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August 10, 2012

Walt Auburn  
Director Energy Efficiency  
Maryland Energy Administration  
60 West St., Suite 300  
Annapolis, Md. 21401

**Re: BGE Comments to the MEA for 2012 Legislative Report**

Dear Mr. Auburn:

Thank you for the opportunity to provide comments to help inform the Maryland Energy Administration's 2012 Legislative Report and to provide BGE's perspective on the future of EmPOWER Maryland.

Sincerely,

A handwritten signature in black ink that reads "Ruth C Kiselewich". The signature is written in a cursive, slightly slanted style.

Ruth Kiselewich  
Director  
Demand Side Management Programs

## **BGE Comments to MEA for 2012 Legislative Report**

On June 29, 2012, the MEA held a meeting at which it solicited comments on a number of issues related to EmPOWER Maryland and its future including recommendations on electric EmPOWER Maryland goals past 2015, addressing the potential for gas goals and whether the utility should continue to deliver the EmPOWER energy efficiency programs needed to support the EmPOWER goals. Prior to directly addressing the solicited comments, it is important to reiterate BGE's concerns with the current goal setting methodology since this establishes the context for BGE's recommendations on electric energy goals.

### **Current Methodology for Goal Calculation**

Various parties have agreed that the goals that have been set based on the current law result in unexpected and odd individual utility goals. For example, some utilities have energy efficiency targets set at 10%, while others have targets set at 2%. For peak demand reductions, some utilities have targets set at 17% while others have targets below 2%. BGE has testified at Maryland Commission hearings and repeatedly discussed with various parties that the current goals for 2008-2015 are dysfunctional and need to be leveled for all utilities to correct inequities and to achieve the greatest results at a statewide level. For example, the aggregate MWh reduction goal for the state should be proportionately applied to all utilities based on the ratio of energy use at each utility. While BGE continues to seek revisions to current goals, the extension of EmPOWER permits fixing the goal setting issue going forward.

With this being said, as of December 2011, BGE had achieved ~44% of the 2011 energy target with about 895,000 MWh annual gross wholesale energy reductions against a goal of 2 million MWh. Current goals for BGE require reductions totaling 3.6 million MWh by 2015 and BGE's 2011 filing data (revised to gross wholesale, i.e. eliminating free ridership impacts as advocated by BGE and approved by the Commission) projects meeting 71% of this goal by reducing energy since 2008 by 2.5 million MWh. Additional efficiency program filings subsequent to the 2011 filing can be expected to lead to greater progress against the EmPOWER MD goals.

### **Comments on the Future of EmPOWER**

#### **1. Electric Energy Efficiency**

BGE recommends the electric energy goals be based on a fixed amount calculated as a percent of 2014 weather normalized energy sales, thus eliminating the per capita calculation and periodic adjustments under the current system. The goal would be 2.5% of sales for 2016 through 2020 or 0.5% annually. Thus the annual target, using BGE 2011 actual wholesale energy as a proxy for 2014, would be about 170,000 MWh per year or 850,000 MWh over 5 years.

The target reduction recommendation takes into consideration that much of the low hanging fruit will be increasingly unavailable (e.g., replacements of incandescent bulbs). The proposed approach means “externalities” are excluded and only utility program savings are measured. The savings in both energy delivery and behind the meter savings should be specifically included. We also strongly believe that the goals should be targets and not mandates. The utility can offer the highest quality program but it is consumers who determine participation levels.

## 2. Electric Demand

BGE feels that there should be no additional goals on demand savings which are primarily driven by demand response programs. Market saturation is being approached and third party providers are very active in this market, meaning that there is little opportunity for Utility programs to drive significant demand reductions. The energy efficiency programs produce both energy and demand savings and BGE will continue to capture data on demand savings from the programs but the focus should be on driving energy use reductions.

## 3. Gas Energy Efficiency

No goals should be established for natural gas usage. Electric to gas fuel switching and programs such as Combined Heat and Power (CHP) being encouraged by the Maryland Commission and the MEA may drive increased gas usage. Other reasons for not having goals include that there will be a conflict between reducing both gas and electric and not all customers have the opportunity to participate in gas programs. The Act should just encourage the provision of incentives for the purchase of energy efficient gas appliances such as for gas furnaces and hot water heaters. BGE already offers incentives on some of these.

## 4. Cost Recovery

BGE requests that the language in the law dealing with cost recovery be reinforced by saying that the Commission must authorize cost recovery via the EmPOWER Maryland surcharge for all programs authorized or ordered to meet EmPOWER MD goals. This is to address recent experience where the Commission-ordered CVR to be implemented while denying cost recovery under the EmPOWER MD cost recovery mechanism.

## 5. Utilities To Continue Current EmPOWER Role

At the meeting, MEA directed parties to comment on what entity should run Demand Side Management programs: utility, state agency or free market. BGE believes that the Utilities should continue to be the entity responsible for managing and delivering the incentive programs for numerous reasons including:

- Utilities have achieved successful results
- Utilities are best positioned to provide programs that customers find valuable
- Utilities have a cost effective track record
- Utilities are subject to Commission oversight while other entities are not

It should be noted that BGE believes the actual implementation of energy efficiency projects should continue to be primarily market-based with the customer working with third parties to implement the efficiency upgrades, while the utilities use the EmPOWER funds to provide incentives and, in some cases, technical assistance.

BGE looks forward to discussions on the future of EmPOWER Maryland legislation.