

**ORDER NO. 89189**

IN THE MATTER OF THE EMPOWER  
MARYLAND 2018-2020 ENERGY  
EFFICIENCY, CONSERVATION AND  
DEMAND RESPONSE PROGRAM PLANS  
PURSUANT TO THE EMPOWER  
MARYLAND ENERGY EFFICIENCY ACT  
OF 2008

\*  
\*  
\*  
\*  
\*  
\*  
\*

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF MARYLAND

\_\_\_\_\_  
CASE NO. 9494

**Issue Date: July 11, 2019**

**ORDER ON 3<sup>RD</sup> AND 4<sup>TH</sup> QUARTERS 2018 SEMI-ANNUAL REPORTS**

On May 2, 2019, the Commission held a legislative-style hearing in the above-captioned case to review, *inter alia*, the semi-annual EmPOWER Maryland reports for the third and fourth quarters of 2018 as filed by The Potomac Edison Company (“PE”),<sup>1</sup> Baltimore Gas and Electric Company (“BGE”),<sup>2</sup> Potomac Electric Power Company (“Pepco”),<sup>3</sup> Delmarva Power & Light Company (“Delmarva”),<sup>4</sup> Southern Maryland Electric Cooperative, Inc. (“SMECO”)<sup>5</sup> (collectively, Electric Utilities”), Washington Gas Light Company (“WGL”)<sup>6</sup> (collectively, along with the Electric Utilities, “the Utilities”), and the Maryland Department of Housing and Community Development (“DHCD”).<sup>7</sup> The

<sup>1</sup> Maillog (“ML”) #223987: Potomac Edison Second 2018 EmPOWER Semi-Annual Report (“Potomac Edison Report”) (Feb. 15, 2019).

<sup>2</sup> ML#224024: BGE 2018 Year-End EmPOWER Maryland Report (“BGE Report”) (Feb. 15, 2019).

<sup>3</sup> ML#224008: Second 2018 Semi-Annual Energy Efficiency and Conservation and Demand Response Report (“Pepco Report”) (Feb. 15, 2019).

<sup>4</sup> ML#224005: Second 2018 Semi-Annual Energy Efficiency and Conservation and Demand Response Report (“Delmarva Report”) (Feb. 15, 2019).

<sup>5</sup> ML#223996: Southern Maryland Electric Cooperative, Inc.’s Q3/Q4 2018 Semi-Annual EmPOWER Maryland Report (“SMECO Report”) (Feb. 15, 2019).

<sup>6</sup> ML#224011: Washington Gas Second 2018 Semi-Annual Report (“WGL Report”) (Feb. 15, 2019).

<sup>7</sup> ML#224003: DHCD EmPOWER Maryland Limited Income Programs Semi-Annual Report Q3Q4 2018 (“DHCD Report”) (Feb. 15, 2019).

Commission reviewed the comments pertaining to the semi-annual reports as filed by the Commission’s Technical Staff (“Staff”),<sup>8</sup> the Office of People’s Counsel (“OPC”),<sup>9</sup> the Maryland Energy Administration (“MEA”),<sup>10</sup> the Maryland Energy Efficiency Advocates (“MEEA”),<sup>11</sup> and the Maryland Alliance of Energy Contractors and Heating and Air Conditioning Contractors of Maryland, Inc. (“the Alliance”).<sup>12</sup> The Commission also reviewed several other filings, and any comments thereon, including, but not limited to, the implementation of the Residential ENERGY STAR® Home Concierge service,<sup>13</sup> the request to modify the incentive structures for the C&I programs and Custom Program,<sup>14</sup> the transition of incentive structure for the Home Performance with ENERGY STAR (“HPwES”) Program,<sup>15</sup> a report by the EmPOWER Maryland Finance Work Group,<sup>16</sup> the implementation of the Midstream Incentive Program,<sup>17</sup> the contractor licensing and insurance requirements for the Heating, Ventilation and Air Conditioning (“HVAC”)

---

<sup>8</sup> ML#224775: Comments of the Public Service Commission Staff 2018 Semi-Annual EmPOWER Maryland Programmatic Report for the Third and Fourth Quarters (“Staff Comments”) (April 15, 2019).

<sup>9</sup> ML#224772: EmPOWER Maryland 2018 Q3-Q4 Semi-Annual Review Report (“OPC Comments”) (April 15, 2019).

<sup>10</sup> ML#224768: MEA Comments on the EmPOWER Maryland Semi-Annual Reports for the Period from July 1, 2018 through December 31, 2018 (“MEA Comments”) (April 15, 2019).

<sup>11</sup> ML# 224771: the Maryland Energy Efficiency Advocates’ Comments on the Low-Income Work Group Report and the EmPOWER Maryland Semi-Annual Reports filed by the Utilities and the Department of Housing and Community Development (“MEEA Comments”) (April 15, 2019).

<sup>12</sup> ML#224763: Comments on BGE’s and Pepco’s EmPOWER Maryland Semi-Annual Reports (“The Alliance Comments”) (April 15, 2019).

<sup>13</sup> ML#224682: Baltimore Gas and Electric Company - Joint Report on Residential Energy Star Home Concierge Service Implementation for BGE, Pepco, and Delmarva (“Home Concierge Implementation Report”) (April 10, 2019).

<sup>14</sup> ML#224026: Baltimore Gas and Electric Company – Informational Filing of the Joint Utilities to Modify Incentive Structures for Commercial and Industrial (“C&I”) Custom Programs (“C&I Modifications Request Report”) (Feb. 15, 2019).

<sup>15</sup> ML#224069: EmPOWER HPwES – 2018 Q3 Quarterly True-Up Report (“HPwES Report”) (Feb. 21, 2019).

<sup>16</sup> ML#224729: Office of Staff Counsel – Finance Work Group Report (“Finance Report”) (April 12, 2019).

<sup>17</sup> ML#224025: Office of Staff Counsel – Status Report of the Midstream Program Implementation (“Midstream Report”), (Feb. 15, 2019).

Program,<sup>18</sup> a report on the Limited Income programs,<sup>19</sup> the cost recovery for the EmPOWER Maryland programs,<sup>20</sup> the development of fuel neutral incentive structures for electric and natural gas coordinated programs,<sup>21</sup> and a report on the Behavior Program.<sup>22</sup>

The filings put before the Commission analyzed the performance of the Utilities' and DHCD's portfolios for the 2018 program year, 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 semi-annual hearing held in the above-captioned matter provided supplemental information on the filings considered, thereby further assisting the Commission with providing the directions and decisions outlined in this Order. The Commission now addresses the requests and concerns raised in the filings and semi-annual hearing thereon.

### **Residential Program Modification and Budgetary Requests**

Pepco and Delmarva request approval to include measures from the Appliance Rebate Program in eligible C&I properties and incentivize those measures at the same levels across the programs.<sup>23</sup> This modification will allow for customers in commercial

---

<sup>18</sup> ML#224565: Office of Staff Counsel – Contractor Licensing and Insurance Requirements for HVAC Report Program and HVAC Midstream Program (“HVAC Licensing and Insurance Report”) (April 1, 2019).

<sup>19</sup> ML#224767: Maryland Department of Housing and Community Development – Low Income Working Group Report (“Limited Income Report”) (April 15, 2019).

<sup>20</sup> ML#224774: Office of Staff Counsel – EmPOWER Cost Recovery Work Group Report (“Cost Recovery Report”) (April 15, 2019).

<sup>21</sup> ML#224566: Office of Staff Counsel – Fuel Neutral Incentive Structure (“Fuel Neutral Incentive Report”) (April 1, 2019).

<sup>22</sup> ML#223420: Office of Staff Counsel – Report of the EMPOWER Maryland Behavior Work Group (“Behavior Report”) (Dec. 31, 2018).

<sup>23</sup> Pepco Report, page 17. Delmarva Report, page 17.

buildings, such as multifamily, to receive downstream rebates for residential appliances.<sup>24</sup>

The Commission approves Pepco's and Delmarva's request as proposed.

BGE, Pepco, and Delmarva filed a request to sunset the Residential ENERGY STAR® Home Concierge service under the ENERGY STAR® New Homes Program.<sup>25</sup>

The homeowners' associations and property management company contacted by the utilities were not interested.<sup>26</sup> Given the lack of interest in the program, the Commission approves the request from BGE, Pepco, and Delmarva.

Both SMECO and Delmarva filed requests under their Appliance Recycling Programs for budget reallocations. SMECO requests to reallocate \$140,000 from its Energy Efficiency Kits Program to its Appliance Recycling Program to correct an error in its 2018-2020 plans.<sup>27</sup> Delmarva requests to shift \$100,000 from the marketing budget to the incentive budget of its Appliance Recycling Program due to increased demand for the program.<sup>28</sup> Recognizing the value of continuing the operation of these programs without impacting the ratepayer surcharges, the Commission approves both budget reallocation requests and authorizes SMECO to move \$140,000 to its Appliance Recycling Program and Delmarva to move \$100,000 within its Appliance Recycling Program.

Delmarva also requests to reallocate \$800,000 from a combination of the Lighting, Appliance Rebates, Appliance Recycling, Quick Home Energy Checkup ("QHEC"), and Behavior Programs to the HPwES Program due to increased demand for the program.<sup>29</sup>

---

<sup>24</sup> *Id.*

<sup>25</sup> Home Concierge Implementation Report, page 3.

<sup>26</sup> *Id.*

<sup>27</sup> SMECO Report, page 6.

<sup>28</sup> Delmarva Report, Appendix C, pages A45-A46.

<sup>29</sup> Delmarva Report, Appendix C, pages A41-A52.

Recognizing the importance of HPwES Program as a comprehensive energy efficiency program, the Commission approves the budget reallocation request and authorizes Delmarva to move \$800,000 to its HPwES Program.

### **Appliance Rebate and HVAC Midstream Programs**

The EmPOWER Appliance Rebate Program and HVAC Program offer rebates for qualifying appliances and HVAC equipment. In 2018, the Electric Utilities began offerings midstream incentives under both programs.<sup>30</sup> In Order No. 88783, the Commission required the Midstream Program Work Group to file semi-annual status reports on the implementation of the new incentive structure.<sup>31</sup>

The Midstream Program Work Group filed a request to change the filing date of the semi-annual Midstream Program Implementation Status Reports from February 15 and August 15 of each year to April 15 and October 15, or when stakeholder comments are due in response to the Electric Utilities' semi-annual reports.<sup>32</sup> This change will allow members of the Midstream Program Work Group to review status of the midstream offerings under the Appliance Rebate and HVAC programs prior to filing the corresponding status report.<sup>33</sup> The Commission approves the Midstream Program Work Group's request and authorizes subsequent status reports to be filed by the deadline for stakeholder comments on the EmPOWER semi-annual reports.

---

<sup>30</sup> Midstream incentives are provided to retailers to encourage them to stock and promote energy efficient appliances and HVAC equipment.

<sup>31</sup> Order No. 88783, page 22.

<sup>32</sup> Midstream Report, page 2.

<sup>33</sup> *Id.*

Order No. 88964 directed the Electric Utilities to include proposals for measures to be added to the HVAC Midstream Program.<sup>34</sup> BGE requests to add central air conditioners, air source heat pumps, natural gas furnaces, ECM motors, and geothermal heat pumps to its existing program.<sup>35</sup> PE requests to add air source heat pumps, central air conditioners, geothermal heat pumps, ductless mini-split heat pumps, multi-zone ductless mini-split heat pumps, packaged terminal heat pumps, and packaged terminal air conditioners to its HVAC Midstream program.<sup>36</sup> Pepco and Delmarva did not request to add specific measures to their respective programs; however, both noted in their reports, “the program team will work in 2019, pending full midstream implementation approval by the Commission, to manage and deliver successful training events on the Midstream program.”<sup>37</sup> SMECO began fully operating its midstream program on October 1, 2018.<sup>38</sup>

The Alliance filed a request to stop the HVAC Midstream Program and return all measures to a downstream customer rebate model.<sup>39</sup> The Alliance argues that there is not enough evidence to support adding additional measures or continue implementing the programs.<sup>40</sup> Alternatively, if Commission chooses not the end the HVAC Midstream Program, then the Alliance recommends maintaining the ban on adding additional measures to the program.<sup>41</sup> OPC recommends approval for BGE’s and PE’s requests to transition additional measures to the HVAC Midstream Program with the condition of a detailed status report being submitted to the Midstream Program Work Group by

---

<sup>34</sup> Order No. 88964, page 27.

<sup>35</sup> BGE Report, Appendix C, page 43.

<sup>36</sup> PE Report, page 16.

<sup>37</sup> Pepco Report, page 11. Delmarva Report, page 11.

<sup>38</sup> SMECO Report, page 13.

<sup>39</sup> The Alliance Comments, pages 6-7.

<sup>40</sup> *Id.* at 4 and 5.

<sup>41</sup> *Id.* at 7.

September 15, 2019 on the results of the first half of 2019.<sup>42</sup> Feedback from participating distributors and preliminary results for evaluation of free-ridership rates of midstream measures should be included in the status report as available.<sup>43</sup> Staff initially recommended in its comments to deny BGE's request to add additional measures to the HVAC Midstream Program;<sup>44</sup> however, at the hearing Staff updated its position and agrees with OPC's recommendation.<sup>45</sup>

The Commission is persuaded by the arguments of OPC and Staff. It is important that the Electric Utilities implement the midstream programs as approved in their plans to ensure there is enough data to properly analyze the performance of the midstream incentives prior to filing the 2021-2023 plans. Accordingly, the Commission approves BGE's and PE's requests and directs the Electric Utilities to fully implement the Midstream HVAC Program as approved in Order 88514.<sup>46</sup> The Commission further directs the Electric Utilities to provide a status update to the Midstream Program Work Group as requested in OPC's comments. The Commission recognizes the importance of the Alliance members to the success of EmPOWER Appliance and HVAC programs and directs the Midstream Program Work Group to continue working with the Alliance on its concerns and utilize the semi-annual status reports to inform the Commission of issues or program recommendations as appropriate.

The HVAC Licensing and Insurance Report outlined the contractor licensing and insurance requirements from the Electric Utilities for participating contractors in both the

---

<sup>42</sup> OPC Comments, page 3.

<sup>43</sup> *Id.*

<sup>44</sup> Staff Comments, page 26.

<sup>45</sup> Hr'g Tr. page 20, lines 6-11.

<sup>46</sup> Order No. 88514, page 44.

downstream and midstream incentives of the HVAC Program.<sup>47</sup> In its comments on the HVAC Licensing and Insurance Report, the Alliance requests the Commission to direct the Electric Utilities to have the same HVACR<sup>48</sup> license and insurance requirements for the midstream incentives as are required for the downstream incentives.<sup>49</sup> OPC makes the same request in its comments on the HVAC Licensing and Insurance Report.<sup>50</sup> This issue was discussed in depth at the semi-annual hearing.<sup>51</sup> Based on the discussion at the semi-annual hearing and the recommendations of the Alliance and OPC, the Commission directs the Electric Utilities to require the same license and insurance standards for the downstream and midstream incentives of the HVAC program.

### **Electric and Natural Gas Coordination**

In Order No. 88964, the Commission directed the Electric and Natural Gas Coordination Work Group to develop fuel-neutral incentives for the HPwES Program and other applicable programs and file a proposal on or before April 1, 2019.<sup>52</sup> The Electric and Natural Gas Coordination Work Group filed three requests as part of the Fuel Neutral Incentive Report. The first request is to allow the Electric and Natural Gas Coordination Work Group to continue to analyze the performance of the HPwES Program and file any proposals to change the incentive structure on or before October 1, 2019.<sup>53</sup> The Electric and Natural Gas Coordination Work Group provided an alternative incentive proposal for

---

<sup>47</sup> HVAC Licensing and Insurance Report, pages 2-6.

<sup>48</sup> “HVACR” refers to the Maryland Heating, Ventilation, Air Conditioning, and Refrigeration contractor license.

<sup>49</sup> ML# 225069: Comments on HVAC Midstream Work Group Report (May 1, 2019).

<sup>50</sup> ML# 225067: Comments to the EmPOWER Midstream Program Work Group’s Report (May 1, 2019).

<sup>51</sup> Hr’g Tr. pages 166-176.

<sup>52</sup> Order No. 88964, page 28.

<sup>53</sup> Fuel Neutral Incentive Report, page 5.



the Commission's review as part of the Fuel Neutral Incentive Report while recognizing that further analysis could provide better insight into any disparity that may exist between the natural gas and electricity incentives.<sup>54</sup> The Commission agrees with the recommendation of the Electric and Natural Gas Coordination Work Group, and directs Staff, on behalf of the Electric and Natural Gas Coordination Work Group, to file any proposed incentive changes on or before October 1, 2019.

The Electric and Natural Gas Coordination Work Group provided two additional recommendations in the Fuel Neutral Incentive Report. First, that the Commission should direct the Utilities to begin reporting electric and natural gas savings under the HPwES Program by the heating fuel of the home in their semi-annual reports.<sup>55</sup> Second, that the Commission should direct the Electric and Natural Gas Coordination Work Group to reach a consensus definition of fuel-neutrality.<sup>56</sup> Additional data from the Utilities and a definition of fuel-neutrality would enable the Electric and Natural Gas Coordination Work Group to better determine any changes needed to the incentive structure and that savings are calculated consistently across the Utilities.<sup>57</sup> The Commission agrees that there is value in a common definition of fuel-neutrality and in having the appropriate data to make informed policy decisions. Accordingly, the Commission directs the Utilities to report electric and natural gas savings in their semi-annual reports as proposed by the Electric and Natural Gas Coordination Work Group. The Commission further directs Staff, on behalf

---

<sup>54</sup> *Id.*

<sup>55</sup> Fuel Neutral Incentive Report, page 6.

<sup>56</sup> *Id.*

<sup>57</sup> *Id.*

of the Electric and Natural Gas Coordination Work Group, to include a definition for fuel-neutrality in the report on proposed incentive changes due on or before October 1, 2019.

### **Behavior Program**

Order No. 88402 and Order No. 88783 directed the Behavior-Based Program Work Group to file recommendations for a cap for the Behavior Program, for a pilot utilizing advanced evaluation, measurement, and verification (“EM&V”) methodologies, and for cost recovery for the program.<sup>58</sup> Staff, on behalf of the Behavior-Based Program Work Group, filed the Behavior Report and an update to the Behavior Report in Appendix A of its comments. The issue of cost recovery was transitioned to the Cost Recovery Work Group for inclusion in its holistic discussion of cost recovery for the EmPOWER programs. The update to the Behavior Report included a proposal from the Behavior-Based Program Work Group for both a Behavior Program cap and a pilot using advanced EM&V.

For the 2021-2023 EmPOWER plans, the Behavior-Based Program Work Group proposed a gross electric savings goal of the Behavior Program not to exceed X percent of the total portfolio gross electric savings goals, where X percent represents each utility’s average program design for 2018-2020 plus 10 percent.<sup>59</sup> The Commission has directed the Behavior-Based Program Work Group to examine this issue in the two most recent orders and remains unsatisfied with the cap proposal. The Commission denies the cap proposal as proposed by the Behavior-Based Program Work Group as the proposal could enable significant expansion of the existing Behavior Program without Commission

---

<sup>58</sup> Order No. 88402, page 12. Order No. 88783, page 23.

<sup>59</sup> Staff Comments, Appendix A, page 68.

approval. The purpose of the Commission's requests for a program cap and pilot proposals from the Behavior-Based Program Work Group was to foster innovation beyond the current home energy reports and program design. The Commission remains interested in exploring new ideas and program modifications for the next program cycle. The Commission will review any proposals for the Behavior Program when the 2021-2023 plans are submitted and expects the Utilities to fully justify any changes or requests to expand the program beyond the approved 2018-2020 levels at that time. The Commission directs the Utilities and the Behavior-Based Program Work Group to look for ways to innovate the Behavior Program in the next program cycle, with particular attention to the potential uses of the State's investment in the advanced metering infrastructure ("AMI") and new technologies such as gamification and appliance disaggregation.

The Advanced EM&V pilot proposal from the Behavior-Based Program Work Group combines appliance-level disaggregation with communications that emulate BGE's Peak Time Rebate Program.<sup>60</sup> The intent of the pilot is to identify customer segments whose energy consumption or costs for a particular appliance are skewed relative to that of other similar households and guide those customer segments to relevant EmPOWER programs.<sup>61</sup> Customers will be targeted through an uplift event which utilizes communications with the customers between the regularly scheduled email home energy reports.<sup>62</sup> BGE's pilot will utilize one hour data intervals while SMECO's pilot will utilize 15-minute data intervals.<sup>63</sup> BGE and SMECO will offer the pilot from January 1, 2020

---

<sup>60</sup> *Id.* at 69.

<sup>61</sup> *Id.* at 73.

<sup>62</sup> *Id.* at 71.

<sup>63</sup> *Id.* at 72.

through December, 31, 2020.<sup>64</sup> The Advanced EM&V pilot can be implemented with notifications on a monthly basis or a weekly basis, with the costs for monthly communications less expensive than those for weekly communications.<sup>65</sup> The Commission is pleased with the progress the Behavior-Based Program Work Group made on this pilot proposal, and encourages the Utilities and Behavior-Based Program Work Group to continue working on innovations for the 2021-2023 program cycle. The Commission approves the Advanced EM&V pilot as proposed in Appendix A of Staff's Comments with the communication modules delivered on a monthly basis.

### **C&I Program Modification and Budgetary Requests**

The Electric Utilities filed a joint request for approval for the ability to increase and/or decrease incentive levels for all C&I programs within “up to \$X” amount without Commission approval.<sup>66</sup> This modification will allow the Electric Utilities to better manage their program budgets and to adjust for market conditions while appropriately incentivizing customers to participate.<sup>67</sup> The Electric Utilities would need Commission approval to exceed the “up to \$X” incentive amounts by more than 15 percent.<sup>68</sup> In response to the Electric Utilities’ proposal, Staff recommends the Commission authorize the ability to change C&I incentive levels within the “up to \$X” amounts without Commission approval and deny the ability to exceed the “up to \$X” amount by any amount

---

<sup>64</sup> *Id.* at 81.

<sup>65</sup> *Id.* at 80.

<sup>66</sup> C&I Modifications Request Report, page 1.

<sup>67</sup> *Id.*

<sup>68</sup> *Id.*

without Commission approval.<sup>69</sup> Staff notes that the “up to” parameters were approved in part to limit spending.<sup>70</sup> The Commission agrees with Staff, and authorizes the Electric Utilities to change C&I incentive levels within the approved “up to \$X” amounts without Commission approval while continuing to require Commission approval for any incentive increases above the “up to \$X” amounts.

The Electric Utilities also request approval to change the incentive structure for the Custom Program from a variable buy-down approach to a fixed “up to \$0.28/kWh” energy savings, not to exceed 50 percent of total project costs.<sup>71</sup> This modification would simplify the program for customers, and increase participation and energy savings.<sup>72</sup> The Electric Utilities would also be better able to align incentives with market conditions.<sup>73</sup> The Commission approves the Electric Utilities’ request and authorizes the change in the Custom Program incentive structure as proposed.

Pepco and Delmarva request approval to increase the demand classification for the customer eligibility in the Small Business Program from 0-60 kW to 0-100 kW.<sup>74</sup> This modification would allow for more customers to complete energy efficiency projects under the Small Business Program.<sup>75</sup> In response to the request from Pepco and Delmarva, Staff recommends the Commission deny the request.<sup>76</sup> Staff notes that this change would make Pepco’s and Delmarva’s program inconsistent with those offered by other utilities.<sup>77</sup> Based

---

<sup>69</sup> Staff Comments, page 18.

<sup>70</sup> *Id.*

<sup>71</sup> C&I Modifications Request Report, page 4.

<sup>72</sup> *Id.at 3.*

<sup>73</sup> *Id.at 4.*

<sup>74</sup> Pepco Report, page 15. Delmarva Report, page 15.

<sup>75</sup> *Id.*

<sup>76</sup> Staff Comments, pages 42-43.

<sup>77</sup> *Id.*

on the energy savings reported for the Small Business Program in 2018, Staff believes there is potential value in all of the Electric Utilities exploring a new demand capacity cap jointly.<sup>78</sup> The Commission agrees with Staff, and denies the request from Pepco and Delmarva without prejudice. Should the Electric Utilities find a change in the demand capacity cap is warranted across the Small Business Program, the Commission will review the merits of the proposal when a request to do so is filed.

SMECO, Pepco, and Delmarva request program modifications to their Building Tune-Up Programs. SMECO requests approval to increase the incentives for its small and large building tune-ups.<sup>79</sup> This change will align SMECO's incentive structure with the changes approved for BGE in Order No. 88964.<sup>80</sup> Pepco and Delmarva request approval to remove the minimum square footage requirement for full building tune-ups and monitoring based commissioning, increase the incentives for unitary HVAC tune-ups, remove the economizer incentive, add the requirement of pre-and post-measurements for HVAC tune-up maintenance, and replace the requirement for an ASHRAE Level II audit for monitoring based commissioning with a scoping document.<sup>81</sup> These changes will allow more customers to participate, increase the incentives available to customers, and align Pepco's and Delmarva's programs with BGE's Building Tune-Up Program.<sup>82</sup> The Commission recognizes the value of consistency in program offerings across the Electric Utilities, and approves the requests from SMECO, Pepco, and Delmarva as proposed.

---

<sup>78</sup> *Id.* at 43.

<sup>79</sup> SMECO Report, pages 23-24.

<sup>80</sup> *Id.*

<sup>81</sup> Pepco Report, pages 19-20. Delmarva Report, page 20.

<sup>82</sup> *Id.*

BGE, Pepco, and DPL request program modifications to their C&I Midstream Programs. BGE requests approval to add single and split package HVAC systems and ductless mini split systems to its program.<sup>83</sup> The budget for these measures was included in BGE's 2018-2020 Plan.<sup>84</sup> Pepco and Delmarva request approval to add several measures, including air conditioners, air and water source heat pumps, packaged terminal air conditioners, packaged terminal heat pumps, and ductless mini-split units, to its program and to adjust the "up to" incentive levels for the A16, A19, A21, and BR/R lamps under its midstream lighting offering.<sup>85</sup> The Commission acknowledges the success of the C&I Midstream Program and that the proposed additional measures were envisioned in the 2018-2020 plans approved by Order No. 88514.<sup>86</sup> Therefore, the Commission approves the requests from BGE, Pepco, and Delmarva as proposed.

### **Limited Income Programs**

Order No. 88964 directed the Limited Income Work Group to investigate several issues including collaboration between the Utilities and DHCD on marketing limited income programs, how to connect participation, cost, and savings data to limited income participants, how the metrics for limited income participants should be tracked and reported by the Utilities across the EmPOWER programs, and recommendations on limited income savings goals.<sup>87</sup> While the Limited Income Work Group could not reach agreement on all of the issues, it did propose two consensus recommendations. First, the Limited Income

---

<sup>83</sup> BGE Report, Appendix C, page 42.

<sup>84</sup> *Id.*

<sup>85</sup> Pepco Report, page 21. Delmarva Report, pages 21-22.

<sup>86</sup> Order No 88514, page 47.

<sup>87</sup> Order No. 88964, pages 26-27.

Work Group requests the Utilities and DHCD report on collaboration and cross-marketing in their semi-annual reports.<sup>88</sup> Second, the Limited Income Work Group requests the Utilities report data from programs where all participants are income-verified.<sup>89</sup> The format for reporting this data on a semi-annual basis is provided in the Limited Income Report.<sup>90</sup> The Commission agrees with the recommendations of the Limited Income Work Group, and approves reporting both cross-marketing efforts and income-verified program participation metrics on a semi-annual basis as proposed.

The Limited Income Work Group could not agree on a proposal for limited income goals. MEEA and OPC propose an energy savings goal of one percent of the annual electric load of the limited income sector and a half percent of the annual natural gas load of the limited income sector on an annual basis.<sup>91</sup> Alternatively, as a compromise, MEEA and OPC recommend provisional approval of their limited income goal proposal on the premise of further study of the data.<sup>92</sup> The remaining Limited Income Work Group members propose a timeline for providing a recommendation on a limited income goal, including a status report on August 1, 2019, and a final report in October 2019.<sup>93</sup> The Commission finds value in additional discussion of limited income goals and modifies the timeline proposed. Accordingly, the Commission directs DHCD, on behalf of the Limited Income Work Group, to file a status report on or before August 15, 2019, and a final report on or before October 15, 2019, on the progress of the Limited Income Work Group and any

---

<sup>88</sup> Limited Income Report, page 3.

<sup>89</sup> *Id.* at 3-4.

<sup>90</sup> *Id.* at 16.

<sup>91</sup> *Id.* at 17.

<sup>92</sup> *Id.* at 19.

<sup>93</sup> *Id.* at 20.



recommendations for the Commission’s consideration on limited income goals. The proposals of MEEA and OPC are denied.

### **Conservation Voltage Reduction**

The Conservation Voltage Reduction (“CVR”) Program was approved in Order No. 88514 under the “Other” programs.<sup>94,95</sup> In its comments, MEEA raises concerns over the savings methodology used by the Electric Utilities to report the results of the CVR Program.<sup>96</sup> MEEA recommends the CVR Program be fully evaluated by the third-party evaluator to ensure the reported savings are accurate.<sup>97</sup> Alternatively, MEEA recommends the savings methodology used by the Electric Utilities be reviewed by the third-party evaluator.<sup>98</sup> The Commission appreciates the concerns raised by MEEA, and noted those same concerns in Order No. 88514.<sup>99</sup> While the Commission continues to decline MEEA’s recommendation for a full review of the CVR Program, the Commission directs Staff, on behalf of the third-party evaluator, to file a report on the cost of evaluating the savings methodology used by the Electric Utilities to report energy savings for the CVR Program on or before October 15, 2019.

---

<sup>94</sup> Order No. 88514, page 48.

<sup>95</sup> “Other” programs are programs for which cost recovery comes from other sources outside of the EmPOWER surcharge, such as base rates, but for which the energy savings can be used towards reaching the EmPOWER energy savings goals.

<sup>96</sup> MEEA Comments, pages 14-18.

<sup>97</sup> *Id.* at 18.

<sup>98</sup> *Id.*

<sup>99</sup> Order No. 88514, page 27.

### **EmPOWER Cost Recovery**

In the Commission's January 15, 2019, Letter Order, the Cost Recovery Work Group was directed to file a report on potential cost recovery reforms for the 2021-2023 program cycle.<sup>100</sup> The Cost Recovery report included recommendations from various stakeholders on changing the rate of return earned by the Utilities for the EmPOWER programs and changing the amortization period for the surcharge.<sup>101</sup> The Commission appreciates the efforts of the Cost Recovery Work Group on these issues. While the Commission declines to adopt any of the specific recommendations at this time, the Commission directs Staff, on behalf of the Cost Recovery Work Group, to file a report on or before September 1, 2020, with further information on the issues explored in the April 15, 2019 Cost Recovery Report to further inform decisions on cost recovery for the next program cycle. Specifically, the Commission would like to see the Behavior Program separated from the amortization of the other energy efficiency programs and recovered over one year. In addition to the Behavior Program, the Commission directs the Cost Recovery Work Group to provide recommendations on other costs that are appropriately recovered over one year such as administrative costs, non-incentive costs, or other programs in their entirety. The Commission also requests recommendations on how to better encourage third party participation through performance-based cost recovery or other cost recovery mechanisms.

---

<sup>100</sup> ML# 223596

<sup>101</sup> Cost Recovery Report, pages 5-23.

## **Finance**

In Order No. 88783, the Finance Work group was directed to file a status report on financing program options for residential energy efficiency measures.<sup>102</sup> In its report, the Finance Work Group discussed four financing options for the Commission's consideration including BeSMART loans offered through DHCD, off-bill financing, energy services agreements, and tariff-based financing.<sup>103</sup> The Finance Work Group recommends the Utilities and DHCD coordinate to promote the BeSMART Program.<sup>104</sup> BeSMART is a revolving loan fund for energy efficiency upgrades to homeowners in Maryland. The Commission agrees with the Finance Work Group that promoting an existing financing program that requires no additional ratepayer funding is prudent, and directs the Utilities and DHCD to work together to promote the BeSMART Program in their marketing materials and contractor trainings.

While the Commission recognizes the potential value of the remaining three financing options, the Commission declines to adopt any as proposed at this time. Instead, the Commission directs Staff, on behalf of the Finance Work Group, to continue working on off-bill financing, energy services agreements, and tariff-based financing proposals to be considered for the 2021-2023 program cycle in a report due on or before September 1, 2020. The report should also include an update on the BeSMART Program and any impacts DHCD and the Utilities see as a result of their marketing and training efforts.

---

<sup>102</sup> Order No. 88783, pages 23-24.

<sup>103</sup> Finance Report, pages 7-14.

<sup>104</sup> *Id.* at 7.

### **Donations Programs Supporting Limited-Income Customers**

In Order No. 88964, the Commission directed Staff to monitor SMECO's Members Helping Members Campaign to assess whether it would be cost-effective to replicate in the service territories of the other utilities.<sup>105</sup> In its comments, Staff recommends that EmPOWER funding not be used to support utility donations programs.<sup>106</sup> Staff noted that the incremental cost of adding measures to existing similar programs or creating new programs in other utilities combined with the low potential for incremental energy savings would be an inefficient use of EmPOWER funds.<sup>107</sup> The Commission notes Staff's compliance with Order No. 88964 and will not pursue further action at this time.

### **Planning for 2021-2023**

The Commission appreciates the EmPOWER stakeholders' participation in the planning panel at the semi-annual hearing. The discussion on issues that could impact the performance of the EmPOWER programs in the future and potential new ideas for programs was informative to the planning process for the 2021-2023 plans. The Commission is concerned that the energy savings goals for the Electric Utilities may be more difficult to reach with the uncertainty surrounding potential changes to the Department of Energy's definitions for General Service Lamps and General Service Incandescent Lamps and the maturity of the EmPOWER programs in general. The Commission encourages the EmPOWER stakeholders to use the 2021-2023 planning process to address these concerns and boost innovation in the programs by considering the

---

<sup>105</sup> Order No. 88964, page 26.

<sup>106</sup> Staff Comments, page 11.

<sup>107</sup> *Id.*

use of performance incentive goals and mechanisms. This Order has already addressed some of the issues related to financing and cost recovery. There are several other issues the Commission believes are worth further exploration including increasing third party involvement in the EmPOWER programs, creating synergies between EmPOWER and some of the Public Conference 44 (“PC 44”) initiatives such as energy storage and electrification of homes and transportation, innovating existing programs through new technologies such as gamification, and evolving the energy efficiency and demand response programs based on the current capacity across the Utilities to produce new benefits and meet future needs of the grid.

**IT IS THEREFORE**, this 11<sup>th</sup> day of July, in the year Two Thousand Nineteen, by the Public Service Commission of Maryland,

**ORDERED:** (1) That the Potomac Electric Power Company and Delmarva Power & Light Company request to incentivize measures from the Appliance Rebate Program to eligible C&I properties is hereby approved as proposed;

(2) That the Southern Maryland Electric Cooperative, Inc. request to reallocate \$140,000 from the Energy Efficiency Kit program to the Appliance Recycling program is hereby approved;

(3) That the Delmarva Power & Light Company request to reallocate \$100,000 within its Appliance Recycling Program is hereby approved;

(4) That the Delmarva Power & Light Company request to reallocate \$800,000 from the Lighting, Appliance Rebates, Appliance Recycling, QHEC, and Behavior Programs to the HPwES Program is hereby approved;

(5) That the Baltimore Gas and Electric Company, Potomac Electric Power Company, and Delmarva Power & Light Company request to sunset the Residential ENERGY STAR® Home Concierge service is hereby approved;

(6) That the Midstream Program Work Group request to change the filing date for Midstream Program Implementation Status Reports from February 15 and August 15 to filing dates for stakeholder comments on the EmPOWER semi-annual reports is hereby approved;

(7) That the requests of Baltimore Gas and Electric Company and The Potomac Edison Company to transition additional measures to the HVAC Midstream Program is approved and the Electric Utilities are directed to complete the rollout of the Midstream HVAC Programs in 2019 as approved in their 2018-2020 plans;

(8) That the Electric Utilities are directed to require HVACR licenses and insurance for the Midstream HVAC Program;

(9) That the Technical Staff, on behalf of the Electric and Natural Gas Coordination Work Group, is directed to file any proposed changes to the HPwES incentive structure on or before October 1, 2019;

(10) That the Utilities are directed to report electric and natural gas savings under the HPwES Program in their semi-annual reports as proposed by the Electric and Natural Gas Coordination Work Group;

(11) That the Electric and Natural Gas Coordination Work Group is directed to provide a definition for fuel-neutrality in the report due on or before October 1, 2019.

(12) That the Behavior Program cap is hereby denied as proposed by the Behavior-Based Program Work Group;

(13) That the Advanced EM&V pilot for the Behavior Program is hereby approved as proposed by the Behavior-Based Program Work Group with monthly communication modules;

(14) That the Electric Utilities' request to change the incentive levels for all C&I programs within "up to \$X" is hereby approved in part and denied in part;

(15) That the Electric Utilities' request to change the incentive structure for the Custom Program is hereby approved as proposed;

(16) That the Potomac Electric Power Company and Delmarva Power and Light Company request to increase the demand classification for the customers eligible to participate in the Small Business Program from 0-60 kW to 0-100 kW is denied without prejudice;

(17) That the Southern Maryland Electric Cooperative, Inc. request to increase certain incentives under the Building Tune-Up Program is hereby approved as proposed;

(18) That the Potomac Electric Power Company request for program modifications under the Building Tune-Up Program is hereby approved as proposed;

(19) That the Delmarva Power & Light Company request for program modifications under the Building Tune-Up Program is hereby approved as proposed;

(20) That the Baltimore Gas and Electric Company request to add HVAC measures to the C&I Midstream Program is hereby approved as proposed;

(21) That the Potomac Electric Power Company request to add HVAC measures and adjust the "up to" incentive levels for certain lighting measures under the C&I Midstream program is hereby approved as proposed;

(22) That the Delmarva Power & Light Company request to add HVAC measures and adjust the “up to” incentive levels for certain lighting measures under the C&I Midstream Program is hereby approved as proposed;

(23) That the Utilities and DHCD are directed to report on collaboration and cross-marketing efforts in their semi-annual reports as proposed by the Limited Income Work Group;

(24) That the Utilities are directed to report data from programs where participants are income-verified as limited income in the format proposed by the Limited Income Work Group on a semi-annual basis;

(25) That the proposal of the Maryland Energy Efficiency Advocates and the Office of People’s Counsel of an energy savings goal of one percent of the annual electric load of the limited income sector and a half percent of the annual natural gas load of the limited income sector on an annual basis is hereby denied:

(26) That the Maryland Department of Housing and Community Development, on behalf of the Limited Income Work Group; is directed to file a status report on or before August 15, 2019, and a final report on or before October 15, 2019, on the progress of the Limited Income Work Group and any recommendations for the Commission’s consideration on limited income goals;

(27) That the Technical Staff, on behalf of the third-party evaluator, is directed to file a cost estimate report for evaluating the savings methodology used for the Conversation Voltage Reduction Program on or before October 15, 2019;



(28) That the Technical Staff, on behalf of the Cost Recovery Work Group, is directed to file a report with recommendations on cost recovery reforms on or before September 1, 2020;

(29) That the Utilities and DHCD are directed to coordinate on promoting the BeSMART financing program in their marketing materials and contractor trainings as proposed by the Finance Work Group;

(30) That the Technical Staff, on behalf of the Finance Work Group, is directed to file a report with financing proposals for the 2021-2023 program cycle on or before September 1, 2020.

*/s/ Jason M. Stanek* \_\_\_\_\_

*/s/ Michael T. Richard* \_\_\_\_\_

*/s/ Anthony J. O'Donnell* \_\_\_\_\_

*/s/ Odogwu Obi Linton* \_\_\_\_\_

*/s/ Mindy L. Herman* \_\_\_\_\_

Commissioners