Maillog # 159248 ; Date filed: Oct. 3, 2014

EARTHJUSTICE

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October 3, 2014

By Electronic Mail and Federal Express

David J. Collins
Executive Secretary
Maryland Public Service Commission
6 Saint Paul Street, 16th Floor
Baltimore Maryland 21202-6806

Re: Case Nos. 9153, 9154, 9155, 9156, and 9157 — In the Matter of Potomac Edison Company d/b/a Allegheny Power, Baltimore Gas and Electric Company; Potomac Electric Power Company, Delmarva Power & Light Company, and Southern Maryland Electric Cooperative, Inc.'s Energy Efficiency, Conservation and Demand Response Programs Pursuant to the EmPOWER Maryland Energy Efficiency Act of 2008

Comments of the Coalition of Maryland Energy Efficiency Advocates

Dear Mr. Collins:

Enclosed please find an original and seventeen (17) copies of the Comments of the Coalition of Maryland Energy Efficiency Advocates for filing in the above-captioned proceeding.

Please contact me if you have any questions. Thank you for your attention to this matter.

Sincerely,

Susan Stevens Miller
Clean Energy Attorney
Earthjustice

Enclosure

cc: All parties of record
Case Nos. 9153, 9154, 9155, 9156 and 9157

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BEFORE THE
PUBLIC SERVICE COMMISSION OF MARYLAND

In The Matter Of The 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	)	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's Energy Efficiency, Conservation And Demand Response Programs Pursuant To The EmPOWER Maryland Energy Efficiency Act Of 2008	)	Case No. 9157

COMMENTS OF THE COALITION OF

MARYLAND ENERGY EFFICIENCY ADVOCATES

On August 12, 2014, the Maryland Public Service Commission (Commission) issued a Notice of Comments and Hearing Dates in the above-captioned proceedings which directed parties to file comments by October 3, 2014 on the 1st half 2014 Semi-Annual Reports and the 2015-2017 electricity savings and demand reduction plan and cost recovery proposals (Plans) filed by each electric company pursuant to the EmPOWER Maryland Energy Efficiency Act of 2008. (EmPOWER Maryland).[1] Pursuant to that notice, the Coalition of Maryland Energy Efficiency Advocates[2] (Coalition) submits these comments.

INTRODUCTION

The Coalition applauds the Commission, Staff, Utilities, and Stakeholders for the past and future successes of the EmPOWER Energy Efficiency and Conservation (EE&C) programs and welcomes the opportunity to provide comments intended to strengthen the programs and improve their value for Maryland's citizens and businesses. Chief among the principles driving the Coalition's comments is the belief that Maryland should support all cost-effective energy efficiency as the first and most cost-effective resource for achieving energy and environmental policy objectives. With this in mind, the Coalition urges the Commission to require the utilities to continue to offer a broad range of efficiency services that will lead the nation in:

- The depth of savings achieved;
- The quality of services provided to customers across all sectors;
- The level of innovation exhibited in obtaining reliable, cost-effective energy efficiency;
- The full accounting of values attributable to the programs.

EmPOWER Maryland codifies Maryland's goal of reducing state-wide per capita electricity consumption as well as peak demand by 15 percent by the end of the year 2015. The General Assembly declared that energy efficiency is "among the least expensive ways to meet the growing demand for electricity in the State."[3] The goal of achieving the legislative efficiency,

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[1] Ch. 131, 2008 Laws of Maryland.

[2] The Coalition of Maryland Energy Efficiency Advocates includes the Northeast Energy Efficiency Partnerships (NEEP), Sierra Club, National Consumer Law Center (NCLC), Chesapeake Climate Action Network (CCAN), National Housing Trust (NHT), Natural Resources Defense Council (NRDC) The American Council for an Energy Efficient Economy (ACEEE), Chesapeake Physicians for Social Responsibility, Chesapeake Sustainable Business Council, Efficiency First Maryland, Enterprise Homes, Green and Healthy Homes Initiative, Homes for America, Interfaith Power and Light (DC MD NoVa), Maryland Affordable Housing Coalition, Maryland Clean Energy Center, Maryland League of Conservation Voters, Environment Maryland, and the Maryland Public Interest Research Group.

[3] MD. Code Ann., Pub. Util. Cos. § 7-211(B)(1). (All statutory citations are to the Public Utility Companies article unless otherwise noted.

conservation and demand response targets serves a higher purpose: "to provide affordable, reliable, and clean energy for consumers of Maryland."[4]

To assist in meeting these targets, the General Assembly has directed the Commission to require each electric company to "procure or provide for its electricity customers cost- effective energy efficiency and conservation [and demand response] programs and services with projected and verifiable electricity savings" to achieve the energy reduction goals.[5] The Commission has been directed to review each Plan to determine if it is "adequate" and "cost-effective" in achieving the electricity savings and demand reduction targets set forth in the law.[6] In making those determinations, EmPOWER Maryland directs the Commission to consider, among other things, the cost-effectiveness[7] of the Plans and the impact on the environment.[8]

Through the enactment of EmPOWER Maryland, the State established an express policy that energy efficiency, conservation and demand response programs and services have a critical role in ensuring that energy needs can be met safely and reliably, and that proper implementation of these programs can result in the costs of energy being reduced for all consumers, not just participants in the programs. After six years of implementation, it is now abundantly clear that the benefits of energy efficiency, conservation and demand response will result in lower bills, improved system reliability, less pollution, and the possibility of significant economic development in Maryland. Moreover, all residential customers, whether participating in a program or not, benefit from the implementation of these programs. For example, reduced electricity demand causes downward pressure on wholesale power costs for energy and capacity, thus reducing energy costs for all ratepayers. Similarly, reducing the demand for electricity enables the State to reduce or eliminate the need for expensive infrastructure, such as multistate transmission lines or new generation facilities, upgrades paid for by all ratepayers.

As noted above, EmPOWER Maryland establishes energy savings targets through 2015, but the status of EmPOWER Maryland beyond 2015 remains unclear. Accordingly, the Commission announced that it would hold hearings to specifically address EmPOWER Maryland's future treatment of avoided costs and cost of capital; the different cost-effectiveness tests available; and whether or not to include non-energy benefits and low-income programs in cost-effectiveness calculations.[9] Based on hearings conducted in October 2013, the Commission authorized the

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[4] § 7-211(B)(2).
[5] § 7-211(g)(1) and (2).
[6] § 7-211(h)(6).
[7] EmPOWER Maryland does not mandate a methodology for determining cost-effectiveness.
[8] § 7-211(i).
[9] Order No. 85775 (Aug. 9, 2013).

Maryland Energy Administration (MEA) to develop a 2010 baseline study and a program-based potential study.[10]

Thus, the EmPOWER Maryland program is at a crossroad. By recognizing not only the direct energy savings benefits energy efficiency programs generate, but also incorporating the additional significant environmental and economic development benefits of reducing energy usage into any approved Plan, this Commission can establish Maryland as a consistently top-ranked energy efficiency state and turn EmPOWER Maryland into a powerful tool to produce positive results for all Maryland residents.

The Coalition was formed by a diverse group of organizations that share a conviction that the following principles, adopted by the Coalition, should guide program planning and decision-making. The Coalition's comments were developed based on these principles.

EmPOWER Program Principles[11]

- Continue to support energy efficiency as the first and most cost-effective resource for achieving the state's energy and environmental policy objectives, including the medium- and long-term targets in Maryland's Greenhouse Gas Reduction Act, the Maryland Electricity Service Quality and Reliability Act, the Renewable Energy Portfolio Standard, the Healthy Air Act, the Regional Greenhouse Gas Initiative.
- Invest in all cost-effective energy efficiency resources, with due consideration of the bill impacts for low income citizens.
- Continue to establish nation leading energy and demand savings goals and the investments necessary to achieve these goals.
- Assure that all residential customers are aware of EmPOWER Maryland and can participate in energy efficiency programs, with particular attention to overcoming the barriers faced by low- to moderate income citizens, who live in both single family and multifamily housing.
- Assure that all commercial and industrial customers are aware of EmPOWER Maryland and can participate in energy efficiency programs, with particular attention to overcoming the barriers faced by small businesses.

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[10] Order No. 85898 (Oct. 11, 2013).

[11] In addition to the organizations listed as members of the Coalition above, these additional organizations have endorsed these principles for EmPOWER Maryland: The Maryland Energy Administration, Civic Works, and The League of Women Voters of Maryland

- Value the full range of social, equity, participant and environmental benefits energy efficiency programs offer in cost-effectiveness screening, including greenhouse gas emission reductions, avoided air pollutant emissions, reduced operations and maintenance costs to end-users, end-user health and safety benefits, end-user comfort and productivity gains, customer equity in the case of limited income programs.
- Recognize that more than 85 percent of Marylanders live in areas that fail to meet the nation's safe air standards, and that EmPOWER Maryland can improve air quality and deliver associated health benefits by reducing air emissions from the power sector.
- Recognize the long-term benefit of energy efficiency and use discount rates commensurate with this benefit.
- Recognize EmPOWER Maryland as an important policy tool for promoting better consumer decisions about energy use.
- Provide continued opportunity for a broad range of stakeholders to participate in developing and designing the EmPOWER Maryland energy efficiency and demand response programs, including investment levels and program design.
- Expand EmPOWER Maryland's energy efficiency programs to cover natural gas and other heating fuels.
- Promote the creation of clean energy jobs and the clean energy industry.

The Coalition has been consistently supportive of Commission approval of energy efficiency programs for Maryland ratepayers. The Coalition also supports the goals of EmPower Maryland. The Coalition believes that the Commission should adopt the recommendations set forth below[12] and that these program changes will enhance the Plans and increase the benefits of the energy efficiency programs for all Maryland residents.

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[12] The Coalition has retained the assistance of Energy Futures Group, Inc. to assist it in the evaluation of the Plans. Energy Futures Group has extensive experience in the review of energy efficiency programs. *See* www.energyfuturesgroup.com.

RECOMMENDATIONS

1. The Commission should require the utilities to develop enhanced Plans and budgets that establish a trajectory to achieving 2% gross annual savings by 2017 to meet the enhanced EmPOWER contribution towards Maryland's climate goals described in its Greenhouse Gas Reduction Plan (GGRP);
2. The Commission should require the utilities to ensure that Maryland's most vulnerable populations have ample opportunities to participate in EmPOWER programs by:
    a. Funding DHCD's LIEEP and MEEHA in a manner that equitably bolsters participation;
    b. Approving the MEEHA funding extension request that was filed on September 11, 2014.
    c. Approving DHCD's request for C&I funding to make energy efficiency improvements in common areas, and to allow DHCD to serve master-metered low-income multi-family housing using C&I funds.
    d. Ordering DHCD to explore innovative and collaborative approaches to increasing participation among MEEHA-eligible properties.
    e. Expanding comprehensive services to all multi-family housing, recognizing that many moderate-income Marylanders do not live in single-family homes, and;
    f. Implementing Assisted Home Performance with ENERGY STAR® services for those who do not independently have the resources to participate in Home Performance with ENERGY STAR and are not eligible for low-income services;
3. The Commission should require the utilities to increase investments in the EE&C services available to C&I customers in recognition of the rich potential for savings in this sector;
4. The Commission should require the utilities to increase investments in the EE&C services available to residential customers. Pepco, DPL, and PE propose significant reductions in 2015-2017, which the Commission must address. Further, the Commission should require the utilities to provide plans that assure that longer-lived measures will not be supplanted by measures having only limited persistence;
5. The Commission should provide clear requirements regarding cost-effectiveness screening, to maximize the benefits to ratepayers and to ensure that the utilities do not unintentionally disrupt and damage energy efficiency markets by making independent policy decisions. The Coalition supports a robust TRC test—that includes non-energy benefits—at the sub-portfolio level as the principal cost-effectiveness test for EmPOWER;
6. The Commission should issue orders requiring that natural gas utilities provide EE&C programs to their customers that are highly coordinated with the electric EmPOWER programs, consistent with Commission policy requiring a high level of coordination among the electric EmPOWER programs;
7. The Commission should issue orders requiring that Municipal and Co-operative electric utilities provide EE&C programs to their customers that are highly coordinated with the electric and gas EmPOWER programs, consistent with Commission policy;

8. In light of the addition of natural gas EmPOWER programs, the Commission should establish consistent policies regarding the use of EmPOWER funds for fuel-switching;
9. The Commission should initiate a proceeding regarding Utility Shareholder Performance Incentives to ensure that energy efficiency investments are as attractive to the utilities as investments in poles and wires;
10. The Commission should support MEA's recommendation to develop a financing solution for non-low income residential customers. Financing should not be expected to reduce the need for incentives, especially for vulnerable populations;
11. The Commission should support MEA's proposal for EM&V changes, provided there are sufficient opportunities for independent stakeholders to provide input to the designated stakeholder group;

Discussion of the Coalition's recommendations follows.

1. The Commission should require the utilities to develop enhanced Plans and budgets that establish a trajectory to achieving 2% gross annual savings by 2017 to meet the enhanced EmPOWER contribution towards Maryland's climate goals described in its Greenhouse Gas Reduction Plan (GGRP);

As 2015—the end of the time period associated with the original EmPOWER goals—draws near, the Commission faces critical policy and programmatic decisions that will define the State's ability to use energy efficiency as the first and foremost, most cost-effective tool to meet its energy and environmental objectives. Maryland is a top-ten state in the American Council for an Energy Efficient Economy (ACEEE) state scorecard and is poised to continue to provide substantial, cost-effective energy efficiency benefits to its ratepayers— yet several of the utilities have proposed significant steps backwards, and the Commission must direct these utilities to increase their savings goals and associated budgets in order to prevent Maryland from failing to capitalize on its cost-effective opportunities. Greater investments are justified both in least-cost utility planning, as evidenced by recent cost-effectiveness analysis,[13] and also in meeting environmental goals such as those promulgated in the GGRP.[14]

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[13] See, e.g., Case No. 9153, Docket No. 473, Itron presentation, Preliminary EmPOWER Program FY2013 Impact and Cost Trends (April 8, 2014).
[14] Maryland's Greenhouse Gas Reduction Plan (GGRP), Executive Summary http://climatechange.maryland.gov/publications/maryland-s-greenhouse-gas-reduction-plan-executive-summary/

There is Abundant Energy Efficiency Potential in Maryland

While the potential study authorized by the Commission has not yet been completed, there is significant evidence that the EmPOWER programs have not come close to saturating markets with energy efficiency. The Maryland Energy Administration points out that only one-third of Maryland's commercial and industrial (C&I) accounts have participated in the EmPOWER programs, while only 15% of the state's households have received a quick home energy checkup (QHEC)[15]. At the highest level, Maryland is not even close to meeting the savings achievements of the Nation's leading states. In 2013, Maryland achieved gross savings[16] equal to 1.3% of retail sales[17] and net savings equal to 0.90% of retail sales through its EmPOWER programs. By comparison, Massachusetts has been offering programs for significantly longer than Maryland, and logically should have depleted far more of the easily obtainable savings, yet according to the ACEEE has reported net savings of 1.96% of sales in the same period. Similarly, Vermont and Rhode Island are reporting net savings of 1.78%, and 2.08%, respectively. This is not to diminish the accomplishments of the EmPOWER programs, but rather to suggest that there is significant remaining potential for energy savings in the state. Indeed, it is only in 2014 that in aggregate the utilities may attain gross saving levels of 1.5% of sales or greater, still below the levels suggested by the EmPOWER Act, further supporting the suggestion that significant cost-effective electric savings remain available in Maryland.

Figure 1 below illustrates the significant savings reductions proposed by four of the five utilities relative to 2014 projected results. [18]

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[15] *See, e.g.,* Case No. 9153, Docket No. 506, Maryland Energy Administration, 2015-2017 EmPOWER Maryland Filing, September 2, 2014 at p 1.

[16] Gross savings are used to estimate progress towards EmPOWER goals.

[17] *See, e.g.* Case No. 9153, Docket No. 501, Itron Verification Report filed August 13, 2014 (810,000 MWh gross savings) and 61,916 GWh retail sales per EIA-826 form (http://www.eia.gov/electricity/data/eia826/). This represents the total EmPOWER savings, though the Coalition comments focus only on the EE&C portion of the portfolios.

[18] Data from EE&C Savings from Table ES-1B is derived from the utility's 2015-2017 Plans and from Semi-Annual Reports. SMECO 2012 savings value was not legible in the Semi-Annual Report.

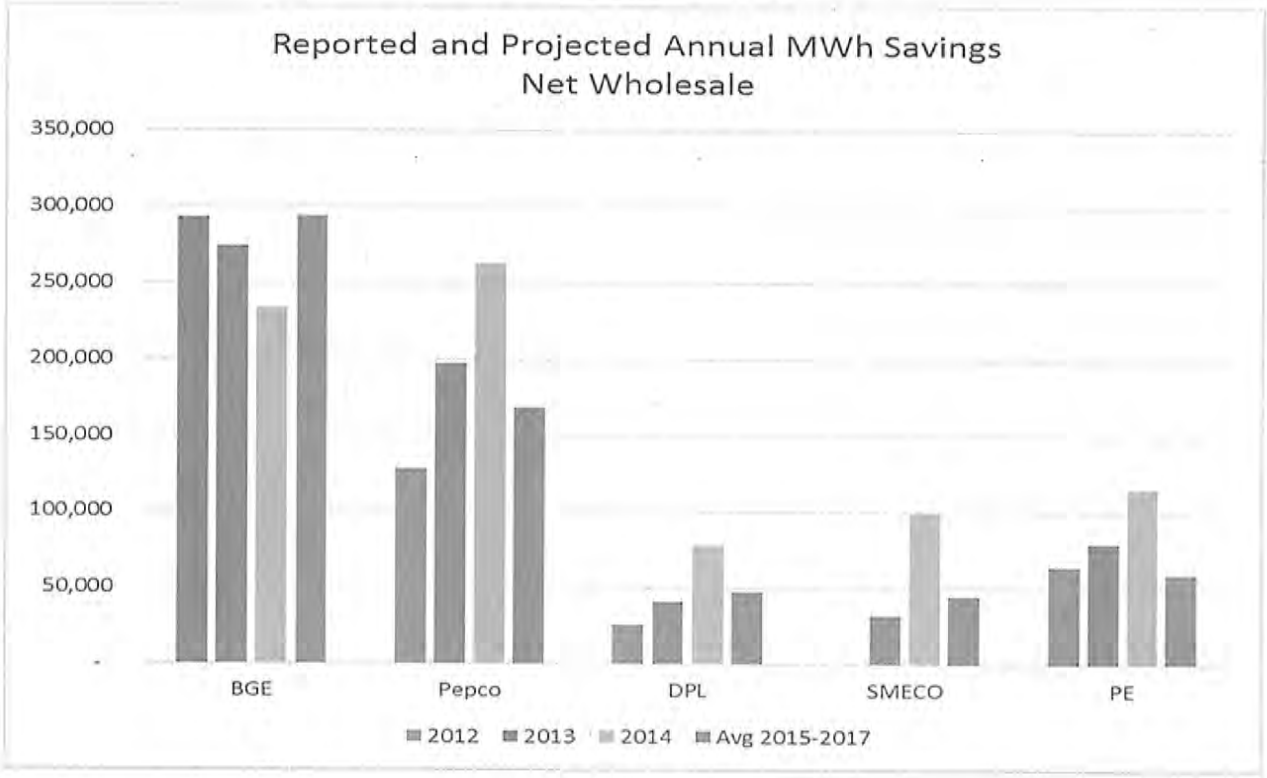

Figure 1

Unfortunately, the budget and savings levels proposed by all of the utilities, but especially those proposed by Pepco and Delmarva Power, leave considerable cost-effective savings untouched in the coming years. Indeed, none of the Plans suggest a trajectory to meeting the GGRP reductions, and of the five utilities BGE is the only one to propose savings levels that are consistent with current accomplishments.

EmPOWER Provides Enormous Environmental Benefits

In 2008, Maryland's Climate Action Plan[19] reported that demand side management[20] was the third most cost-effective option for reducing greenhouse gas emissions, as shown in Figure 2 below— and in fact that it would return significant net economic benefits to the state. Demand side management and energy efficiency— Policy RCI-2— was also categorized as a policy with

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[19] Commission on Climate Change, Climate Action Plan, Executive Summary, Table at p 23. http://www.mde.state.md.us/assets/document/air/climatechange/executive_summary.pdf

[20] Demand-Side Management (DSM) is a commonly used term for utility energy efficiency programs.

higher emissions reduction potential and easier implementation relative to many of the other options.

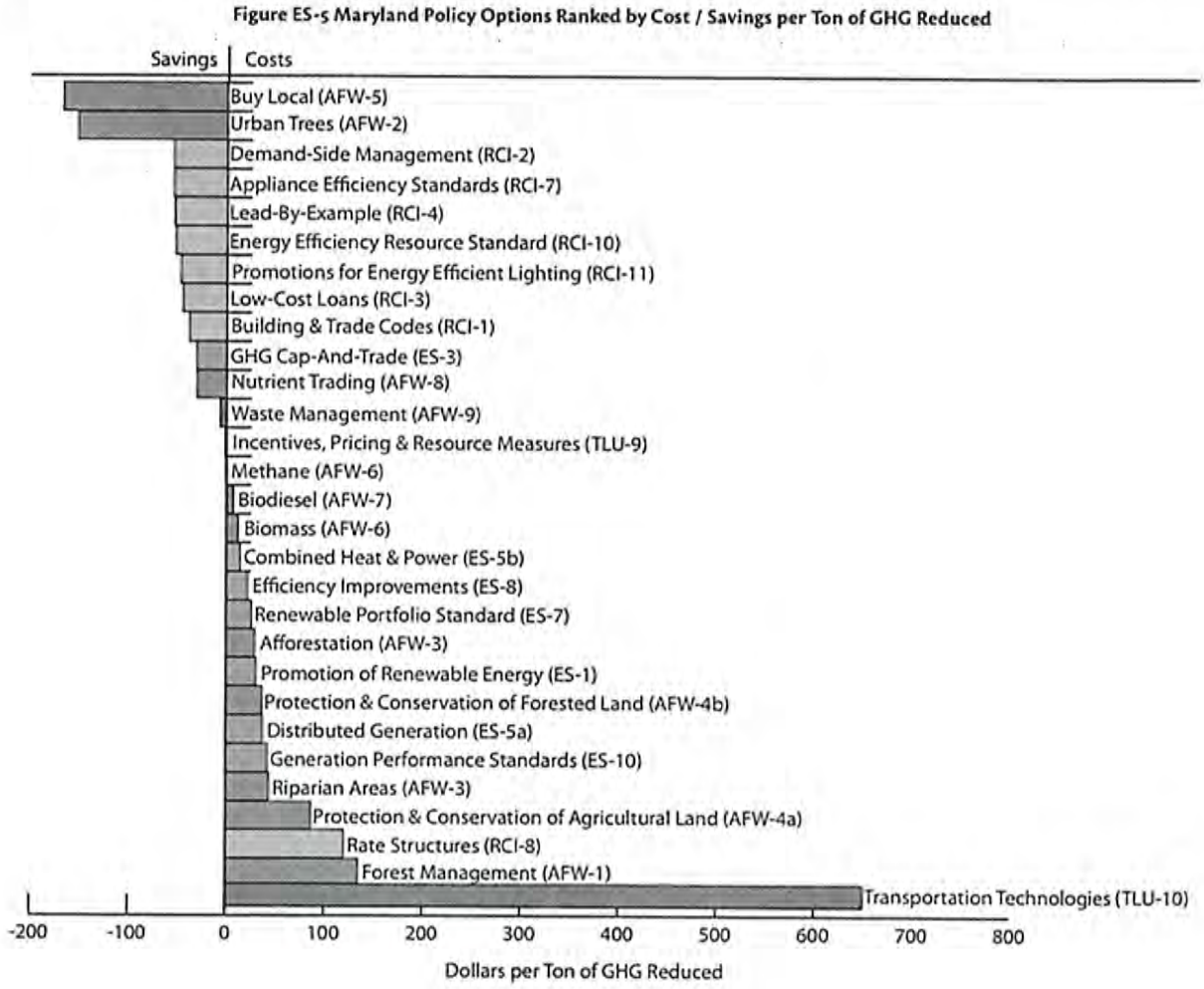

Figure 2

This analysis was considered in the development of Maryland's Greenhouse Gas Reduction Plan (GGRP), and energy efficiency from EmPOWER is expected to play a prominent role in meeting the state's climate goals. Despite this, the proposed 2015-17 state-wide savings levels fall far short of meeting the enhanced EmPOWER contribution described in the (GGRP) of 10.52 million metric tons of carbon-dioxide equivalent annually.

In the GGRP, the energy sector contributes almost half (45.6%) of the greenhouse gas (GHG) reductions needed to achieve Greenhouse Gas Reduction Act (GGRA)'s GHG reduction goal. An enhanced EmPOWER contribution for the 2013-2020 time frame, equal to 20% per capita consumption reductions below 2007 levels, is expected to make up 42% of the energy sector reductions. Indeed, this suggests that *EmPOWER savings achieved at the enhanced level could*

contribute 19% of the total GHG reductions that the state needs to achieve the economy-wide GHG reduction goal.

Analysis provided by the Chesapeake Climate Action Network suggests that achieving this level of reduction would require EmPOWER gross savings of 1.8% of load annually between 2013 and 2020—39% greater than the 2013 level of 1.3% of load. Given that EmPOWER is not currently on a trajectory to achieve savings at this level it is critical that the Commission order the utilities to establish Plans that will put them on this path as soon as possible. Meeting the enhanced EmPOWER contribution to the GGRP will now require a trajectory leading to gross savings that are even greater than 1.8% in the later years of this decade, and the longer this trajectory is delayed the greater the challenge to achieving savings at these rates will be. The Coalition respectfully recommends that the Commission order the utilities to develop plans to put EmPOWER on a path to meeting 2.0% gross savings by 2017, and to maintain that level of savings through the remainder of the decade.

The efficacy of employing EmPOWER to meet Maryland's climate goals also applies to new and existing federal air quality regulations. In addition to being the least-cost option for meeting Maryland's own climate goals, energy efficiency will also be a least-cost option for meeting the new EPA requirements for carbon emissions compliance under Section 111(d) of the Clean Air Act— and in fact may be far less onerous than alternatives that could be imposed by the EPA. In regards to 111(d) compliance, Christopher James of the Regulatory Assistance Project notes that

> States have the most flexibility and control of their destiny if they develop their 111(d) plan prior to June 2016, the expected final date for state plan submission. States that do not submit plans, or submit inadequate plans, will have inflexible federal plans imposed upon them....[21]

It is clearly in the state's best interest to make the most of the current EmPOWER planning cycle to maximize carbon emissions reductions in anticipation of 111(d) requirements that will affect the state in the near term.

Further, as early as 2004 the EPA recognized the value of energy efficiency as a tool for air quality regulators to meet criteria pollutant standards. In *Guidance on State Implementation Plan (SIP) Credits for Emission Reductions from Electric-Sector Energy Efficiency and Renewable Energy Measures*, the EPA says

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[21] Reducing Greenhouse Gases and Improving Air Quality Through Energy Efficiency Power Plants: Cutting Through the Fog to Help Air Regulators "Build" EPPs, Chris James and Ken Colburn, Regulatory Assistance Project, Chris Neme and Jim Grevatt, Energy Futures Group. ACEEE Summer Study on Buildings, 2014. http://www.aceee.org/files/proceedings/2014/data/index.htm

> ...in many areas, the peak demand for electricity frequently coincides with periods of poor air quality. It is therefore important to encourage and reward greater application of energy efficiency and renewable energy measures and incorporate the emission reductions that these measures will accrue into the air quality planning process.[22]

Failing to consider the air quality benefits available through maximized energy efficiency may lead to higher SIPs and carbon compliance costs—higher costs that ratepayers will ultimately be responsible for.

Indeed, the utility of using energy efficiency investments to meet environmental goals and regulations is well known to the Maryland Department of the Environment (MDE). MDE reflects EmPOWER savings in its plans to reduce criteria air pollutants, especially ozone precursors (Oxides of nitrogen and volatile organic compounds). Ozone monitors show that Maryland faces a daunting challenge, since Baltimore is one of the most polluted regions east of the Mississippi.[23] Under the 2008 EPA standard for ozone pollution– 75 parts per billion (ppb) versus the previous 84 ppb – Baltimore is the only eastern city to qualify as a "moderate" rather than "marginal" nonattainment area, which warrants more robust SIP development by MDE.[24]

Ground-level ozone, a component of smog, has long been recognized as a major public health threat. Formed in a chemical reaction when NOx, VOCs and sunlight combine (and therefore at its worst during hot summer days), ozone "aggressively attacks lung tissue by reacting chemically with it."[25] Asthmatics, children and seniors are especially vulnerable given developing or compromised lung capacity. Ozone also harms Maryland's crops[26], and as a precursor often emitted by power plants, NOx contributes approximately 27 percent of water-

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[22] U.S. Environmental protection Agency, Guidance on SIP Credits for Emission Redactions from Electric-Sector Energy Efficiency and Renewable Energy Measures (August 5, 2004) http://www.epa.gov/ttn/oarpg/t1/memoranda/ereseerem_gd.pdf

[23] The consolidated metropolitan statistical area of Baltimore-Washington-Arlington ranks as the 8th worse for ozone pollution according to the American Lung Association, with Baltimore City receiving an F independently. *See,* American Lung association, State of the Air 2014 http://www.stateoftheair.org/2014/states/maryland/baltimore-city-24510.html

[24] For an example of MDE's work to supplement measures in ozone SIPs given Baltimore's air quality challenge, see Md. Department of the Environment, Building Energy Efficiency and Renewable Energy Programs into the Clean Air Process, presentation by Air and Radiation Management Administration Director Tad Aburn, ACEEE Symposium (March 25, 2013). http://www.aceee.org/files/pdf/conferences/mt/2013/Tad%20Aburn_D2.pdf

[25] American Lung Association, http://www.stateoftheair.org/2014/health-risks/health-risks-ozone.html.

[26] U.S. Department of Agriculture, Effect of Ozone Air Pollution on Plants. http://www.ars.usda.gov/Main/docs.htm?docid=12462

quality-harming nitrogen deposition in the Chesapeake Bay.[27] MDE is pioneering credit-taking for energy efficiency and renewable energy investments in its 2015 ozone SIP, based on its role as one of three states participating in a 2012 pilot program with the Northeast States for Coordinated Air Use Management (NESCAUM) and EPA.[28] EmPOWER Maryland's energy efficiency portfolio has therefore become a pillar not just of the state's policy architecture for combating climate change, it has also become an important component in MDE's smog reduction program.

Finally, greater electricity savings through EmPOWER would also reduce the cost of compliance for almost all electricity suppliers in Maryland that have to meet the targets established in the Renewable Portfolio Standard (RPS). The RPS, another key policy tool for advancing Maryland's energy and environmental objectives, requires electricity suppliers to procure a steadily increasing amount of renewable energy each year based on a percentage of the company's electricity sales. The current RPS requirement ramps up to 20% by 2022. Maryland's GGRP recommends that the RPS be increased to 25% by 2020. More ambitious EmPOWER targets and investment levels will reduce the baseline against which RPS objectives are measured, thereby making Maryland's current RPS target and potential future RPS targets easier to meet.

EmPOWER Provides Significant Economic Benefits

Failing to maximize the EmPOWER contribution to Maryland's energy and environmental policy goals is a significant shortcoming of the 2015-17 Plans as proposed, most notably those of Pepco and DPL. However, the dramatic scaling back from 2014 investment levels will also have a chilling effect on the businesses that provide services in Maryland's energy efficiency marketplace— and may cause damage to consumer confidence that will be difficult and costly to earn back in the future. For example, the combined utility budgets for Home Performance with ENERGY STAR® are estimated to be $19.3M in 2014 and $9.8M in 2015. BGE's 2015-2017 Plan that shows incentives are 59% of the total budget, suggesting that for all five utilities the reduction in incentive budget is roughly $5.6M. BGE's average Home Performance job cost for 2012-2014 to date is $4,267 and the average rebate for the same period is $1,520. Therefore the customer investment for the average job is $2,747. Including the utility incentive budget and the leveraged customer investment, the loss of $9.5M in program investments will result in a net loss to contractors in a single year of $15.5M just from the reduced Home Performance budgets. This will inevitably lead to non-trivial job losses in addition to scaled back opportunities for Marylanders to reduce their energy bills.

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[27] Md. Department of Natural Resources, Atmospheric Deposition http://www.dnr.state.md.us/streams/atmosphericDeposition.asp

[28] NESCAUM, Energy Efficiency/ Renewable Energy in State Implementation Plans. http://www.nescaum.org/initiatives/ee-re-in-sips

Shockingly, the scale-back of Home Performance is minor compared with the dramatic cutbacks proposed overall. In fact, the 2015 proposed program budgets, at $218M, are 26% less than the projected $296M 2014 budgets, meaning a single-year loss in utility energy efficiency investments of $78M. Estimating what this means in terms of lost jobs would be a complex exercise, but clearly is something that the Commission must consider. Further, there are losses to the local economy associated with reduced savings. The dollars that utility ratepayers save on their energy bills may be more likely to be invested locally than the dollars that are paid toward utility bills, a portion of which go to out-of-state generation.

The economic benefits of energy efficiency are documented in a report by The Analysis Group on potential costs and benefits of the EPA's Clean Power Plan, in which they report on the economic impacts of RGGI in the participating states. The report finds that the

> ...level of economic benefits (net economic value added, and jobs) per dollar of auction revenue spent was highest in those states in regions with the greatest level of reinvestment of auction proceeds on energy efficiency.[29]

Establishing Appropriate Savings Goals

The Coalition recognizes the value in following a logical, defensible process in establishing savings targets for EmPOWER that includes recognition of the economic and environmental benefits provided by these programs, and, in general, supports Commission approval of the process and timeline proposed by MEA in its 2015-2017 EmPOWER Maryland filing, resulting in a Commission order regarding cost-effectiveness methods and utility-specific goal setting no later than Spring of 2015. That said, we do not believe that establishing savings targets for EmPOWER for the upcoming three-year cycle will require an elaborate, time-consuming exercise. As outlined above, the success of the past six years of EmPOWER implementation and that of other leading states provides ample evidence that gross savings levels of 2.0% and greater are cost-effectively achievable. We urge the Commission to provide guidance for the MEA proposed goal-setting process that will result in quickly establishing utility EmPOWER plans that achieve a trajectory to meeting the enhanced EmPOWER savings proposed in the GGRP.

EmPOWER Surcharge

In spite of the apparent availability of significant cost-effective savings opportunities, the utilities have expressed reservations about the magnitude of the EmPOWER surcharge. The Coalition recognizes that energy costs are a non-trivial issue, especially for income-vulnerable families, and supports both the broad availability of EE&C programs to all market sectors and increased

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[29] Analysis Group, EPA's Clean Power Plan: States' Tools for Reducing Costs and Increasing Benefits to Consumers at p 24 (July 2014). http://www.analysisgroup.com/uploadedFiles/Publishing/Articles/Analysis_Group_EPA_Clean_Power_Plan_Report.pdf.

efforts to make them more available for targeted populations that are most likely to be adversely effected by these costs. However, we respectfully suggest that there are several critical aspects of this discussion that seem to be absent from the discussion by the utilities. First and foremost, it is illogical to talk about the bill impacts of the EmPOWER surcharge without also considering the costs of meeting Maryland's energy needs without the EmPOWER programs— which is exactly why the Commission requires the utilities to assess their portfolios in terms of their cost-effectiveness. ***A portfolio that is cost-effective, by definition costs less than the alternatives.*** The fact that alternative costs are not easily identifiable in utility bills may speak to the need for broader education on these issues. This is illustrated in The Analysis Group's report:

> CO2 allowances tended to increase electricity prices by less than 1 percent in the near term, but over time – as the RGGI states invested a substantial amount of the allowance proceeds on energy efficiency programs that led to lower electricity use – the program results in lower electricity prices and lower consumer payments for electricity. This resulted because the system avoided having to run some of the more expensive power plants, and thus lowered wholesale prices, plus consumers had lower electricity bills as demand went down.[30]

The Coalition respectfully urges the Commission to address the utility positions on surcharge by re-directing the conversation to include a full look at all of the costs *and benefits* of EmPOWER, and the potential need for education on the greater costs of alternatives. We also recommend that the utilities increase their focus on assessing scenarios through which customers can reduce their bills by participating in programs. We thank Delmarva and PEPCO for putting such analysis in the main body of their Plans, as illustrated in Figure 3 below.[31]

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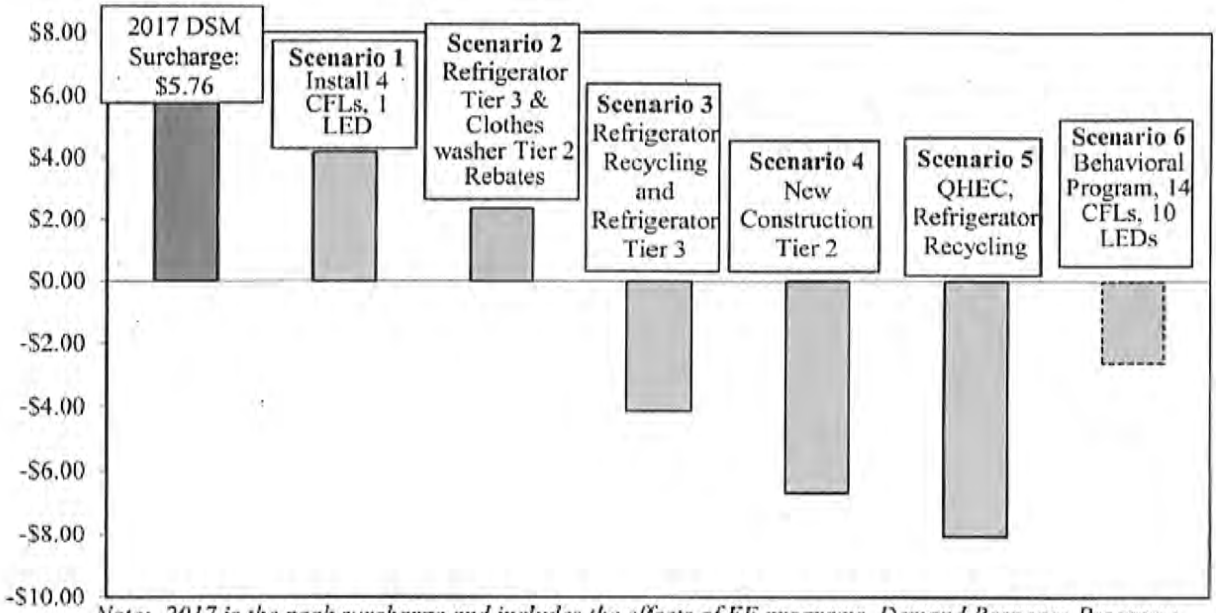
[30] *Id.* at p 21

[31] *See,* Case No. 9156, Docket No. 554, Delmarva EmPOWER Maryland 2015-2017 Energy Efficiency and Conservation Portfolio Plan at p 18 and PEPCO EmPOWER Maryland 2015-2017 Energy Efficiency and Conservation Portfolio Plan at p 19.

Figure 1: Residential EE&C Programs Monthly Bill Impacts 2015-2017 (Net of Surcharge)



Note: 2017 is the peak surcharge and includes the effects of EE programs, Demand Response Programs and dynamic pricing; the bill impact excludes distribution savings

Figure 3

This diagram from Delmarva illustrates several ways that a residential customer could participate in EmPOWER to mitigate any bill impacts from the surcharge. Further detail is provided in their Plan.

The Coalition offers these additional discussion points regarding the magnitude of the surcharge:

- The utilities provide estimates of the surcharge impact for average customers, but does not provide any analysis of the range of impacts for, say, residential customers at varying usage levels and across a spectrum of income levels. Many customers will be impacted both more and less than the average amounts that the utilities have provided. Accordingly, while programs need to be available to all customer segments, the utilities should focus their EmPOWER recruitment efforts on those customers who are affected the most— those whose bills are higher than average, and those whose incomes result in greater than average challenges in managing their energy costs;
- In order to decrease the incidence of customers failing to benefit directly from the EmPOWER programs, the utilities should target non-participants for services. This is a critical action for utilities to take in mitigating surcharge impacts for customers.

2. The Commission should require the utilities to ensure that Maryland's most vulnerable populations have ample opportunities to participate in EmPOWER Programs;

DHCD-LIEEP and MEEHA

The Commission has a strong history of recognizing the importance of ensuring that EmPOWER benefits all ratepayers, not only those who have the ability to make discretionary investments. The Department of Housing and Community Development (DHCD) implements two efficiency programs on behalf of the EmPOWER utilities that provide energy efficiency services to lower-income Marylanders: LIEEP for single family homes, and MEEHA for affordable multi-family homes. Over the past several years DHCD has worked to improve delivery of these services, and more remains to be done to bolster these programs.

In its Order No. 86366 the Commission required various EmPOWER Work Groups to meet and develop recommendations on certain specific program areas, including Limited Income programs. The findings of the Limited Income Work Group are reflected in a Summary report filed by Staff, and many of the issues considered by the Work Group are also addressed in DHCD's 2015-2017 Program Proposal. Additional comments were filed by the OPC that reflect its recommendations based on the Work Group discussions. And, NRDC, the National Housing Trust, the National Consumer Law Center, and the Maryland Affordable Housing Coalition have also previously filed comments related to LIEEP and MEEHA program considerations.

Clearly, the level of attention that these programs have received during the current 2012-2014 EmPOWER cycle is indicative of their importance, as well as of an uneven implementation experience from the perspective of sister agencies and utilities. In its filing, DHCD articulates several specific improvements to the operation of its Multifamily Energy Efficiency Housing Affordability (MEEHA) program. Among others it:

- Developed a DHCD Multifamily energy audit guide;
- Hired two additional technical staff;
- Gained experience with 2012 IECC and its implications;

DHCD has proposed several modifications to its processes for 2015-2017 that are designed to provide greater assurance that limited income ratepayers will receive cost-effective and equitable services from the programs regardless of their location or who the implementation contractor or agency is. The Coalition applauds DHCD's ongoing efforts to improve the services it delivers to this important constituency, and will offer several comments on the modifications proposed by DHCD and others. However, we also urge the Commission not to lose sight of the overall proposed funding levels in each utility territory and to continue to recognize the critical importance of assuring not only the quality of the services provided to limited income Marylanders, but also that budgets are sufficient to reach large numbers of qualifying single and multifamily homes. One of the ways that the utilities must address their concerns related to the

magnitude of the surcharge is to make sure that program services are targeted to those who need them the most, and this most importantly includes Maryland's more vulnerable residents whose incomes are limited— including many who live in multi-family housing.

While in the absence of the yet-to-be completed potential study it is difficult to say whether the LIEEP and MEEHA budgets proposed by DHCD will be sufficient within each utility territory, or whether the proposed budgets will provide equitable investments across the utility territories, we urge the Commission to order DHCD budgets that reflect no less than DHCD's estimation of the need as reflected in their budget request. Certainly by one common metric— the amount of low income investment relative to the overall portfolio budget— the budgets are inconsistent, as shown in Figure 4 below. Of course, if the Commission requires that Pepco, DPL, and PE increase their proposed non-LI budgets as the Coalition recommends, the results will change considerably.

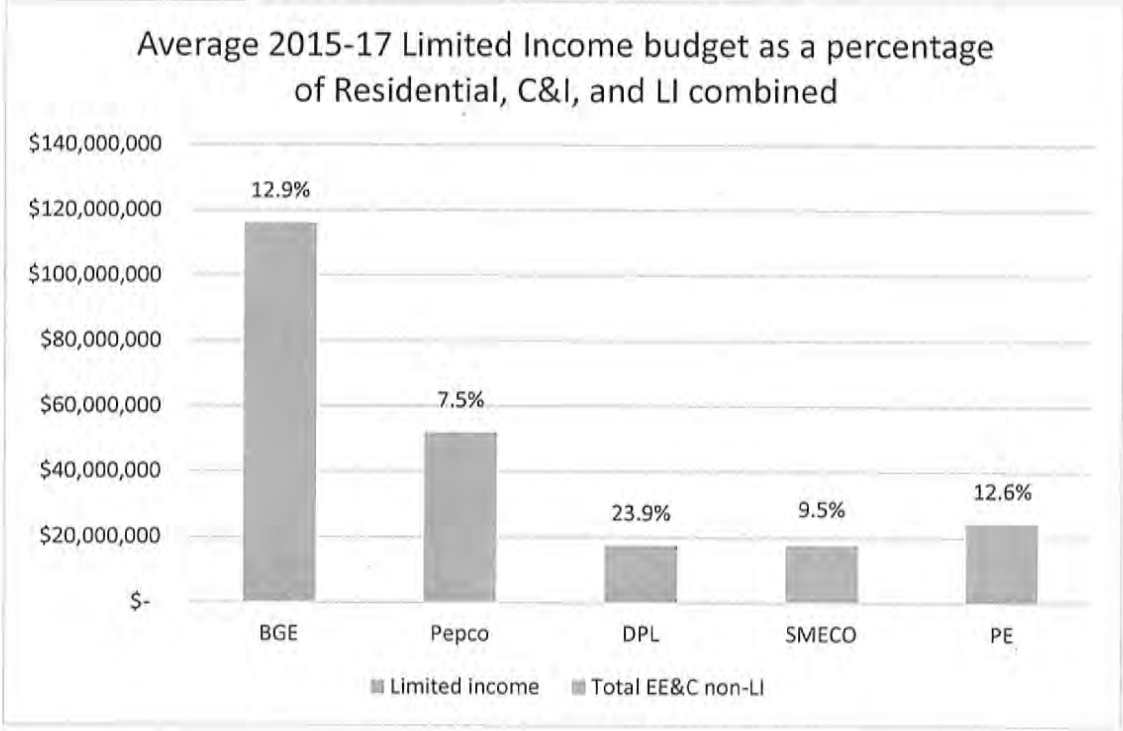


Figure 4

The Coalition offers the following additional comments regarding specific elements of DHCD's single-family LIEEP proposal:

- LIEEP Spending Tiers: The Coalition agrees that better cost controls are needed to ensure improved equity for participants, to maximize the reach of the budgeted funds, and to better establish a relationship between the level of investment at each home and the magnitude of savings available. However, we are not convinced that spending caps— be

they hard or soft— will not also create some situations where programs will walk away from cost-effective investments that it would be appropriate to make. While we don't object to the proposed tiers as targets, we support the OPC's position that clear protocols that are well-articulated in written program guidance are more important than spending caps. Should the soft caps be implemented as part of the Commission's approval of DHCD's Plan, we would urge them to be seen as thresholds above which strong justification for more investment must be provided rather than actual caps. The criteria that define such justification should be articulated in DHCD's written Program Operation Manual;

- The Coalition believes that providing for the direct installation of efficient lighting and hot water saving measures at the time of an audit for projects that need to be deferred due to the lack of leveraged funds for capital improvements is a better option than merely leaving energy efficiency kits with residents. We believe that net to gross ratios will be much higher for direct installation than for kits, thereby justifying the additional cost;
- The Coalition welcomes DHCD's efforts to improve its procedures to assure better consistency with EmPOWER objectives and increased transparency in its implementation of its programs. We believe that the recommendations made by the OPC in its September 2, 2014 filing regarding the low-income programs are consistent with best-practices for low-income energy efficiency programs such as LIEEP and MEEHA, and urges DHCD to adopt them in their operations going forward.

Multifamily Energy Efficiency and Housing Affordability (MEEHA)

Through the MEEHA program, DHCD has developed an approach that overcomes many of the barriers to delivering energy efficiency improvements to low-income multifamily housing. *Given the program developments to-date as well as the benefits and demonstrated need for these investments – DHCD currently has a waitlist of 44 projects that need to be funded in the 2015-2017 cycle, and these are households disproportionately burdened by energy-bill payments -- we urge the Commission to support DHCD's budget request of $22,068,000 for MEEHA.*

Focusing on multifamily energy efficiency can achieve deep savings as part of Maryland's energy efficiency portfolio while increasing the health and comfort of low and moderate income residents. Maryland's housing stock currently includes 370,000 renter-occupied apartments in multifamily buildings, much of it concentrated in the Baltimore-Washington metropolitan area. Nearly 60% of rental buildings with 5 or more apartments were built before 1980. These buildings were constructed before the advent of modern energy codes and therefore present major opportunities for energy savings. A recent analysis of the technical energy savings potential of commercial buildings in Montgomery County alone determined that the energy savings potential in multifamily buildings is twice that of other types of commercial buildings. The report concluded:

> Although this [multifamily housing] is a difficult to reach segment because of the wide diversity of build types and ownership patterns, these buildings hold a great deal of the total energy savings potential. Multifamily markets require special emphasis, including

tailoring program technologies, incentives, and outreach efforts to meet the specific needs of multifamily owners (of both buildings and individual units), managers, owners associations, and tenants and their associations.[32]

Investments in efficiency yield a large number of non-energy dividends, including a healthier living environment which reduces childhood asthma incidents thereby increasing school attendance as well as quality of family life. Despite the many benefits of multifamily energy efficiency, investment often lags due to several barriers.

A critical advantage of DHCD's MEEHA program is that it provides a "one-stop shop" approach to delivering efficiency improvements in multifamily affordable housing. The one-stop shop model has been shown to be a very successful approach to delivering comprehensive energy savings services to multifamily owners. Recently ACEEE cited the one-stop model as a best practice for multifamily efficiency programs, specifically finding that it helps overcome challenges including a lack of stakeholder capacity, issues of upgrade timing, coordination problems due to multiple decision-makers and high transaction costs.[33]

DHCD has integrated the MEEHA program with its other multifamily financing programs. Affordable multifamily projects already being considered for other DHCD rental financing are targeted for MEEHA funding. Property owners could submit one application for all their financing requests from DHCD. Existing affordable rental projects seeking funding only for energy efficiency improvements are also eligible to participate. DHCD's experienced staff leverages their existing relationships with affordable housing providers to recruit participation. This approach has allowed DHCD to use EmPOWER funding to leverage $37 million in other financing to date to significantly improve multifamily affordable housing.

MEEHA Extension Request

The Coalition urges the Commission to approve the MEEHA funding extension request that was filed on September 11, 2014.

One of the main challenges in administering a program like MEEHA is the complex financing nature of multi-family affordable properties. Owners of multi-family affordable housing must seek permission from multiple investors before they can close on funding from a program like

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[32] Montgomery County, Maryland Commercial Building Energy Efficiency Policy Study, March, 2013.
http://www.montgomerycountymd.gov/DEP/Resources/Files/downloads/outreach/energy/Commercial-and-Multi-Family-Study.pdf

[33] Apartment Hunters: Programs Searching for Energy Savings in Multifamily Buildings, Kate Johnson, ACEEE, December 2013. Report Number E13N http://www.aceee.org/research-report/e13n

MEEHA. This can be a very time consuming process. As mentioned above, one advantage of the MEEHA program is DHCD's practice of targeting properties that are receiving a comprehensive rehabilitation. Doing so allows DHCD to integrate energy efficiency measures into the property rehabilitation and use EmPOWER funds to leverage other sources of financing. However, this approach can't bypass the long timelines required for comprehensive rehabilitation projects, where energy efficiency is typically only one component of a much greater overall scope of work. The timeline of a substantial rehabilitation project, from securing all financing until construction completion, can be anywhere from 18-36 months. This has led to inevitable delays in DHCD's ability to meet its targets within the 2012-2014 timeframe. In fact, DHCD has committed its entire MEEHA budget to projects that will provide significant benefits to limited income ratepayers, and projects will be completed in 2015.

DHCD filed a request for the Commission to allow it to extend currently allocated funding for this sector for an additional year. We endorse approval of DHCD's request for a one-year extension to expend its current MEEHA budget, while noting that DHCD must take every opportunity to improve its planning practices and accelerate production moving forward so as not to miss investment opportunities. Approval of DHCD's extension request will ensure property owners and customers that projects scheduled to be completed in 2015 remain eligible for full funding. According to DHCD, failure to provide this assurance could result in the loss of 20 retrofit projects representing more than 4,000 projected in MWh savings. For the 2015-2017 EmPOWER cycle, the Commission should continue to expect that DHCD demonstrate regular incremental progress toward accomplishing the targets set before it.

Common Area Improvements Using C & I Funding

We urge the Commission to approve DHCD's request for C&I funding to make energy efficiency improvements in common areas. Failing to address all cost-effective energy efficiency measures at the time the owner is engaged, and when the project's financial requirements are being addressed will result in lost opportunities for deeper energy efficiency—meaning that low income Marylanders will miss out on potential benefits. Given the challenges in engaging these properties at all, it should be clear that gaining the attention and cooperation of property owners and managers for smaller, subsequent common area projects will be harder than simply including those measures in the full scope of work. These challenges are compounded by the absence of other financing sources to make these improvements in limited income housing and limited resources within the operating budgets and reserves at the property to pay for the improvements. The consequences of lost opportunities are continued unaffordable bills for low-income households, higher rents due to high common area utility costs, and unrealized avoided cost savings for Maryland utility customers.

In order to avoid such lost opportunities, it is critical that Maryland's limited income program support comprehensive retrofits that target all cost-effective energy efficiency improvements at the time of intervention. Integrating funding for common area improvements into the MEEHA program will allow DCHD to capture significantly more energy savings.

Multifamily buildings must be treated wholly to maximize energy savings. MEEHA primarily addresses the installation of energy efficiency measures in individual residential units. Currently, measures in commercially-metered common areas may be funded, but such measures may not constitute more than 15% of the total project cost. The 15% spending cap results in lower overall energy savings than would be achieved if the building and its systems were comprehensively addressed. DHCD estimates that expanding program funding to more comprehensive common area measures would increase energy savings by an estimated 43%.[34]

Multifamily programs are most effective when commercial and residential incentives are combined into one easy application and participation process. Allowing DHCD to administer incentives for common area measures as part of the MEEHA program is more effective and efficient than referring owners to separate utility-run programs— and more likely to result in those measures being installed. In order to address concerns about accounting practices for use of different categories of EmPOWER funding, DHCD has proposed to modify invoicing and reporting practices so that the savings and costs are appropriately credited/ charged to C & I.

Adopting this approach mirrors best practices elsewhere. Utilities in several states rely on both commercial and residential budgets to fund multifamily energy efficiency upgrades in the same building and, notably, one even has the budgetary flexibility to use its residential budget for commercial-metered measures. Table 1 below summarizes utility-funded multifamily programs in four states (Iowa, Massachusetts, Pennsylvania, and Rhode Island) that provide buildings access to energy efficiency services for both residential-metered customers (in-unit tenant spaces) and commercial-metered customers (common area spaces). There are other examples as well, in states such as Illinois and Vermont. In sum, several utilities rely on both commercial and residential budgets to fund multifamily energy efficiency upgrades in the same building.

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[34] *See, e.g.,* Case No. 9156, Docket No. 528, DHCD Presentation *EmPOWER Maryland Low Income Energy Efficiency Program 2013 Second Semi-Annual Administrative Hearing*, Slide 34 (April 7, 2014).

Table 1. Examples of Utility-Funded Multifamily Programs

State	Utility	Program Name	Avg. Annual Spending	% Sector Budget
Iowa	Mid-American	Multifamily Housing Program	Res: $5 M C&I: $3.4 M	9% 7%
Massachusetts - *Non-Low-Income MF Program*	National Grid	Multifamily Retrofit	Res: $10.8 M C&I: $2.5 M	9% 9%
Massachusetts - *Low Income MF Program*	All IOUs	Low-Income Multifamily Retrofit	Res: $39.5 M C&I: No budget	15%
Pennsylvania	PECO	Smart Multi-Family Solutions	Res: $1.7 M C&I: $1.6 M	4% 5%
Rhode Island	National Grid	Energy Wise Multifamily (both low- and non-low-income programs)	Res: $8.1 M C&I: $0.5 M	17% 6%

Master-Metered Low Income Multi-Family Properties

We also recommend that the Commission allow C&I funding to be used in master-metered low-income multifamily properties. Master-metered properties are currently ineligible for utility funding administered through the MEEHA program. Residents of master-metered properties could and should receive the many benefits of energy efficiency investments including stable affordable housing and lower rents due to more efficient property operations and improved health and comfort due to better air sealing and insulation. DHCD budgets should be adjusted to reflect the addition of this market segment.

Outreach to More Potential MEEHA Customers

The Commission should order DHCD to explore innovative and collaborative approaches to increasing participation among MEEHA-eligible properties. As an example, DHCD could explore opportunities to collaborate with the MEAP and EUSP programs of Maryland's Department of Human Resources (DHR). Through these programs, DHR has established relationships with the owners and managers of numerous multi-family properties— relationships that could potentially be leveraged to improve the long-term affordability of this housing stock

by engaging these owners and managers in energy efficiency projects. DHCD should explore other collaborative opportunities to increase participation as well.

Multi-family initiatives not tied to income eligibility

In addition to the DHCD programs that are specific to income-qualifying residents, the Coalition supports initiatives that the utilities are proposing that either directly or indirectly target additional segments of low to moderate income residents.

While MEEHA targets a specific income-eligible segment of Maryland's multi-family market, non-income eligible multi-family housing has historically received only piecemeal attention from efficiency programs due to myriad barriers. These are described in the Energy Programs Consortium report *Multifamily Energy Efficiency: Reported Barriers and Emerging Practices*[35] published in November, 2013. In the study the authors reviewed more than 40 studies on energy efficiency in low-income multifamily housing to identify barriers to increased efficiency.

The Coalition notes, as reported by HUD, that nationally it is estimated that only one in four households that is income-eligible to receive housing assistance actually receives it.[36] In other words, 75% of the income-eligible households nationally *do not* receive housing assistance. Therefore the Coalition asserts that not only limited income multi-family housing, but multi-family housing for vulnerable households, in general, constitutes a critically important market for EmPOWER— one that merits special efforts to assure that comprehensive efficiency services are available, and that those services are sufficiently robust to generate significant market participation. While multifamily households with resident incomes 60 percent or below area median income (AMI) qualify for MEEHA, the Commission should ensure that programs also serve households with moderate incomes that fall above that threshold.

In recent years the utilities have successfully offered QHEC services in multi-family housing, but there has been little in the way of comprehensive services in this sector to address all of the energy-saving opportunities that exist. This is unfortunate, because the relationships established through the QHEC could be used to further engage building owners and managers to install additional measures in common areas, and for the building shell and common mechanical systems.

SMECO, Pepco, and DPL have all proposed programs in their 2015-17 Plans to address multi-family more comprehensively. The Coalition is fully supportive of these efforts and encourages

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[35] Multifamily Energy Efficiency: Reported Barriers and Emerging Practices (Nov. 2013). http://www.energyprograms.org/wp-content/uploads/2013/11/EPC_Report_MultiFamily_Housing.pdf

[36] Characteristics of HUD-Assisted Renters and Their Units in 2003, Housing and Demographic Analysis Division Office of Policy Development and Research at p 4 (May 2008). http://www.huduser.org/portal/publications/pdf/Hud_asst_renters_report_p1.pdf

the Commission to not only approve them, but to assure that the utilities are investing sufficiently in this market to obtain significant ongoing participation throughout the upcoming 2015-17 program cycle. Additionally we offer the following observations:

- SMECO's has proposed a comprehensive approach to multi-family—the type of approach that has been championed by ACEEE, NRDC, NCLC, and NHT. In its proposed program, SMECO will combine in-unit QHEC, common area audits and direct install measures, and prescriptive rebates into a single program that presents a seamless front to SMECO's members. The Coalition applauds SMECO for introducing this new program.
- The Pepco and DPL approach to comprehensive multi-family is to coordinate efforts across three distinct programs, including QHEC, Prescriptive, and Shell. This is an acceptable approach for assuring that costs and savings are reported in appropriate categories, however the programs must be presented to customers as a single offering. In other words, customers don't typically care what the program is called or how it is reported—they want to know how to participate, what the program offers them, and what is required. If the programs are not effectively coordinated there is great risk that customers will not take full advantage of the range of offerings that are available. To assure this level of integration, the Coalition recommends that the three programs should actually be marketed as a single offering to the multi-family market.
- To further reduce barriers to participation in multi-family markets, we strongly urge the utilities to provide each building owner or manager with a single point of contact who can help them participate in all of the applicable programs. Each building should have a single person at the utility (or with the program vendor) to call regarding energy efficiency, regardless of the program. Both this and the previous point are supported by research from ACEEE[37].

Assisted Home Performance with ENERGY STAR®

The Coalition strongly supports SMECO's proposed Assisted Home Performance with ENERGY STAR program, and urges the Commission to authorize investments for this program and to support its inclusion in SMECO's ongoing program portfolio. We also note that Pepco and DPL suggest in their plans that they are contemplating similar programs in the 2015-17 cycle and have proposed modest budgets under PIDD that might be used for this purpose. DHCD services are only available to households with truly low incomes, and there are doubtless many households who don't meet the DHCD criteria who still have little means to pursue efficiency

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[37] Apartment Hunters: Programs Searching for Energy Savings in Multifamily Buildings, Kate Johnson, ACEEE, December 2013. Report Number E13N. http://www.aceee.org/research-report/e13n

improvements in the current markets. The proposed income requirements for Assisted Home Performance are only marginally higher than for the DHCD programs and are still quite low—between 200% and 300% of federal poverty.

The Coalition urges the Commission to approve SMECO's proposal for this program. Such an order would recognize the importance of meeting the greater need for energy efficiency that is experienced by lower income families who typically pay a disproportionate share of their income toward their energy bills. Further, the Coalition requests that the Commission order the other four utilities to add Assisted Home Performance with ENERGY STAR to their portfolios as well, as the need for services for families just above the DHCD eligibility criteria does not only exist in SMECO territory. Such an order would also be consistent with past Commission direction requiring the utilities to coordinate program delivery:

"...we are persuaded that standardization of EmPOWER elements across the Companies will reduce confusion for consumers, retailers and contractors, and thereby increase awareness and participation."[38]

This level of coordination is no less necessary for Assisted Home Performance with ENERGY STAR than it is for other programs.

3. The Commission should require the utilities to increase investments in the EE&C services available to C&I customers in recognition of the rich potential for savings in this sector;

C&I spending levels

While the focus of many stakeholders has, in the past, been focused on residential sectors, significant savings potential continues to exist in the commercial and industrial markets that must be pursued. Unfortunately, Pepco and DPL propose dramatic cuts to their C&I budgets—from projected 2014 levels but even from 2013 reported spending. PE also proposes a C&I budget that is less than projected 2014 levels, though it is slightly increased relative to 2013 expenditures. The Coalition strongly recommends that the Commission reject these utilities' proposals to reduce C&I budgets. Rather, C&I investments and savings levels must be increased to support attaining the enhanced EmPOWER contributions described in the GGRP. Figure 5 below illustrates the precipitous decrease in proposed C&I funding for Pepco and DPL.

[38] Order No. 84569 at p 6, December 22, 2011.

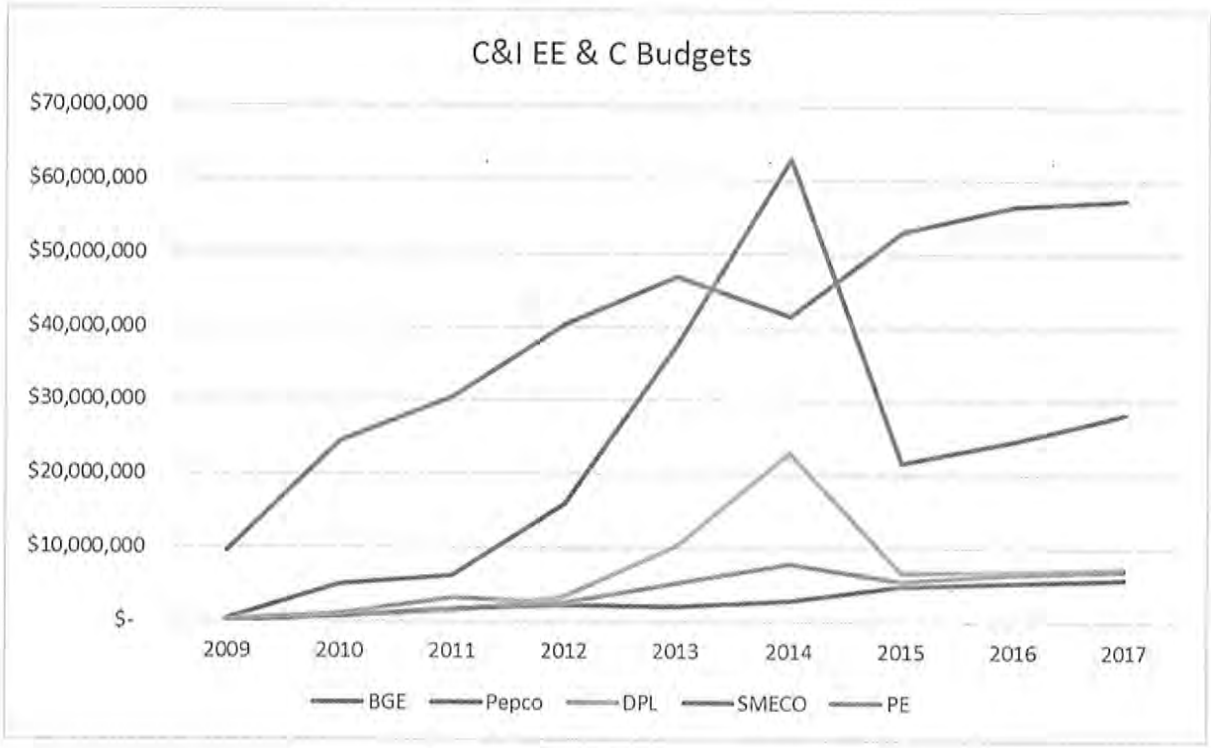

Figure 5

Pepco, in its Plan, provides evidence that there are many C&I customers who have not yet participated in EmPOWER programs. In assessing the target market for its Existing Buildings Program, Pepco states that for the program to date only 10% of the companies that are not in the top 1% of accounts have participated, compared with 40% of companies in the top 1% of accounts.[39] Of the total estimated 5,428 accounts that are eligible for this program, this suggests that there have been approximately 688 participants to date. Pepco forecasts that there will be 654 participants over the next three-year cycle, which when combined with past participants indicates that 75% of the eligible market will not have participated in this program in six years of implementation[40]. This pace is too slow in providing benefits to ratepayers and in supporting achievement of Maryland's climate goals.

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[39] Potomac Electric Power Company's EmPOWER Maryland 2015-2017 Energy Efficiency and Conservation Portfolio Plan Plan, p.47.

[40] This assumes that none of the 2015-17 participants have participated in the past— in other words it is the most optimistic projection of the number of accounts that have participated in the program. If accounts that have participated in the past also participate in the next program cycle, then there would be an even greater number of accounts that have not participated at all.

Pepco and DPL have not justified reduced C&I spending by providing compelling data showing that there is insufficient cost-effective potential. The Commission should order Pepco, DPL, and PE, as well as BGE and SMECO, to increase C&I budgets to achieve a trajectory that achieves the enhanced EmPOWER contribution to the GGRP goals. These budget levels may be adjusted either up or down pending the results of the forthcoming potential study, but without evidence to the contrary the presumption should be that abundant savings opportunities exist to achieve savings at this magnitude.

C&I Program Enhancements

In spite of the inadequate budget levels proposed by the utilities— most notably Pepco and DPL— there are a number of noteworthy program enhancements that have been identified for the C&I sector, by both the utilities and MEA. The Coalition applauds and supports these innovations and urges all stakeholders to continue to develop new approaches that will drive greater savings in support of the GGRP goals.

- MEA recognizes the challenges that customers have faced in C&I programs to date and proposes the creation of an Ombudsman[41] to actively coordinate efficiency activities in C&I markets. The Coalition supports this proposal and urges the Commission to act on it;
- MEA also proposes an "on-ramp" initiative to encourage program participation by C&I customers who have not previously participated, as has been championed by NRDC and MEA previously[42]. The Coalition recognizes that significant additional efforts will be required to recruit new participants to achieve savings in line with the GGRP requirements, and supports this proposal. We also note and appreciate BGE's proposed use of data analytics and Pepco's use of virtual assessment and benchmarking to increase C&I market engagement;
- Upstream lighting programs have been introduced by BGE and SMECO that are designed to increase market acceptance of high efficiency C&I lighting products, at lower cost than prescriptive rebate programs;
- Pepco and Delmarva have introduced a C&I Whole-Building bonus Approach designed to increase project comprehensiveness

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[41] *See, e.g.,* Case No. 9156, Docket No. 556, Maryland Energy Administration, 2015-2017 EmPOWER Maryland Filing at p 1 (September 2, 2014).

[42] Philip Henderson and Meg Waltner, "Real-Time Energy Management: A Case Study of Three Large Commercial Buildings in Washington, DC," Natural Resources Defense Council, October 2013. http://www.nrdc.org/business/casestudies/files/tower-companies-case-study.pdf

4. The Commission should require the utilities to increase investments in the EE&C services available to residential customers. Pepco, DPL, and PE propose significant reductions in 2015-2017, which the Commission must address. Further, the Commission should require the utilities to provide plans that assure that longer-lived measures will not be supplanted by measures having only limited persistence;

BGE has proposed a residential budget that approximates its average 2013-14 actual and projected investment, although it has significantly reduced its QHEC budget in favor of gas conversions and HVAC. SMECO has proposed a residential budget that is 44% greater on average than its average 2013-14 budget. The Coalition applauds SMECO for advancing energy efficiency for its members. Unfortunately, PE proposes an unjustifiable 12% reduction in residential energy efficiency spending, while Pepco and DPL propose 29% and 23% reductions, respectively, as illustrated in Figure 6. The Coalition urges the Commission to reject these reduced budgets and order all of the utilities to submit budgets that support attaining the enhanced EmPOWER contributions described in the GGRP.

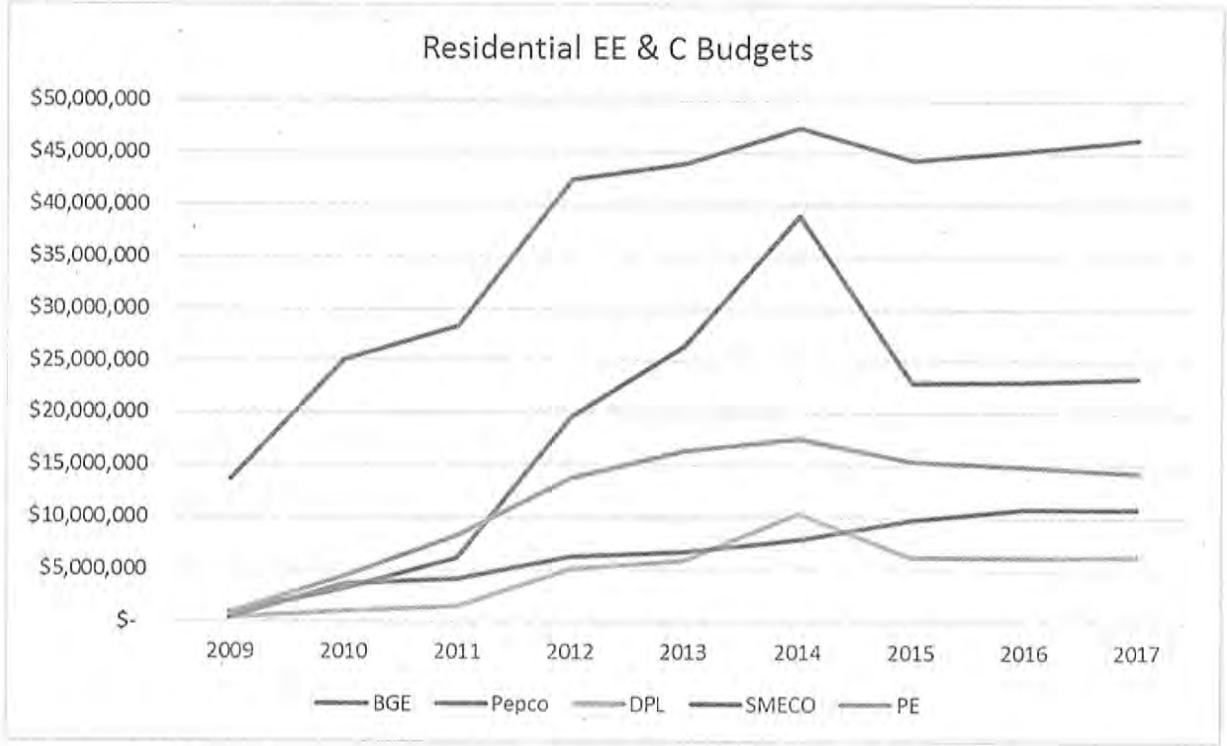

Figure 6

Further, the Coalition strongly recommends that the Commission direct the utilities not to overly rely on behavioral measures in lieu of alternatives that provide longer persistence, and hence better lifecycle savings and better economic value to ratepayers. Pepco's re-focusing of its

residential portfolio towards a greater emphasis on behavioral savings, shown in Figure 7 below, illustrates our concern.

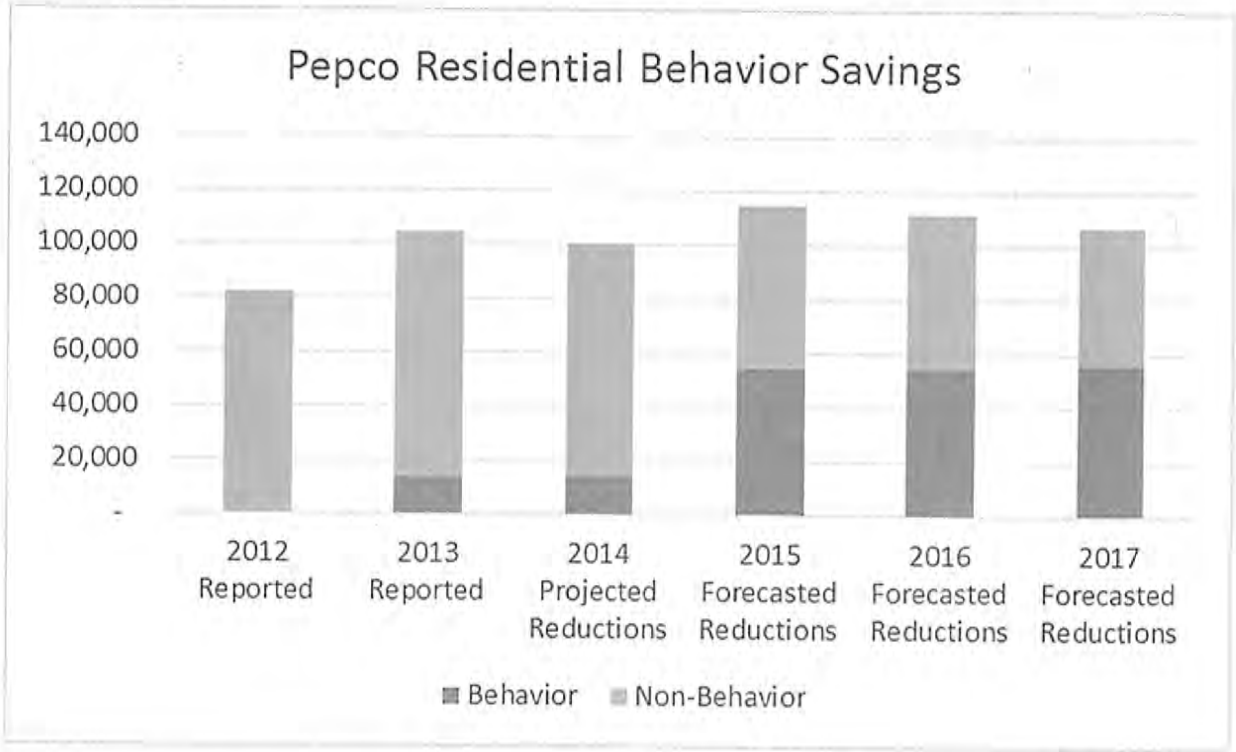

Figure 7

In 2014, behavioral measures are estimated to comprise roughly 15% of Pepco's residential savings. By 2017, Pepco proposes that behavioral measures will equal 52% of its residential savings, and 32% of its entire EE&C portfolio savings.

The Coalition supports the pursuit of behavioral savings, especially when behavioral programs are used to leverage investment in longer-lived efficiency measures. However, the Commission must provide and enforce direction to the utilities that focuses efforts on measures that endure over those that provide a fleeting benefit. Consider that the average measure life for Pepco's residential portfolio in 2012, when behavior programs were not included in the portfolio, was approximately 6.78 years[43]. If that same measure life is assumed for the non-behavior portion of the proposed 2017 savings, and the TRM measure life of one year is used for the behavior savings, then the average measure life of the 2017 residential portfolio overall is reduced by 44% from 6.78 years to 3.76 years, with a corresponding reduction in economic value and in environmental benefits related to air quality and climate change. The importance of this point is

[43] 2012 Semi-Annual Report, net wholesale lifecycle savings divided by annual savings

further described in a study performed on behalf of the Michigan Public Service Commission[44]. This study was conducted to help the Commission identify performance metrics that would do a better job of reflecting the real economic value of energy efficiency measures than the most commonly used metric— annual savings—does. As part of the study, the consultant team calculated the cost per annual MWh saved and lifecycle MWh saved for each of DTE's 2013 electric efficiency programs, and ranked them from lowest to highest. For most of the programs there was not a significant change in ranking from annual to lifecycle savings. However, this was not true for the behavior program. Of the 19 programs assessed, the behavior program was the third least costly on the basis of annual savings, but the third most costly on the basis of lifecycle savings[45]In other words, only two other programs had a cost per lifetime MWh saved that was higher than the behavior program. In terms of cost per lifecycle MWh saved, HVAC, MF and all of DTE's low income programs were less costly than the behavior program.

Note that the Coalition does not object to the proposed scale of behavioral programs per se, but rather we object to the use of behavioral programs to supplant other programs that are more beneficial in terms of providing long-term, sustainable benefits for ratepayers, the local economy, and the environment.

5. The Commission should provide clear requirements regarding cost-effectiveness screening, to maximize the benefits to ratepayers and to ensure that the utilities do not unintentionally disrupt and damage energy efficiency markets by making independent policy decisions;

MEA initiated a series of meetings beginning in September of 2013 to attempt to develop a consensus among multiple stakeholders on recommendations to the Commission for establishing consistent methods of applying cost-effectiveness testing in the development of EmPOWER programs and plans. While consensus was not achieved on some points, the framework filed by MEA dated August 18 of this year never-the-less contains many recommendations which this Coalition urges the Commission to act on. Members of the Coalition, including NRDC, Efficiency First Maryland, and NEEP filed comments on the framework, as did utilities and the OPC and MEA.

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[44] Optimal Energy, Inc., Alternative Michigan Energy Savings Goals to Promote Longer Term Savings and Address Small Utility Challenges, Final Report. (Sept. 13, 2013). http://www.dleg.state.mi.us/mpsc/electric/workgroups/progdesign/final_phase1_report.pdf

[45] *Id.* At p 14.

As outlined in these comments, members of this Coalition all support robust valuation of non-energy benefits and the use of discount rates in cost-effectiveness screening that appropriately reflect the reduced risk of energy efficiency investments relative to other, traditional utility investments.

Home Performance with ENERGY STAR

The 2015-17 Plans as filed by the utilities provide a stark illustration of the consequences of not having explicit direction from the Commission in this regard:

- Pepco, DPL, and SMECO included non-energy benefits in their cost-effectiveness testing—BGE and PE did not. This makes it impossible to compare the relative cost-effectiveness of the portfolios across utilities;
- BGE continues to stress its belief that programs should pass the TRC, and seems to desire to make decisions based on program-level TRC results, despite prior direction from the Commission that cost-effectiveness should be evaluated at the sub-portfolio level;
- All of the utilities have imposed new, restrictive SIR requirements for their Home Performance with ENERGY STAR programs in efforts to make the programs more cost-effective, despite healthy TRC results at the sub-portfolio level. BGE proposes to impose even more restrictive SIR requirements beginning in 2016;

In the absence of clear direction from the Commission, the utilities are applying their own values and approaches to cost-effectiveness testing, potentially leading to serious disarray in the important and challenging Home Performance with ENERGY STAR market. The Coalition has several concerns regarding the utilities' application of cost-effectiveness testing and the consequences this will have for Maryland's ability to continue to develop a viable home retrofit market.

- In its Order 84569, the Commission specifically directed the utilities to assess cost-effectiveness at the sub-portfolio level[46]. The Commission has not directed the utilities to base program decisions on program-level TRC results, and the utilities should discontinue this practice. Program level TRC requirements—especially when assessed over a short time horizon— are, in the Coalition's view, a bad policy option, because they place severe limitations on the Commission's ability to provide broad policy direction regarding program development. There are numerous other policy objectives that the Commission may choose to consider, such as providing sector equity, assuring services to the most vulnerable, developing the infrastructure to provide future energy savings, testing innovative programs, providing services to hard-to-reach markets, and so on, that might be precluded under a regime that

[46] Order No. 84569 at p 25 (Dec 22, 2011).

required program-level positive TRC results. It is for this reason that Maryland requires TRC cost-effectiveness at the sub-portfolio, rather than the program level, and the Commission should provide clear direction to the utilities to stop making operational decisions based on program-level testing results;

- The Coalition is perplexed by the utilities' determination that the imposition of stricter SIR thresholds will lead to increased cost-effectiveness. Of the actual projects that installed measures in 2014 to date in Pepco, DPL, and BGE territory, only 24%-33%, depending on the utility, had SIRs above the proposed 1.25 threshold. Even fewer would have met BGE's proposed 2016-17 SIR requirement of 1.75.[47] It is baffling to think how the utilities will ensure that they will be able to maintain participation in light of the SIR requirement. Without sufficient participation, how will program cost-effectiveness increase? While the projects that the programs report may become more cost-effective, many more audits will be done that won't lead to measure installations, so that the non-incentive program costs will become much higher relative to the incentive costs. It will take much more work, at greater cost, to identify projects that will meet the criteria;
- Many customers will be disappointed that their audits determine that they are ineligible for incentives, based on the incorrect application of a metric that should really only matter to the customer. SIR is a measure of customer economics, which should reflect any incentives that are available by reducing the customer's cost in the equation. While the utility has a responsibility to assure that customers receive accurate representations of the savings that are available to them through efficiency improvements and of their associated costs, it does not have the responsibility of assuring that those savings meet any economic thresholds for the customer whatsoever—in fact it would be paternalistic to do so. The utilities should assume that, provided with complete and accurate information, customers are capable of making decisions based on their own personal values. Perhaps nowhere more than in Home Performance with ENERGY STAR is it so widely agreed upon that customers are motivated to make improvements for a variety of reasons in addition to energy savings. Indeed, in describing its approach to marketing this program for 2015-17, BGE states that it "...will continue the recent shift toward comfort messaging as the lead...."[48] Clearly BGE understands that the energy savings economics are only one of the factors that customers use to decide whether or not to invest in energy efficiency retrofits.

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[47] Personal communication between John White of ICF and Brian Toll of Efficiency First, 9/30/14

[48] Case No. 9156, Docket No. 526, Baltimore Gas and Electric Company 2015-2017 EmPOWER Maryland Program Filing at p 57. (August 28, 2014).

In its comments regarding MEA's 2015-2017 Cost-Effectiveness Framework, NRDC, Efficiency First Maryland, and NEEP agreed on several key points:

- Non-Energy Benefits are an important element in cost-effectiveness testing. Cost-effectiveness testing should be balanced in a way that accounts for costs and benefits comparably. In other words, if all of the costs are included, then all of the benefits—including NEBS—should be included as well. If it is determined that certain benefits are not appropriate for inclusion in testing, then the costs associated with providing those benefits should similarly be excluded. For the TRC, this argues in favor of including at least certain NEBs in the calculations;
- TRC testing should not be based on the utility WACC, but rather on a rate that more reasonably reflects the risk associated with utility investments in energy efficiency—which is generally agreed to be lower than the risk associated with other utility investments. Other states in the region screen portfolio cost-effectiveness using societal real discount rates of around 3%.[49]

In summary, the Coalition urges the Commission to reject the utilities' proposed SIR limitations on the Home Performance with ENERGY STAR programs and to provide clear direction to the utilities regarding the appropriate and proper application of cost-effectiveness testing in designing and implementing their EE&C portfolios.

Special Consideration for MEEHA

We urge the Commission also to reconsider the level at which the MEEHA program is screened for cost-effectiveness. The current practice in the MEEHA program is to determine which measures can be funded based on an evaluation of the cost-effectiveness of the project. Energy conservation measures that result in the project being not cost-effective are ineligible for funding. While project level screening is appropriate to inform program planning, it should not be used to determine which measures are funded. A better approach is to apply the screening test at the sub-portfolio level. This approach allows for the inclusion of non-cost-effective projects or programs so long as they are offset by projects and programs that are cost-effective. This flexibility is especially important in achieving other Commission policy objectives, including serving hard-to-reach populations such as low-income families residing in multifamily buildings. Many affordable multifamily buildings serve very low-income families who pay no more than 30% of their income on rent. Because of the low rents paid, owners of these buildings do not have the resources needed to pay for efficiency upgrades. The EmPOWER MEEHA program is the only source of funding available to improve the energy efficiency of these developments.

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[49] NEEP/Synapse survey at p 9 http://www.neep.org/sites/default/files/resources/EMV_Forum_C-E-Testing_Report_Synapse_2013%2010%2002%20Final.pdf.

Allowing all energy conservation measures to be installed, even if the project proves not to be cost-effective, would have significant benefits for low-income households. Further, as the literature and programs in other states have substantiated, we are supportive of an adder for low-income programs based on factors that include non-energy benefits.

6. The Commission should issue orders requiring that natural gas utilities provide EE&C programs to their customers that are highly coordinated with the electric EmPOWER programs, consistent with current Commission policy requiring a high level of coordination among the electric EmPOWER programs

The Coalition supports MEA's proposal that the Commission implement formal EmPOWER savings goals for Maryland's natural gas utilities. BGE has long-provided certain gas efficiency services for its customers through its current EmPOWER programs, and Washington Gas has indicated its willingness to support efficiency for its customers by thoughtfully proposing its own suite of efficiency programs in advance of a directive from the Commission to do so.[50] Formalizing the goals and expectations for energy efficiency programs from the gas utilities will assure that energy and environmental goals will be pursued comprehensively across both fuel types. Further, the Coalition recommends that all gas utilities provide low-income program funding to LIEEP and MEEHA in a proportionate manner, consistent with the methods used to determine electric EmPOWER low-income program funding.

In addition to supporting a goal-setting process for the gas utilities, the Coalition further strongly urges the Commission to require a level of state-wide coordination among all of the gas and electric utilities that is consistent with what it has expected in electric utility program coordination. This will assure the most comprehensive savings opportunities, at the lowest-cost of program administration, with the clearest messages to the markets. A recent example of the benefits of delivery partnerships between utilities that provide different products in the same geographic territory is documented in Los Angeles, where SoCal Gas and LADWP are collaborating to provide joint program delivery, with a combined 2013-2014 budget of over $440 Million.[51] Programs are delivered jointly to save electricity, natural gas, and water, so that

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[50] Case No. 9362, Docket No. 1, Application of Washington Gas Light Company for Approval of Energy Efficiency and Conservation Programs filed August 29, 2014.

[51] Creating a One-Stop-Shop for Resource Efficiency: A Public-Private Partnership in the Delivery of Energy and Water Efficiency Programs. Drake, Mark, and Lukito, Mugimin; Wright, Gillian; Jacot, David and Hardison, Gretchen. 2014 ACEEE Summer Study on Energy Efficiency in Buildings. http://www.aceee.org/files/proceedings/2014/data/index.htm

"Customers who had to engage with multiple utilities to receive incentives and services for their energy and water projects in the past, can now conveniently engage with just a single entity."[52] The collaboration results in "...increased participation in energy efficiency programs, reduced program delivery costs, and the elimination of duplication of efforts."[53]

There are additional examples of successful multi-fuel efficiency partnerships as well. For instance, the four Chicago-area electric and gas utilities–ComEd, North Shore Gas, Nicor Gas, and Peoples Gas–jointly administer the newly launched MCEEP multi-family energy efficiency program to provide integrated incentives and services for electricity and gas savings. The utilities coordinate the program planning, implementation, and reporting behind the scenes while providing building owners with no-cost energy assessments, free direct installs, prescriptive and custom rebates, and discounted installation services through their trade allies all under one roof. By coordinating across the utilities, the program offers one standardized program to building owners with properties in multifamily service territories.[54]

Furthermore, implementing formal natural gas savings goals through EmPOWER would help the State to achieve its statutory GHG reduction goals. Maryland's Greenhouse Gas Reduction Plan states that "if EmPOWER were expanded to target thermal fuel consumption in addition to electricity consumption, even greater [GHG] reductions could potentially be achieved." As stated earlier, EmPOWER is one of the key programs that Maryland has identified as necessary to achieve its required GHG emission reductions. Energy efficiency in the natural gas sector can make EmPOWER an even stronger GHG reduction tool.

The Coalition recommends that the Commission require Maryland's gas utilities to provide EE&C programs to their customers, and direct Staff, stakeholders, and utilities to identify and implement coordinated delivery of energy efficiency programs across electric and natural gas utilities.

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[52] *Id.* at p 5-117
[53] *Id.* at p 5-126
[54] Apartment Hunters: Programs Searching for Energy Savings in Multifamily Buildings, Kate Johnson, ACEEE, December 2013. http://www.aceee.org/research-report/e13n.

7. The Commission should issue orders requiring that Municipal and Co-operative electric utilities provide EE&C programs to their customers, and that these programs are highly coordinated with the electric EmPOWER programs, consistent with Commission policy

The Coalition supports MEA's recommendation that the Commission extend EmPOWER benefits to the 87,000 municipal and cooperative electric utility customers that have not to date been eligible to participate in EmPOWER programs. The benefits of the EmPOWER programs in reducing customer bills and reducing the environmental consequences of energy use are well-documented and should be extended to the municipal and cooperative sector. Further, including Municipal and Co-op utilities in EmPOWER will enhance Maryland's ability to achieve its GGRP goals.

8. In light of the addition of natural gas EmPOWER programs, the Commission should establish consistent policies regarding the use of EmPOWER funds for fuel-switching

BGE is currently piloting a gas conversion program, and has budgeted for the continuation of this program in its 2015-2017 Plan. Should the other electric utilities also be required to promote conversion of electric end uses to natural gas? The Coalition believes that such decisions must be made in the interest of the overall public good, with due consideration to environmental impacts. There is considerable debate going on in many jurisdictions as to the steps that will ultimately be required to dramatically reduce carbon impacts, and one leading viewpoint is that electrification of end uses will be required, along with significant efforts to de-carbonize the grid. This would argue against a program that fuel switches electric end-uses to fossil fuel. The Coalition urges the Commission to provide a forum for determining the best approach to fuel-switching in light of environmental as well as economic goals, and suggests that the ultimate policy decision should be applied across EmPOWER, to both dual fuel and single fuel utilities.

9. The Commission should initiate a proceeding regarding Utility Shareholder Performance Incentives to ensure that energy efficiency investments are as attractive to utilities as investments in poles and wires

The Coalition fundamentally agrees with the premise that utilities will be most motivated to meet and exceed efficiency targets when energy efficiency and conservation investments provide financial returns to the utility that are on par with, or perhaps slightly better than the return gained from traditional utility investments in poles and wires. Indeed, there is evidence to support this position. ACEEE reports that "To encourage utilities to exceed mandates, 18 states allow them to earn a rate of return on energy efficiency spending, earn performance bonuses, or

share savings with customers. States that use these types of incentives tend to exceed the national average energy savings."[55] Therefore we support MEA's recommendation that the Commission initiate a proceeding— one that includes ample opportunity for stakeholder input— to investigate and establish appropriate incentive mechanisms to assure that no institutional disincentives toward EE&C investments exist.

The Coalition is most keenly interested in providing input regarding the specific targets that the utilities must meet in order to receive performance incentives. As the Commission is only too well aware, goal setting is a tricky business, and the opportunity to inadvertently create perverse incentives that will drive utilities toward decisions that are not in the public's best interest is great. For example, as illustrated earlier, goals that are simply framed in terms of annual MWh savings are likely to drive utilities away from longer-lived measures that provide greater lifecycle and economic benefits, because they are falsely perceived to be more expensive. This issue was explored by the Michigan Commission, which determined to apply greater value to measures with lives longer than ten years when calculating performance towards incentive payments.[56] Performance incentives can also drive utilities away from other important policy priorities such as sector equity, innovation, and service to the most vulnerable, unless there are specific requirements or goals related to these areas.

Performance incentives need to be considered in the context of the total utility return for EE&C investments. In other words, incentives should not be so large that, when coupled with any other return on EE&C investments, the utility earns a total return that is excessively large compared with returns on traditional investments. Additionally, the total incentive available should be clearly tied to performance, so that in effect the utility earns less than it can from traditional investments if it fails to meet targets, and can only earn more by meeting or exceeding its targets. While penalties may not be necessary, there should be both risk and reward inherent in any performance incentive framework.

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[55] Sara Hayes, et al., Carrots for Utilities: Providing Financial Returns for Utility Investments in Energy Efficiency. Report No. U111 (ACEEE, 2011). http://www.aceee.org/research-report/e137

[56] Order Approving Partial Settlement in Michigan Public Service Commission (MPSC) Case No. U-17138 (January 31, 2013), Table on p. 3, available at: http://efile.mpsc.state.mi.us/efile/docs/17138/0060.pdf

10. The Commission should support MEA's recommendation to develop a financing solution for non-low income residential customers. Financing should not be expected to reduce the need for incentives, especially for vulnerable populations;

In its September filing, MEA proposed a series of principles for consideration in the development of a financing option to help overcome first-cost barriers for residential customers. The coalition is fully supportive of the development of residential financing options that help reduce barriers to participation[57].

However, we urge caution in regards to MEA's suggestion that "The mix of rebates and financing should be expected to shift over time in favor of financing".[58] This is a policy objective that has gained in popularity in several jurisdictions, however it is almost wholly unsupportable by experience. The Coalition urges MEA, the Commission, and the utilities to agree that any suggestion that financing might eventually serve as a replacement for direct financial incentives must be fully supported by evidence before any programmatic changes are contemplated. Further, the Coalition emphatically believes that financing must be with extreme caution, if at all, for more vulnerable populations— those residential customers whose incomes and credit histories do not indicate their ability to successfully take on such financial obligations.

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[57] See e.g., EmPOWER Maryland New or Revised Programs Proposal Template 2015-2017 submitted by NRDC and NHT regarding "New Financing Options Targeted to Multifamily Housing" (MHELP credit enhancement and loan loss reserves).

[58] *See, e.g.,* Case No. 9153, Docket No. 506, Maryland Energy Administration, 2015-2017 EmPOWER Maryland Filing at p 1 (September 2, 2014).

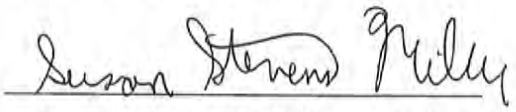
11. The Commission should support MEA's proposal for EM&V changes, provided there are sufficient opportunities for stakeholders to provide input to the designated stakeholder group;

In its 2015-2017 EmPOWER filing, MEA makes several observations regarding the lack of a transparent process for developing EM&V plans. MEA also points out that, as EmPOWER programs become more mature, there will be a greater need for potential studies and the assessment of specific markets to assure that EmPOWER will be able to fully capitalize on market opportunities for energy efficiency. The Coalition supports MEA's proposals to improve the usefulness of EM&V, provided the process includes opportunities for stakeholders to offer recommendations for market studies and evaluation needs that the EmPOWER EM&V Stakeholder Group will commit giving full consideration to.

Summary

The Coalition respectfully urges the Commission to adopt our recommendations to ensure the greatest economic and environmental benefits for Maryland's ratepayers.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that on the 3rd day of October 2014, I electronically filed a copy of this Comments of the Coalition of Maryland Energy Efficiency Advocates in PSC Case Nos. 9153-9157 with the Maryland Public Service Commission. In addition, the original, signed, as well as 17 copies, were sent by Federal Express on this date to David J. Collins, Executive Secretary, Maryland Public Service Commission, William Donald Schaefer Tower, 16th Floor, 6 St. Paul St., Baltimore, Maryland, 21202. Copies were also mailed on this date by first class mail, postage prepaid to:

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