Income Work Group.[56]

Evaluation, Measurement, and Verification of Limited-Income Programs

DHCD acknowledged it did not reflect the results of the 2013 Itron cost-effectiveness evaluation in the savings reported in its semi-annual filing. However, as both OPC and Staff commented, it is standard practice for all EmPOWER Maryland Utilities to apply the calculated realization rates to the reported savings on a prospective basis.[57] As restated in our May 7, 2015 order, DHCD, in its capacity as an EmPOWER Maryland program implementer, is subject to the same reporting and evaluation guidelines as all other EmPOWER Maryland program implementers.[58] Therefore, DHCD is directed to reflect the realization ratios as updated by the Commission's independent, third-party evaluator in all subsequent quarterly and semi-annual filings. To the extent that Staff requires DHCD to update its 2014 third and fourth quarter results so that Staff may adequately assess its performance, we direct DHCD to do so.

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[53] ML#167111: *EmPOWER Maryland Work Group Summary Report* (April 15, 2015) at 15.
[54] *Id.* at 14.
[55] May 11, 2015 Tr. at 34. (Sherwood). (stating that, upon further review, the Work Group discovered that some measures were either no longer in production or not Energy Star rated).
[56] *See* OPC Comments at 51.
[57] *See, e.g.* Staff DHCD Comments at 3.
[58] Order No. 86980 (May 7, 2015) at 4.

In Order No. 86785, we accepted the Limited-Income Work Group's recommendation to bolster the evaluation, measurement, and verification ("EM&V") practices associated with the limited-income programs offered under the EmPOWER umbrella, and in doing so directed DHCD to adopt the twelve recommendations outlined by Itron for all prospective evaluation periods.[59] On March 26, 2015, DHCD filed a status report regarding the implementation of Itron's recommendations and in it requested clarification on certain next steps.[60] In response, OPC generally observed its support for more rigorous impact and process evaluations of DHCD's programs,[61] and Staff offered suggestions to address the implementation, modification, or delay of each of the twelve Itron recommendations.[62] We accept Staff's recommendations on this matter and direct DHCD to implement the twelve Itron recommendations consistent with the direction provided in Staff's April 22, 2015 comments.[63] As noted in our December order, to the extent that the adoption of these EM&V best practices and recommendations exceeds the scope of work envisioned by its 2015 – 2017 proposal, DHCD may seek a budget adjustment subject to the normal EmPOWER construct and template requirements by which all program implementers are bound.[64]

V. Other EmPOWER Requests

BGE's Program, Investigation, Design, and Development Budget Request

As part of the semi-annual hearing, BGE submitted for our consideration a request to

[59] Order No. 86785 at 24-25, 42 ¶66.
[60] ML#165818: *Maryland Department of Housing and Community Development's report of status as to Itron's Recommendations and request for clarification* (March 26, 2015).
[61] OPC Comments at 51.
[62] Staff DHCD Comments at 13-14.
[63] *Id.*
[64] Order No. 86785 at 25, note 69. The Order also highlighted the potential conflict of interest stemming from DHCD's decision to engage only one entity to conduct or assist with its forecasting, reporting, implementation, and evaluation. We note that DHCD agreed to prospectively remove the forecasting function from its EM&V contractor to alleviate the potential conflict of interest. *See* ML#162200 at 11, note 3. The same entity may not evaluate or verify savings from a program for which it has assisted in the development of the forecasts for the same time period.

increase its program investigation, design, and development ("PIDD") budget by $200,000.[65] According to the Company, the purpose of the budget increase is to fund an extension of two innovative pilot programs – the PeakRewards Wi-Fi pilot and the BGE Cool Savings pilot – through calendar year 2015 in an effort to engage 2,500 customers and 100 customers in each of the pilots, respectively.[66]

We have expressed repeatedly our intent to encourage additional innovation in EmPOWER program offerings.[67] In Order No. 86785 we noted our expectation that the Utilities take full advantage of the new PIDD budgets earmarked in the approved 2015 – 2017 program cycle plans.[68] Leading up to this approval, Staff encouraged each of the Utilities to earmark at least 0.50% of its EmPOWER Maryland budget for PIDD programs.[69] Given that this increase will cause the PIDD budget to account for only 0.40% of the Company's forecasted residential budget in 2015,[70] we find that approval of BGE's request is consistent with Staff's previous recommendation and our stated intent to encourage further innovation. Furthermore, OPC supports BGE's requested PIDD budget increase, specifically so that the Cool Savings Program and PeakRewards Wi-Fi thermostat pilots can continue in 2015.[71] We therefore grant BGE's requested PIDD budget increase in the amount of $200,000 for the 2015 – 2017 program cycle.

Independent Evaluator 2015 – 2018 Budget Request

Based on EM&V best practices, in 2009 we adopted an independent, third-party evaluator model to review the EmPOWER Maryland portfolio results.[72] In this model, the

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[65] BGE PIDD Request at 1.
[66] *Id.* at 2.
[67] *See, e.g.* Order No. 86785 at 5.
[68] *Id.*
[69] ML#159240: *Combined 2014 First Half Semi-Annual & 2015 – 2017 Planning Cycle EmPOWER Maryland Staff Comments* (Oct. 3, 2014) at 15.
[70] Staff Overview Comments at 85.
[71] OPC Comments at 57.
[72] Order No. 82869 (Aug. 31, 2009).

Utilities direct primary evaluation and verification activities through an EM&V contractor (Navigant Consulting, Inc.); subsequently, the Commission's third-party, independent evaluator (Itron, Inc.) provides independent analysis and due diligence of the EM&V process. Because the contract for the Commission's EmPOWER Maryland EM&V contractor expires on June 30, 2015, Staff, in consultation with the Utilities, filed a request to extend Itron's EM&V contract for three years.[73]

As noted by Staff, "[a]ll parties are satisfied with the performance of Itron"; Staff, the Utilities, and Navigant have each established a good working relationship with Itron.[74] Furthermore, Staff observed that the cost economies derived from Itron's existing infrastructure and experience with EmPOWER Maryland programs has resulted in proposed annual budgets for the July 1, 2015 – June 30, 2018 evaluation cycles that are significantly lower than in prior years.[75] Therefore, in recognition of our continued commitment to EM&V best practices and in order to avoid any unnecessary lag in cost-effectiveness evaluation cycles, we approve the three-year contract extension for Itron to continue as the Commission's EM&V evaluator.[76]

NEEP EM&V Forum Funding Request[77]

On behalf of MEA, OPC, and the Utilities, Staff filed a request for the Commission to approve the 2015 budget and utility cost share of the EM&V Forum projects sponsored by the Northeast Energy Efficiency Partnership ("NEEP").[78] On December 17, 2014, the Forum's Steering Committee adopted the $1.6 million regional budget, contingent upon Maryland receiving formal approval from the Commission with respect to the Utilities' proposed cost share

[73] Staff Overview Comments at 12.
[74] *Id.*
[75] *Id.* at 13.
[76] The Itron contract is approved in the following amounts: $742,521 (2015 – 2016); $768,509 (2016 – 2017); and $795,407 (2017 -2018).
[77] Commissioners Kelly Speakes-Backman and Anne E. Hoskins abstain from the decision to approve the NEEP EM&V forum funding request.
[78] Staff Overview Comments at 14-15.

as calculated by NEEP. Following a review of the supporting materials appended to Staff's comments,[79] we approve the $261,617 cost share for Maryland, allocated among the Utilities as follows: BGE, $136,042; Delmarva, $18,051; Pepco, $64,358; PE, $29,039; and SMECO, $14,127.

Incentives for Utility Performance Work Group

On April 15, 2015, Staff filed, on behalf of the various EmPOWER Maryland work groups, a summary report detailing progress on the tasks assigned as part of our December order.[80] The filing included a status report on the review of a proposal put forth by MEA regarding incentives for utility performance.[81] Both Staff and MEA agree that additional research is required before the workgroups can formulate a specific performance-based incentive proposal.[82] MEA requests that the Utility Performance Work Group continue to meet so that it can further clarify the problem statement surrounding performance-based incentives; explore performance incentive options in detail; and conduct additional research with regard to comparable proposals offered in other jurisdictions.[83] We find that it is appropriate for the Utility Performance Work Group to continue convening for purposes of additional exploration and to the extent that such efforts dovetail with those contemplated in other proceedings, and direct the Work Group to file with the Commission a status report on the matter as part of its next semi-annual report.[84]

IT IS THEREFORE, this 21st day of May, in the year Two Thousand Fifteen, by the

[79] *Id.* at Appendix D.
[80] ML#167111: *EmPOWER Maryland Work Group Summary Report* (April 15, 2015).
[81] *Id.* at 22-26.
[82] MEA Comments at 36.
[83] *Id.* at 36-37.
[84] We note that on May 18, 2015, Exelon, Delmarva, Pepco, and PHI accepted the conditions of approval for the merger application in Case No. 9361, as outlined in Order No. 86990. Therefore, BGE, Delmarva, and Pepco are required to submit a proposed penalty structure for failure to meet Commission-approved goals no later than March 1, 2016. *See* Order No. 86990 (May 15, 2015) at Appendix A-7.

Maryland Public Service Commission,

ORDERED: (1) That the updated Executive Summary tables for the 2015 – 2017 program cycle filed by BGE, Delmarva, Pepco, PE, and SMECO in compliance with Order No. 86785 are noted;

(2) That the BGE Residential Natural Gas Conversion Pilot is extended until such time that the Commission issues a determination regarding whether to approve the program beyond the pilot stage following the Spring 2016 Semi-Annual Hearing;

(3) That BGE is directed to conduct the Residential Natural Gas Conversion Pilot extension at the calendar year 2015 level and at one half the 2016 levels proposed for the budget and metrics as filed in its 2015 – 2017 proposal, as well as in accordance with the reporting requirements previously outlined in Order No. 86366;

(4) That as part of the Residential Natural Gas Conversion Pilot, BGE is directed to include with its next semi-annual filing a detailed status report containing the data listed herein;

(5) That the joint request by BGE, Delmarva, Pepco, PE, and SMECO to modify the C&I LED measures and incentive levels offered as part of the C&I Prescriptive Program is approved;

(6) That the Maryland Energy Wise Rewards Residential Program budget adjustment requests by Delmarva and Pepco are approved for the 2015 – 2017 program cycle, subject to the metrics included in their filings and the additional O&M cost allocations as described herein;

(7) That the Maryland Energy Wise Rewards Small Commercial Program budget adjustment requests by Delmarva and Pepco are approved for the 2015 – 2017 program cycle, subject to the metrics included in their filings and the additional O&M cost allocations as described herein;

(8) That the marketing and customer bonus budget adjustment request for the Pepco Master-Metered Account Demand Response Program is approved for the 2015 – 2017 program cycle, subject to the metrics included in Pepco's filing;

(10) That DHCD is approved as the implementer of the LIEEP and MEEHA programs on behalf of the Utilities in calendar years 2016 – 2017, subject to the metrics and budget included in DHCD's 2015 – 2017 program cycle proposal;

(11) That the Equipment Replacement Criteria proposed in the April 15, 2015 report by the Limited-Income Work Group are approved for immediate use with respect to the LIEEP and MEEHA programs;

(12) That the February 4, 2015 Standard Measure Price List proposed by DHCD is approved, subject to the continued review and recommendations of the Limited-Income Work Group;

(13) That DHCD is directed to update its written policies to include a clear articulation of its procedures for contractor suspension, and DHCD is directed to share the revised policy with the Limited-Income Work Group;

(14) That DHCD is directed to reflect realization ratios as calculated by the Commission's independent, third-party evaluator in all subsequent quarterly and semi-annual EmPOWER Maryland filings;

(15) That DHCD is directed to implement the twelve evaluation improvement recommendations – proffered by Itron, Inc. and adopted in Order No. 86785 – consistent with the guidance included in Staff's April 22, 2015 comments;

(16) That the request to increase BGE's PIDD budget by $200,000 for the 2015 – 2017 program cycle is approved;

(17) That the three-year contract extension for Itron to continue as the Commission's EM&V evaluator is approved, subject to the budgets of: $742,521 for 2015 – 2016; $768,509 for 2016 – 2017; and $795,407 for 2017 – 2018;

(18) That the 2015 NEEP EM&V Forum Funding Request is approved in the total amount of $261,617, allocated to the EmPOWER Utilities as follows: BGE, $136,042; Delmarva, $18,051; Pepco, $64,358; PE, $29,039; and SMECO, $14,127;

(19) That all revised targets and forecasts filed by the Utilities in conjunction with their budget adjustment requests are approved and shall be reflected in the next semi-annual filing; and

(20) That the Utility Performance Work Group shall include with its next semi-annual filing a status report pertaining to its research and findings regarding performance-based incentives.

/s/ W. Kevin Hughes

/s/ Harold D. Williams

/s/ Lawrence Brenner

/s/ Kelly Speakes-Backman

/s/ Anne E. Hoskins
Commissioners