

ORDER NO. 90919

2021-2023 EmPOWER Maryland
Program

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BEFORE THE
PUBLIC SERVICE COMMISSION
OF MARYLAND

CASE NO. 9648

Issue Date: November 28, 2023

ORDER ON SEMI-ANNUAL EMPOWER REPORTS**I. INTRODUCTION**

On November 6, 2023, the Commission held a legislative-style hearing¹ in the above-captioned case to review, among other things, the semi-annual EmPOWER Maryland reports for the first and second quarters of 2023 as filed by The Potomac Edison Company (“Potomac Edison”),² Southern Maryland Electric Cooperative, Inc. (“SMECO”),³ Baltimore Gas and Electric Company (“BGE”),⁴ Potomac Electric Power Company (“Pepco”),⁵ Delmarva Power & Light Company (“Delmarva”)⁶ (collectively,

¹ Notice of the hearing date and comment period for this matter was provided on August 18, 2023 (Maillog No. 304643).

² Maillog No. 304576: The Potomac Edison Company Semi-Annual EmPOWER Maryland Report for the Period of January 1 - June 30, 2023 (“Potomac Edison Report”) (August 15, 2023).

³ Maillog No. 304582: Southern Maryland Electric Cooperative, Inc.’s Q1/Q2 2023 Semi-Annual EmPOWER Maryland Report (“SMECO Report”) (August 15, 2023); Maillog No. 305252: Southern Maryland Electric Cooperative, Inc.’s Errata to the Q1/Q2 2023 Semi-Annual EmPOWER Maryland Report (“SMECO Report Errata”) (September 25, 2023).

⁴ Maillog No. 304583: Baltimore Gas and Electric Company 2023 Mid-Year EmPOWER Maryland Report (“BGE Report”) (August 15, 2023).

⁵ Maillog No. 304588: Potomac Electric Power Company’s EmPOWER Maryland Report YTD Q1 and Q2 2023 Energy Efficiency and Conservation (EE&C) and Demand Response (DR) Programs (“Pepco Report”) (August 15, 2023).

⁶ Maillog No. 304587: Delmarva Power & Light Company’s EmPOWER Maryland Report YTD Q1 and Q2 2023 Energy Efficiency and Conservation (EE&C) and Demand Response (DR) Programs (“Delmarva Report”) (August 15, 2023).

“the Electric Utilities”), Washington Gas Light Company (“WGL”)⁷ (collectively, with the Electric Utilities, “the Joint Utilities”), and the Maryland Department of Housing and Community Development (“DHCD”).⁸

The Commission reviewed comments pertaining to the semi-annual reports as filed by the Commission’s Technical Staff (“Staff”),⁹ the Maryland Office of People’s Counsel (“OPC”),¹⁰ and the Maryland Energy Administration (“MEA”).¹¹

The Commission also reviewed a status report filed by Staff on behalf of the EmPOWER Finance Work Group¹² in reference to the Clean Energy Advantage Loan Pilot Program,¹³ as well as a status report¹⁴ and updated report¹⁵ filed by the Electric Utilities on the Appliance Recycling Programs.

The filings analyzed, among other things, the performance of the Joint Utilities’ and DHCD’s portfolios for the first half of the 2023 program year, offered recommendations for programmatic and reporting improvements to the 2021-2023 EmPOWER program cycle, and addressed considerations for the Commission regarding the next three-year EmPOWER Maryland program cycle set to begin in 2024. The

⁷ Maillog No. 304577: Washington Gas Semi-Annual EmPOWER Maryland Report for the Period of January 1 - June 30, 2023 (“WGL Report”) (August 15, 2023).

⁸ Maillog No. 304594: State of Maryland Department of Housing and Community Development EmPOWER Maryland Limited Income Programs Semi-Annual Report Q1/Q2 2023 (“DHCD Report”) (August 15, 2023).

⁹ Maillog No. 305652: Comments of the Public Service Commission Staff 2023 Semi-Annual EmPOWER Maryland Programmatic Reports for the First and Second Quarters (“Staff Comments”) (October 16, 2023).

¹⁰ Maillog No. 305643: VEIC Comments on EmPOWER Maryland Q1-Q2 2023 Semi-Annual Reports (“OPC Comments”) (October 16, 2023).

¹¹ Maillog No. 305635: Maryland Energy Administration Comments - EmPOWER Maryland Semi-Annual Reports January 1, 2023, through June 30, 2023 (“MEA Comments”) (October 16, 2023).

¹² Maillog No. 304115: Finance Work Group Report (July 17, 2023).

¹³ Maillog No. 304115: EmPOWER Maryland CEA Loan Pilot: 2022 Evaluation Results and The Clean Energy Advantage Residential Lending Pilot Program Report (“CEA Pilot Report”) (July 17, 2023).

¹⁴ Maillog No. 304911: EmPOWER Maryland Update Regarding Status of Utility Appliance Recycling Programs (“Electric Utilities’ Appliance Recycling Report”) (September 7, 2023).

¹⁵ Maillog No. 305980: EmPOWER Maryland Update Regarding Status of Utility Appliance Recycling Programs (“Electric Utilities’ Appliance Recycling Updated Report”) (November 3, 2023).

November 6 hearing allowed the parties to provide additional testimony to the Commission. Upon review of the filings, testimony, and requests presented, the Commission notes the semi-annual filings made by the Joint Utilities and DHCD and makes the following determination regarding the Clean Energy Advantage Loan Pilot Program Report.

On June 14, 2021, the Commission approved the Clean Energy Advantage Residential Lending Pilot Program (“CEA Pilot Program”) proposed by the Maryland Clean Energy Center (“MCEC”) and the Montgomery County Green Bank (“MCGB”) (collectively, “MCEC/MCGB”).¹⁶ The CEA Pilot Program provides financing options to customers, intended to increase participation in the EmPOWER Home Performance with ENERGY STAR (“HPwES”) Program, Home Energy Improvement Program (“HEIP”), and HVAC Program. The Commission directed the Finance Work Group to file a final report on the CEA Pilot Program by July 15, 2023.¹⁷

In the final report, the Finance Work Group noted that the CEA Pilot Program resulted in 66 loans through May 31, 2023 at a projected value of \$556,602, providing about 131,000 annual kilowatt hours (“kWh”) of energy savings.¹⁸ MCEC/MCGB requests that the Commission approve the CEA Pilot Program for an additional two years, and allow the use of the remaining budget of \$1,793,219 to increase the interest rate subsidy available from one to two years, using \$1,161,013 in buy down funds remaining to subsidize a second year of lending and \$632,206 in unused loan loss reserve funds to cover administrative expenses over the next two years.¹⁹

¹⁶ Maillog No. 235732; Order No. 89855 at 18.

¹⁷ *Id.* at 16.

¹⁸ Finance Work Group Report at 1 - 2.

¹⁹ *Id.* at 2. The Program began with a Commission-approved budget of \$2.894 million. *Id.* at 6.

MEA supports the use of the remaining program budget in the manner requested.²⁰ Staff recommends that, if the Commission approves the request by MCEC/MCGB, the CEA Pilot Program should place more of an emphasis on increased participation in the program.²¹ OPC recommends that increasing contractor engagement and buy-in be made a central focus of the CEA Pilot Program as it continues.²² OPC also asserts that the Program has shown little evidence of achieving equity impacts, and therefore recommends that additional data tracking and reporting be performed in order to better evaluate the Program's customer reach.²³ OPC does not support MCEC/MCGB's request for usage of the remaining budget, claiming that there is no indication that granting the request would increase program impact.²⁴ Instead, OPC recommends using \$500,000 of the remaining funds to reduce the credit score requirement to 580, thereby improving access to financing that doesn't already exist in the market.²⁵

While the Finance Work Group Report noted challenges faced by the Program such as a burdensome application process, lengthy approval times, and delayed contractor payment,²⁶ MCEC/MCGB state that the loan application process has since been streamlined and loan approval and contractor payment times are now within industry standards.²⁷ MCEC and MCGB also claim that contractor communication has improved

²⁰ *Id.* at 4.

²¹ *Id.* at 8.

²² "Fifty percent of CEA participants learned about the loan program from their contractors, and a single contractor was responsible for nearly 50% of the loans. On the other hand, 1/3 of contractors surveyed were not aware of the CEA offering." *Id.* at 5.

²³ "While OPC does not believe the program should target low-income customers who are eligible for DHCD programs, OPC does believe a key purpose of a publicly supported loan program should be to assist moderate-income customers and customers whose creditworthiness makes it harder for them to access affordable lending." Finance Work Group Report at 5.

²⁴ Finance Work Group Report at 5.

²⁵ *Id.* at 6.

²⁶ *Id.* at 3.

²⁷ *Id.* at 8.

with increased individual and collective outreach and training, and a homeowner publicity campaign launched in spring 2023 is expected to increase customer participation.²⁸ It appears that contractors and homeowners are better understanding the Program, leading to use of the program gaining momentum. For these reasons, the Commission approves the extension of the CEA Pilot Program through to December 31, 2025, supports Staff's request for increased general participation in the program,²⁹ and directs the Finance Work Group to file a final report on the Program by February 16, 2026.

The Commission understands the desire to modify the manner in which the remaining program funds are used in order to access customers that otherwise may not choose to, or qualify to, participate in the program. Making the Program available to customers who do not have other financing options, whether due to limited income or a lack of creditworthiness, is of the utmost importance. At this time, the Commission is not persuaded by any of the pending recommendations as to how to best utilize the Program's remaining budget for this purpose. Additional information is needed before a decision can be made.

The Commission directs the Finance Work Group to consider the best use of the Program's remaining budget, including but not limited to the proposals put forward by MCEC/MCGB and OPC, in order to best reach limited-income and credit-challenged customers. The Work Group is directed to file by April 15, 2024, a final report detailing its findings as to options for use of the remaining budget as well as its recommendation. The Commission also adopts OPC's recommendation for additional data tracking and reporting in order to ensure that the intended customer segments are being reached.

²⁸ *Id.*

²⁹ *Id.*

IT IS THEREFORE, this 28th day of November, in the year Two Thousand Twenty-Three, by the Public Service Commission of Maryland, **ORDERED**:

(1) that the MCEC/MCGB request to extend the CEA Pilot Program for two additional years is approved as stated herein;

(2) that the Finance Work Group is directed to file a final report on the CEA Pilot Program by February 16, 2026;

(3) that the Finance Work Group is directed to file a final report by April 15, 2024, on options for the use of the remaining CEA Pilot Program budget that would best reach limited income customers; and

(4) that the Finance Work Group's final report to be filed by April 15, 2024, is to identify the additional data points and reporting metrics requested by OPC on the CEA Pilot Program, as determined by the Work Group to be useful and attainable.

/s/ Fredrick H. Hoover, Jr.

/s/ Michael T. Richard

/s/ Anthony J. O'Donnell

/s/ Kumar P. Barve

/s/ Bonnie A. Suchman

Commissioners