ML 221469

ORDER NO. 88783

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
IN THE MATTER OF WASHINGTON GAS LIGHT COMPANY'S ENERGY EFFICIENCY, CONSERVATION AND DEMAND RESPONSE PROGRAMS PURSUANT TO THE EMPOWER MARYLAND ENERGY EFFICIENCY ACT OF 2008	*	CASE NO. 9362

Issue Date: July 27, 2018

On May 3 and 4, 2018, the Commission held a legislative-style hearing in the above-captioned cases to review, *inter alia*, the semi-annual EmPOWER Maryland reports for the third and fourth quarters of 2017 as 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] Southern Maryland Electric Cooperative, Inc. ("SMECO"),[5] Washington Gas Light Company ("WGL")[6] (collectively, "the Utilities"), and the Maryland Department of Housing and Community Development ("DHCD").[7] The Commission reviewed the comments pertaining to the semi-annual reports filed by the Commission's Technical Staff ("Staff'),[8] the Office of People's Counsel ("OPC"),[9] the Maryland Energy Administration ("MEA"),[10] the Maryland Energy Efficiency Advocates ("MEEA"),[11] and

[1] ML#218775: The Potomac Edison Company - 2017 Semi-Annual EmPOWER Q4 2017 Report for the period of July 1, 2017 - December 31, 2017 ("PE Report") (Jan. 31, 2018).
[2] ML#218796: BGE's Semi-Annual Report for Third and Fourth Quarters – July 1 through December 31, 2017 ("BGE Report") (Jan. 31, 2018).
[3] ML#218793: Potomac Electric Power Company's EmPOWER Maryland Report ("Pepco Report") (Jan. 31, 2018).
[4] ML#218795: Delmarva Power & Light's EmPOWER Maryland Report ("Delmarva Report") (Jan. 31, 2018).
[5] ML#218783: Q3/Q4 2017 Semi-Annual EmPOWER Maryland Report ("SMECO Report") (Jan. 31, 2018).
[6] ML#218785: 2015-2018 Second EmPOWER Maryland Semi-Annual Report ("WGL Report") (Jan. 31, 2018).
[7] ML#218797: Maryland Department of Housing & Community Development's 2018 Q3/Q4 Semi-Annual EmPOWER Maryland Report ("DHCD Report") (Jan. 31, 2018); ML#219137: Errata of 2018 Q3/A4 Semi-Annual EmPOWER Maryland Report ("DHCD Errata") (Feb. 22, 2018).
[8] ML#220037: Comments of the Public Service Commission Staff 2017 Semi-Annual EmPOWER Maryland Programmatic Report for the Third and Fourth Quarters ("Staff Comments") (April 18, 2018).
[9] ML#220041: EmPOWER Maryland 2017 Q3-Q4 Semi-Annual Review Report ("OPC Comments") (April 18, 2018).
[10] ML#220042: Maryland Energy Administration Comments on Semiannual EmPOWER Reports for Quarters 3 and 4, 2017 ("MEA Comments") (April 18, 2018).
[11] ML#220047: Maryland Energy Efficiency Advocates' Comments on the EmPOWER Maryland Semi-Annual Reports for Third and Fourth Quarters – July 1 through December 31, 2017 ("MEEA Comments") (April 18, 2018).

the Maryland Alliance of Energy Contractors ("MAEC").[12] The Commission also reviewed a request for the extension of the Itron contract[13] and a request by DHCD to modify a funding review process,[14] as well as compliance filings in response to prior Commission directives.[15]

The filings analyzed the performance of the Utilities' portfolios during the previous two quarters, offered recommendations for programmatic improvements, provided status reports and data in response to prior Commission orders, and requested approval and direction from the Commission regarding future programming. The filings contained three matters that required the Commission's attention in the short term; thus, a brief order was issued soon after the hearings concluded and addressed the extension of the Itron contract, the modification of semi-annual filing deadlines, and DHCD's request to change the review process for its Multifamily Energy Efficiency and Housing Affordability ("MEEHA") program.[16] We now turn our attention to the remaining requests and concerns stemming from the filings and semi-annual hearing thereon.

EmPOWER Marketing

Ratepayers should be able to make the connection between the EmPOWER

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[12] ML#220045: Comments of the Maryland Alliance of Energy Contractors and the Heating and Air Conditioning Contractors of Maryland, Inc. ("MAEC Comments") (April 18, 2018).
[13] ML#219592: Contract Extension for Itron, the Commission's Evaluation, Measurement and Verification Consultant ("Itron Contract Extension") (March 26, 2018).
[14] ML#220091: DHCD Request to Change Review Process for MEEHA Funding ("DHCD Review Process Request") (April 20, 2018).
[15] ML#219814: Summary Report on the Directives from Commission Order No. 88514 ("Marketing Report") (April 3, 2018); ML#219916: Summary Report on the Directives from Commission Order No. 88402 ("Behavioral Report") (April 10, 2018); ML#220201: Order No. 88504 Compliance Filing ("DHCD Compliance Filing") (April 27, 2018).
[16] Order No. 88696 (May 21, 2018).

surcharge and the EmPOWER programs. Thus, in Order No. 87575,[17] the Commission directed Staff to convene the EmPOWER Marketing Work Group for the purpose of assessing opportunities to enhance the transparency of EmPOWER billing, benefits reporting, and marketing activities. The Commission later directed the Work Group to further its efforts by focusing on the development of a co-branding approach so as to generate support and understanding of the statewide EmPOWER energy efficiency initiatives within the Utilities' service territories.[18] Specifically, the Work Group was directed to "develop co-branding guidelines and standards, as well as a recommendation for the new EmPOWER Maryland logo, for our imminent consideration and inclusion in all marketing materials beginning with the third quarter of 2018."[19] The Work Group filed its Marketing Report on April 3, 2018.[20]

The Commission is pleased with the Marketing Report and the progress that is being made to raise the understanding and awareness of the EmPOWER Maryland program through co-branding efforts and the creation of a distinctive logo. We appreciate the development of the proposed logo and its portrayal of several energy sources included under the EmPOWER programs. We note the participation by our State agencies in the development of the logo and are pleased that a consensus was reached among the Work Group as to approval of the logo. We also are encouraged that co-marketing and education is being developed for the initiation of the mid-stream programs as further discussed herein. We approve the proposed logo and its use starting no later than the

[17] Issued May 26, 2016.
[18] Order No. 88514 (December 22, 2017).
[19] *Id.* at 42.
[20] ML#219814.

third quarter of 2018. The Utilities may continue to use existing printed materials that do not contain the approved logo until the start of the third quarter of 2018.[21]

MEA, OPC, and Staff play an important role in bringing the State's perspective to the co-branding objective. As the State agencies and Staff have observed, co-branding goes beyond just a logo, and the Commission asks the Utilities to continue working with MEA, OPC, and Staff on developing messaging and information in each of the Utilities' advertising campaigns and marketing materials that inform Marylanders that EmPOWER is a State energy efficiency program designed to save energy and money, and all Maryland "energy" customers fund it and should participate in it.

The Marketing Report requested the Commission's guidance on the use of the EmPOWER logo or line in specific non-consensus circumstances.[22] While the Commission understands that in some cases messaging time is short and space is tight, we ask the Utilities to work with MEA, OPC, and Staff to ensure that the intent and goals of co-branding are achieved in all advertising and marketing campaigns and educational materials. If EmPOWER funds are being used to promote, or educate about, an EmPOWER program, the EmPOWER logo should be used, and in short radio or live-read circumstances, a tag line as short as "… an EmPOWER Maryland program" should be added. Similarly, web banner advertising in most circumstances can accommodate both a utility and EmPOWER logo. In short, the Utilities are directed to use both their logo and the EmPOWER logo, or make mention of both the utility and EmPOWER, whenever possible.

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[21] Any of the Utilities concerned about possessing a large inventory of existing printed materials that do not contain the approved logo beyond this deadline may include such concern and a request for guidance in its 2018 Q1/Q2 Semi-Annual Report.

[22] Marketing Report at 4.

We further approve the minor change in the tagline text from "electric" and "electricity" to "energy," and decline, at this time, to initiate the creation of an EmPOWER Maryland website. We commend MAEC's desire to help continue the establishment and promotion of the EmPOWER Maryland brand and raise ratepayer awareness, and encourage MAEC to work with MEA in furtherance of its suggested EmPOWER Maryland website.

Midstream Incentives

Midstream programs are initiated at the retail or distributor level and, as such, fully engage retailers and distributors in the EmPOWER process, thereby mitigating common program barriers such as customer education and product availability. A concern with midstream programs is that customers may be less aware of the source of the benefits and the association between the EmPOWER surcharge and the products they purchase. BGE, Delmarva, PE, Pepco, and SMECO (collectively, "the Electric Utilities") included proposals for offering midstream incentives under the Appliance Rebate and HVAC programs in their respective 2018-2020 plans. We approved the proposals in Order No. 88514. To address the concerns associated with midstream programs, in that same Order we directed the EmPOWER Marketing Work Group to convene to ensure that "midstream incentive approaches deployed throughout the EmPOWER portfolios are properly framed in a manner that permits end-use customers to still attribute the realized savings to EmPOWER Maryland." The Work Group filed its Summary Report on the EmPOWER Midstream Program Marketing on April 3, 2018.[23]

[23] ML#219814.

The Marketing Report contained detailed strategies put forth individually by the Electric Utilities to ensure that ratepayers are made aware of the EmPOWER funding still occurring under a midstream incentive structure.[24] We note the Electric Utilities' proposed midstream marketing strategies and look forward to receiving feedback on their implementation.

We take notice of OPC's recommendation to collaborate and coordinate statewide in the implementation of these midstream programs and agree there may be potential for cost savings through marketing consolidation and standardization; however, at this time we will give the Electric Utilities the opportunity to implement their midstream programs as proposed. As stated in the Marketing Report, the strategies proposed by the Electric Utilities may change based on market conditions and the needs of the program and its customers.[25] Given the newness of the program, we are hopeful there is value to be found in the varied approaches and marketing tactics. We hold the Work Group to its pledge to monitor the midstream program implementation as the 2018-2020 cycle continues, and we direct the Work Group to file a status report on the implementation on the same schedule as the filing of semi-annual reports, thereby allowing us to consider a different approach, if necessary. We also encourage the involvement of MAEC in the Work Group process as we believe there is value to its perspective, particularly with regard to private industry, that may not otherwise be represented.

[24] Marketing Report at 6.
[25] Marketing Report at 6.

Behavior-Based Programs

Behavior-based programs are intended to encourage residential customers to make and sustain behavioral changes that yield demonstrable energy savings. They include home energy reports and online engagement tools, and represent a widely accessible opportunity for customers to engage in an EmPOWER energy efficiency program on a regular basis. The programs have been operating since the 2012-2014 EmPOWER cycle,[26] and as currently structured are a cost-effective means of achieving continued annual energy savings.

On May 26, 2016, the Commission issued Order No. 87575, wherein the behavioral programs were noted to "constitute a significant portion of the energy savings realized by the Utilities' residential EE&C portfolios."[27] The Order also noted "the reliance by the Utilities on Residential Behavioral Programs,"[28] and therefore, in an attempt to keep the Utilities "engaged in improving the effectiveness of these programs," directed Staff, on behalf of the Behavior-Based Programs Work Group,[29] to file a report assessing several recommendations pertaining to data collection and reporting. The Work Group filed its Behavior-Based Program Work Group Summary on April 10, 2017.[30]

On September 26, 2017, the Commission issued Order No. 88402, wherein it was noted that "questions still remain regarding this type of program offering," and "the

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[26] Order No. 84569 (December 22, 2011).
[27] Order No. 87575 at 7.
[28] *Id.* at 8.
[29] Order No. 87575 referred to this Work Group as the "EmPOWER Reporting and Process Improvement ('ERPI') Work Group"; however, the April 10, 2017 Summary Report on the Directives from Commission Order No. 87575, as filed by Staff, references the "Behavior-Based Programs Work Group" as it has since been called.
[30] ML#214584.

questions continue to be warranted and timely as we prepare for the launch of the next program cycle."[31] As such, the Work Group was directed to continue meeting on at least a quarterly basis to facilitate ongoing consideration of issues raised at the semi-annual hearings.[32] Order No. 88402 further stated:

> Specifically, in the near-term, the Work Group is charged with considering at a minimum the following items: whether there should be a percentage cap on behavioral-based programs as a component of a utility's sub-portfolio in future program cycles; whether innovative "M&V 2.0" mechanisms can be piloted in conjunction with these types of offerings for program optimization purposes; and whether the persistence of energy savings associated with behavior-based programs justifies an alternative cost recovery model, including but not limited to possible modified amortization schedules, than is currently utilized.

Staff, on behalf of the Work Group, was directed to file a report on the aforementioned items no later than April 10, 2018.[33]

On December 22, 2017, the Commission issued Order No. 88514, wherein the Utilities' behavior-based programs were approved for 2018. The Commission deferred its consideration of the 2019 and 2020 programs until after its receipt and review of the Work Group Report, stating:

> It is our expectation that the Behavioral Work Group's forthcoming report will address at length the questions posed for consideration in Order No. 88402, and as such will strive to present creative options for our consideration relating to alternative cost recovery models for behavioral programs … Such [creative] options range from amortization schedules linked to the persistence of associated energy savings, to the transitioning of behavioral

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[31] Order No. 88402 at 4.
[32] *Id.*
[33] *Id.* at 4–5.

> program-related online portal costs into future base rate proceedings.[34]

The Work Group filed its Behavioral Report on April 10, 2018.[35]

We generally support the behavior-based program offerings. Such a program is cost effective, is relatively inexpensive when compared to other programs, and can be utilized with ease by all income levels and housing types. We also recognize its ability to serve as a valuable means of marketing for other EmPOWER programs and in helping customers make the connection between the EmPOWER surcharge and associated programs. There is, however, a limit to our support. We have expressed concerns surrounding the growth of behavior-based programs. The programs show growth in that they are progressively becoming a larger component of the Utilities' portfolios, yet we have seen less growth in the quality and refinement of the programs. It appears to the Commission that less effort is being put into developing and enhancing other programs than into the growth and refinement of existing behavior-based programs. We seek balance in the Utilities' portfolios, and perhaps a fine-tuning of the existing behavior-based programs—two goals that we believe were expressed in prior Orders. Furthermore, as discussed later in this Order, we seek specific information regarding whether caps have been used in other states and other specific tasks the Work Group should address.

The Work Group was tasked with discussing and providing information, at a minimum, on whether a percentage cap on behavior-based programs was appropriate in the future. In response, the Work Group stated that a cap is not necessary for future

[34] Order No. 88514 at 20–21.
[35] ML#219916.

program cycles and provided several reasons for that recommendation.[36] In support of its position, the Work Group stated that the behavior programs are wide reaching, provide marketing opportunities for all income levels, and are the least expensive programs; a cut back of the programs will increase costs and may create artificial performance issues. The Work Group also stated that the behavior programs are not currently a too-high percentage of the savings. The Work Group further stated that if the programs were capped, the Electric Utilities would need to file updated plans requesting increased budgets to achieve their statutory goals, multiple programs would have to be used to replace the savings of the behavioral programs, and more data would be needed before a proper cap could be established. We understand and value the Work Group consensus that a cap should not be placed on the total savings that the behavior-based programs can contribute to a utility's portfolio. Of course, a decision regarding a cap is the Commission's to make. However, here the Work Group did not provide sufficient information needed to assist us in making that decision. Therefore, as discussed below, we have asked for specific information to be provided.

The Work Group was also tasked with determining whether innovative measurement and verification mechanisms ("M&V 2.0") can be included in the programs. The Work Group responded that the behavior program uses test and control groups for measurement and verification ("M&V"), and that other programs across the country use the same method. According to the Work Group, this is the preferred method for M&V. In addition, it allows for faster evaluation.[37] Since the test and control groups are an optimum method for measurement and verification, the Work Group stated that

[36] Behavioral Report at 3.
[37] *Id.* at 8.

innovative M&V is better used in other programs because it is designed to use and compare data to models in the absence of test and control groups. Therefore, the Work Group stated that "[since we have test and control groups], this is not an issue for the Behavior program, and piloting innovative 'M&V' would be better suited for a different program."[38]

Similarly, the Work Group was asked to look into whether an alternative cost recovery model would be appropriate for the behavior-based programs and, in response, the Work Group stated, "not enough is known to determine a separate amortization schedule for the Behavior program at this time." The Work Group did provide, in Appendix B, utility surcharges and bill impacts for each company with the program expensed, amortized over 3 years, and amortized over 5 years. The Work Group suggested that this issue may be better addressed by a Surcharge Work Group."[39]

We are disappointed that the Work Group so narrowly interpreted our prior orders and failed to address at length and in detail, the questions set forth in Order No. 88402. We now reiterate and refine our Order No. 88402 directions regarding a program cap, M&V 2.0, and cost recovery, and further specify additional details for the Work Group's focus. Staff, on behalf of the Behavior-Based Program Work Group, is directed to file a report on the following items, as well as those requested in Order No. 88402, no later than December 31, 2018:

[38] *Id.* at 7.
[39] *Id.* at 9.

1. Program Cap: information pertaining to whether other states employ a program cap on behavior-based programs and, if so, details surrounding the caps; data pertaining to savings and cost percentages of other state behavior-based programs; and a recommendation as to an appropriate cap for EmPOWER Maryland behavior-based programs, should the Commission decide to institute a program cap.

2. M&V 2.0: a proposed pilot pertaining to the use of data gleaned from AMI initiatives in the Utilities' behavior reports. The Utilities should fully maximize the potential value and economic benefits of AMI on the customer's side of the meter by planning, reporting, evaluating and coordinating between the Utilities' operational AMI and EmPOWER initiatives; and

3. Cost Recovery: the impact that a shortened amortization schedule may have on the EmPOWER Maryland surcharge. MEA, as the State's energy policy office, is urged to initiate and provide leadership to the Work Group on the issue of cost recovery.

The Work Group developed and proposed two pilot programs, suggested expanded reporting on the behavioral programs, and requested the Commission's approval of the 2019 and 2020 behavior-based programs as proposed in the Utilities' 2018-2020 EmPOWER Program Filings. For the reasons stated herein, we deny the proposed Target Rank pilot program, approve the proposed Auto-Pay/Budget Billing pilot program, approve the Work Group's expanded reporting as proposed, and approve the Utilities' 2019 and 2020 behavior-based programs as proposed in their respective 2018-2020 EmPOWER Program Filings.

The Target Rank Pilot is designed to attempt to optimize savings by targeting particular customers (those consistently ranked as inefficient neighbors) with specific content.[40] Participants would be divided into two groups: one that would continue to receive the current neighbor comparison experience, while the other group would receive a "smaller, more achievable goal."[41] The Target Rank Pilot would launch on July 1, 2018, and run for six months in the BGE and PE territories.[42] While it is likely that different customers might respond to different messaging, and thus we understand the overall goal of the Target Rank Pilot, we find it to be underdeveloped. The Work Group mentions providing a "smaller, more achievable goal," but does not offer any description or example of what that might entail. No mention is made as to what the goal would be smaller or more achievable than, nor does the proposal note whether recommendations might be made as to how to achieve such goal and, if so, what the recommendations might be. Furthermore, depending upon the recommended means by which to achieve the smaller, more achievable goal, if any such means are recommended, we find the proposed duration of the pilot to be too brief. For example, if the recommended goal is to be achieved through a measure beyond simply decreasing usage, six months may not be enough time to receive the recommendation, implement the measure, and gather noticeable, comparable results. Based upon the foregoing reasons, we decline to approve the Target Rank Pilot.

The Auto-Pay/Budget Billing Pilot ("Billing Pilot") is designed to test new digital communication for auto-pay or budget billing customers to help mitigate the increased usage that often results from enrollment in one of the billing options.[43] The Billing Pilot

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[40] *Id.* at 12.
[41] *Id.* at 12.
[42] *Id.* at 13.
[43] "This will be either a budget billing or an auto-pay pilot for a single utility but not both. The stakeholders will continue to discuss which types of customers fit best for the pilot by utility." *Id.*

would launch August 1, 2018, in the PHI and SMECO territories;[44] its duration has yet to be determined.[45] We find the Billing Pilot to be intriguing in that it recognizes and attempts to address the missed savings opportunities that may come with irregular or infrequent review of billing statements, which is not atypical for customers enrolled in auto-pay and budget billing programs. We also note the potentially large volume of customers that could benefit from the Billing Pilot, many of whom may be low-income customers. Essentially, the Pilot aims to get otherwise unaware or unengaged customers to notice the program, with the hope that savings will result therefrom. The intent to reach a new segment of customers is easily measurable, as would be any resulting savings, as the Pilot deals strictly with modified digital marketing communication.

We commend the Work Group for its attempt to refine an existing element of the behavior-based program by more effectively reaching current program recipients, and we approve the Billing Pilot as proposed. We require the Billing Pilot to be conducted within the existing budgets for PHI and SMECO, and we direct the Utilities to follow the Commission's systematic approach to developing and evaluating a pilot program as stated in the following guidelines:

- Clear goal(s) established at the beginning of pilot program development;
- Evaluation metrics linked to those goal(s) that will inform whether the goal(s) are achieved;
- An evaluation plan developed before final pilot approval;
- An estimate of pilot program implementation costs;

[44] We note that the Behavioral Report states both, "This pilot would be carried out by PHI and SMECO," and "SMECO is also considering this pilot." *Id.* at 10 and 14, respectively.
[45] *Id.* at 13 and 14.

- Public sharing of key pilot program data after pilot is complete, and at regular intervals during the pilot of appropriate;

- Public review of pilot results by the Commission;

- A clear transition plan for current customers (e.g., customers could remain in the pilot program until the Commission evaluates the results and reaches a decision as to how to proceed, but enrolling new customers is prohibited); and

- A firm sunset date—any extension, amendment or permanent authorization must be affirmatively approved by the Commission. We envision a pilot program proposal setting a firm post-pilot timeline that outlines milestones for stakeholders to conduct an evaluation of pilot results, present those results to the Commission, and account for a Commission determination how to proceed.[46]

The Behavior-Based Program Work Group is to submit a finalized Billing Pilot proposal to the Commission in accordance with the above-stated guidelines within 15 days of the issuance of this Order.

The Work Group proposed the expansion of behavioral program reporting. Specifically, the proposal is for the Utilities to include four additional reporting metrics in their semi-annual reports (i.e., the program as a percentage of total savings, the total costs of the portfolio with and without the program included, and the cost MWh/therm savings) and to dedicate a mini-table to the program in order to provide more granular data.[47] We find the additional data and metrics useful and approve the Work Group's proposal for

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[46] Case No. 9453, *In the Matter of the Request of Baltimore Gas and Electric Company for Approval of a Prepaid Pilot Program and Request for Waivers of COMAR and Commission Orders*, Order No. 88438 (October 25, 2017) at 20.
[47] Behavioral Report at 10.

expanded reporting, and direct the Utilities to include the above-stated metrics in every semi-annual report moving forward, beginning with the 2018 Q1/Q2 Reports.

Finally, the Work Group requested the Commission's guidance on how long to extend the approval of the behavior-based programs. It appears a consensus among the Work Group could not be reached as some stakeholders are in support of extending the programs through 2020 while others support approval for 2019 with funding for 2020 to be considered only after the conclusion of any approved pilot program. We have directed the Work Group to provide the information discussed herein, and we will continue to critically evaluate these programs based upon that information as well as pilot results and the routinely filed semi-annual reports and comments thereon. Given the cost effectiveness of the behavior-based programs, and in the interest of enabling efficient utility planning, we approve the 2019 and 2020 behavior-based programs as proposed, with the understanding that we will be considering whether a cap is appropriate for the programs once we receive the information as directed.

Finally, we note the request by WGL for approval of the proposed expansion of its Residential Behavioral Conservation Program.[48] We previously addressed this request in Order No. 88514, wherein we authorized WGL to proceed with the program at the same participation level targeted during the 2015-2017 program cycle (i.e., roughly half of the proposed 2018-2020 program cycle participation target), but held in abeyance the proposed expansion request until the issuance of the instant Order stemming from the spring 2018 semi-annual hearing.[49] Our rationale for holding the decision in abeyance was to allow us the opportunity to review the Behavior-Based Program Work Group

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[48] ML#216730 at 11.
[49] Order No. 88514 at 31–33.

Report required by Order No. 88402. As previously discussed, the Behavioral Report filed by the Work Group on April 10, 2018, did not contain sufficient information to enable us to make certain determinations. It follows that the request by WGL for approval of its behavioral program expansion is deferred until we issue an Order stemming from the spring 2019 semi-annual hearing, thereby allowing us to review the Report to be filed no later than December 31, 2018, by the Work Group and to address any deficiencies found therein.

<u>Financing</u>

An integrated financing option for energy efficiency projects has long been a desire within the EmPOWER Maryland program. As far back as December 22, 2011, the Commission stated, "participation in the EmPOWER programs would increase if consumers had financial assistance options," and "the lack of convenient, accessible financing at favorable rates is a missing link in all of the Companies' EmPOWER programs."[50] Since that time, several parties to these matters, the Maryland General Assembly, and the Commission have all reiterated these sentiments and acknowledged the likelihood of opportunities lost as a result of not having financing options available. As such, the EmPOWER Finance Work Group submitted reports on financing options,[51] the matter of residential energy efficiency financing was delegated to the Commission's Public Utility Law Judge ("PULJ") Division for further investigation,[52] and a task force was created as a result of a Senate Bill in order to, among other things, assess financing

[50] Order No. 84569 at 13 and 14.
[51] ML#145106 and ML#146444.
[52] Order No. 86788 at 1 and 2.

options.[53] Despite such efforts, no viable financing program for residential ratepayers is currently in place.

During the hearings on the EmPOWER Maryland reports for the third and fourth quarters of 2017, several parties suggested that attempts to develop or locate a finance program for residential energy efficiency programs be revived. Most notably, OPC strongly recommended that the issue be revisited, provided several information sources to assist in the updated assessment,[54] and made recommendations pertaining to principles to be followed by the Finance Work Group in performing the assessment. We agree that the issue of residential financing for energy efficiency programs is ripe for new discussions.

We hereby direct the Finance Work Group to reconvene for the purpose of investigating possible financing opportunities for residential energy efficiency measures. The Work Group shall utilize, at a minimum, the sources identified by OPC and restated herein. A comprehensive report is to be submitted by Staff, on behalf of the Work Group, no later than April 12, 2019. The report is to include possible residential financing options for energy efficiency programs, as well as how residential financing options can be integrated into the EmPOWER program, and any legislation needed to effectuate an affordable effective residential financing option. Both on-bill financing and loans within the financing community shall be explored in addition to any other avenues the Work Group deems appropriate. The Work Group shall also include in the report detailed information pertaining to other jurisdictions that have implemented such

[53] ML#220806 at 3.
[54] The sources referenced are "1. The PULJ Report in Case 9373; 2. The MCEC Green Bank Study Final Report; 3. The MD-PACE and Montgomery County PACE programs for commercial customers; 4. The NASEO March 2018 Report on R-PACE; and 5. ACEEE Reports on energy efficiency finance options." *Id.* at 5.

financing programs. Finally, as recommended by OPC,[55] the Work Group shall address the following principles when developing proposals for residential financing programs:

1. Market-based, with reduced interest rate loans available for means-tested applicants;
2. Supported by credit enhancements to allow more applicants to qualify;
3. Potential for positive cash flow financing – enabling longer loan terms if necessary so monthly loan payments are no higher than energy savings;
4. Contractors able to offer loans in conjunction with the sale of eligible measures;
5. Considerations of on-bill financing; and
6. Loans and rebates should be stand-alone offers but integrated and leveraged to the maximum extent possible.

The Work Group shall file a status report on the development of the financing program options by October 15, 2018.

Low-Income Efforts

In its comments on the EmPOWER Maryland semi-annual reports for the third and fourth quarters of 2017, MEEA[56] alleges that EmPOWER efforts are insufficient with regard to opportunities for low-income customers to engage in energy efficiency programs offered by the Utilities.[57] MEEA requests the Commission's assistance with resolving the issue.[58] We have frequently acknowledged that improving the energy efficiency of limited-income households remains a critical area of focus for Maryland.[59]

[55] *Id.* at 5 and 6.
[56] MEEA includes the Natural Resources Defense Council, National Housing Trust, National Consumer Law Center (on behalf of its low-income clients), Sierra Club, Maryland Building Performance Association, Marylanders for Energy Democracy and Affordability, and New Ecology, Inc. MEEA Comments at 1.
[57] *Id.* at 6.
[58] *Id.* at 11.
[59] *See*, *e.g.*, Order No. 87575.

Most recently, we directed the Limited Income Work Group to convene for the purpose of discussing appropriate cost recovery mechanisms and models for the funding associated with the limited-income sub-portfolio.[60] A report on that assessment is due for our consideration no later than December 1, 2018. Furthermore, elsewhere in this Order we approved the Auto-Pay/Budget Billing Pilot for the PHI and SMECO behavior-based programs. Given the high percentage of low-income customers that engage in auto-pay or budget billing, we expect the Billing Pilot to reach a substantial amount of low-income customers, and thereby inform them of other EmPOWER measures available for their benefit. We appreciate MEEA's concerns, are hopeful that the current directives prove to effectively assist low-income customers, and encourage MEEA to continue to closely monitor progress and convey concerns surrounding opportunities available to low-income customers.

<u>Lighting</u>

Much discussion has been had over the recent years as to the Utilities' lighting programs and the likelihood of participation in the programs being at or near capacity. In response, OPC suggests that the Utilities perform an evaluation of the Maryland lighting market, including a socket saturation study.[61] OPC also recommends that the Utilities assess whether revisiting multifamily buildings to install LEDs, and potentially smart thermostats, could present additional savings opportunities for multifamily Quality Home Energy Check programs.[62] We acknowledge the probability that EmPOWER lighting

[60] Order No. 88514 at 39.
[61] OPC Comments at 22 and 23.
[62] *Id.* at 23 and 24.

programs have limited ability to achieve additional savings; however, little to no information was provided as to what a socket saturation study would entail regarding cost, duration, etc. We decline to order that such study be conducted, but do encourage the Utilities to perform, within the constraints of their current budgets, their own analyses and assessments as recommended by OPC.

IT IS THEREFORE, this 27th day of July, in the year Two Thousand Eighteen, by the Maryland Public Service Commission,

ORDERED:

(1) That the proposed EmPOWER Maryland logo is hereby approved;

(2) That the Utilities are directed to use the new EmPOWER Maryland logo starting no later than the third quarter of 2018. The Utilities may continue to use existing printed materials that do not contain the approved logo until the start of the third quarter of 2018. Any utility concerned possessing a large inventory of existing printed materials that do not contain the approved logo beyond the implementation deadline may include such concern and a request for guidance in its 2018 Q1/Q2 Semi-Annual Report;

(3) That the Utilities are directed to use both their logo and the new EmPOWER Maryland logo, or make mention of both the utility and EmPOWER Maryland, whenever possible;

(4) That the tagline text for EmPOWER Maryland marketing materials shall be changed from "electric" and "electricity" to "energy";

(5) That the EmPOWER Marketing Work Group is direct to file status reports on the implementation of the Midstream Incentive Program on the same schedule as the filing of semi-annual reports;

(6) That Staff, on behalf of the Behavior-Based Program Work Group, is directed to file a report on the behavior-based programs as specified herein no later than December 31, 2018;

(7) That the Target Rank Pilot Program proposed by the Behavior-Based Program Work Group is hereby denied;

(8) That the Auto-Pay/Budget Billing Pilot Program proposed by the Behavior-Based Program Work Group is hereby approved, subject to the terms and conditions stated herein. The Behavior-Based Program Work Group is directed to file a finalized Billing Pilot proposal to the Commission within 15 days of the issuance of this Order;

(9) That the Utilities shall expand their respective behavior-based program reports as proposed by the Behavior-Based Program Work Group and specified herein, and are directed to included the expanded metrics in every semi-annual report beginning with the 2018 Q1/Q2 Reports;

(10) That the Utilities' 2019 and 2020 behavior-based programs are hereby approved as proposed in their respective 2018-2020 EmPOWER Program Filings, subject to the terms and conditions stated herein;

(11) That Washington Gas Light Company's proposed expansion of its Residential Behavioral Conservation Program is hereby denied; and

(12) That, as specified herein, the Finance Work Group is directed to file a status report on the development of finance program options for residential energy

efficiency measures on or before October 15, 2018, and the final, comprehensive report on or before April 12, 2019.

Michael T. Richard

Anthony J. O'Donnell

Odogwu Obi Linton

Mindy L. Herman
Commissioners[63]

[63] Chairman Jason M. Stanek did not participate in this decision.