

## MEA SUMMARY OF DRAFT REPORT COMMENTS

November 1, 2012

The following is a summary of stakeholder comments that MEA received regarding the Draft Report to the Senate Finance Committee and House Economic Matter Committee published dated September 2012. This document is MEA's interpretation of the comments and is provided only for the stakeholders' convenience. We suggest viewing the original author's comments on our website for a more detailed understanding of their positions.

### **American Council for an Energy-Efficient Economy (ACEEE)**

ACEEE supports a "bottom up" approach to target setting based on percentage of sales, and suggests an annual target of 1.5% for electricity. ACEEE also supports including natural gas targets as power of EmPOWER, and suggests an annual reduction target of 1.0% for natural gas usage. They suggest setting these targets in legislation based on recent experiences in Maryland and other states. ACEEE also recommends defining a cost effective test in statute based on industry standard tests. They comment that while the Maryland PSC uses a "modified and very strict" version of the Total Resource Cost (TRC), they make adjustments that are not in line with the practices of other states. As an alternative, ACEEE recommends using a Utility Cost Test rather than the current modified TRC test. Finally, ACEEE suggests a rolling baseline using the previous two or three years of sales to allow for program targets to adjust.

### **Baltimore Gas and Electric (BGE)**

BGE reiterates their comments that electricity goals should be set at an annual energy reduction of 0.5% from a 2014 weather normalized baseline for the years 2016-2020. They comment that the Natural Gas Energy Efficiency Potential Study may overstate the achievable savings, even in the lowest 40% market potential penetration goal, and that the report does not include a feedback mechanism from Fuel Switching and Combined Heat and Power (CHP) programs. BGE points out that MEA erred in stating that BGE has filed a fuel switching program with the PSC. Rather, they have developed a draft version for comments but it has not filed. MEA apologizes for this oversight. Regarding the Fuel Switching Potential Study, BGE comments that the report may have overstated the achievable savings of the policy given the necessary investments to convert to natural gas.

BGE states they are a strong supporter of CHP technology and anticipates receiving approximately 10 MW of projects in their current CHP RFP cycle. Notwithstanding that, they have concerns about the Combined Heat and Power Potential Study. Specifically, they note that exporting excess electricity generation at wholesale market rates is not in the spirit of EmPOWER programs which encourage

customers to use energy more effectively. BGE also takes issue with the potential market penetration figures for a \$900/kW incentive that project over 900 MW of CHP by 2020. They note that projections from BGE and PHI using the same \$900/kW incentive are projected to incent 10-20 MW per year, or between 80-160 MW by 2020.

BGE notes that they would have to increase spending by a factor of four to match the spending in Massachusetts' program, and are sensitive to bill impacts of EmPOWER charges. They also find that establishing penalties for poor performance under the current EmPOWER structure is not justified as results are effected by influences out of the utility's direct control.

### **Joint Comments by Chesapeake Climate Action Network, Environment Maryland, Interfaith Power and Light, MD League of Conversation Voters (JC)**

JC suggest utilizing a "bottom up" target approach for both electricity and natural gas. They suggest setting reduction requirements through a combination of long term goals based on all cost effective measures, and short term goals based on percentage of sales. JC recommend defining cost effective as a total resource cost test that fully incorporate the benefits and avoided costs of proposed programs and portfolios. As examples, the JC list benefits such as environmental, public health, reliability, and other non-energy benefits. They suggest measuring these benefits against the avoided wholesale price of delivered electricity. The JC suggest moving away from per capita metrics and that a bottom up approach would avoid the need to perform weather normalization.

The JC suggest that additional spending will be needed to meet their more aggressive goals, and propose increasing the EmPOWER surcharge, increasing the RGGI auction allowance dedicated to energy efficiency programs, or creating a public benefits charge to pool the State's financial resources into a single funding mechanism. They also suggest creating incentives for exception utility performance and implementing penalties for poor performance. Finally, they recommend exploring on-bill financing as a method to increase ratepayer participating in existing programs.

In their supplemental comments, the JC suggest the State set a minimum goal for State facilities of a 20% reduction in energy use and conduct research through state departments, colleges, and universities into the development, application, and promulgation of cost-effective energy-saving technologies.

### **Columbia Gas of Maryland**

Columbia Gas of Maryland reiterates their earlier comments that this is not an appropriate time to set natural gas reduction goals for 2015 and 2020, but rather to focus on educating consumers in making wise energy choices based on all of the options available to them. They point out that consumers are increasing switching to natural gas due to low gas prices, and that the American Gas Association cites that natural gas is three times more efficient than electricity in providing energy for end-use applications. Columbia Gas is concerns that setting reduction targets may counter these trends towards an "efficient and cost-effective energy source."

Columbia Gas notes that natural gas usage has declines roughly 1% per year for the past 40 years without mandatory reduction goals. They support the notion of a stateside natural gas energy efficiency program in Maryland, with certain considerations. Primarily, they do not feel that specific reduction targets are appropriate, suggest an exemption from small utilities, allow both costs and lost revenues to

be fully recoverable on a timely basis, and note the increasing challenge of meeting cost effective tests given the low price of natural gas.

### **Energy Future Coalition (EFC)**

The Energy Future Coalition supports extending and strengthening the two electricity goals beyond 2015, but suggest that broader causes are at the root of the utility underperformance to date. EFC suggest that utilities should be incented based on performance as part of a broader redefinition of the utility regulatory construct. EFC suggests a pilot to test if changes to the utility paradigm can lead to greater reliability, savings, and satisfaction for ratepayers.

### **Maryland Alliance for Fair Competition (MAFC)**

MAFC identifies itself as representing HVAC, Heating, Cooling, and Plumbing Contractors in the Baltimore-Washington corridor and request to be included in future stakeholder discussions. They also suggest stronger efforts be made in all future energy programs to include greater formal representation of the groups on the “front lines” in the marketplace. MAFC recommends unifying the various utilities’ programs in terms of marketing, incentives, and goals. The current method of having different goals and even program names for each utility is not cost effective and increases customer confusion. They recommend implementing several aspects of other states’ successful programs, such as standardizing rebate amounts, increasing incentives, different cost effective tests, and spending more on programs with greater potential.

MAFC supports a fuel switching program, and suggests expanding the HVAC focus to include more than electricity to technologies such as hydronic and steam boilers. They also recommend including a programmatic focus on whole home performance. They suggest letting the Commission determine the definition of cost effectiveness in their regulatory proceedings, with a study on the true efficacy of the TRC mandated as part of the process of determination.

### **Maryland Power Plant Research Program (PPRP)**

PPRP makes several suggestions to increase the approachability of the report, including expanding on the definition of “top-down” and “bottom-up.” They suggest including a discussion of the BAU forecast origins and the impact of the economic recession. Further, they recommend explaining the assumptions behind the exogenous reductions related to weather and economic factors, and clarifying how demand response payments are incorporated into the EmPOWER surcharge.

### **Northeast Energy Efficiency Partnerships (NEEP)**

NEEP reiterates their support of extending EmPOWER to a second phase and incorporating natural gas targets as well. They recommend the final report emphasis that energy efficiency is Maryland’s least cost energy resource, that it support changes to the EmPOWER savings targets, and that regulatory adjustments could be made to enhance performance beyond 2015. NEEP points out that energy efficient costs between 3 and 4 cents per lifetime kWh, “far below the average retail price of 12.70 cents/kWh in Maryland.” They suggest that this cost may continue into the future, even in states such as Massachusetts where substantial savings have already been realized. They point to a study showing that energy efficiency investment is not only lower cost, but also lower risk than most other sources of conventional and renewable generation.

NEEP notes that most highly successful programs in the northeast include some variation of the “all cost effective efficiency” approach. They favor using a “bottom-up” approach that sets binding, realistic targets that link utility performance to annual retail sales. They suggest the targets set by the Commission, perhaps with the legislature setting a minimum target of 1.0 to 1.5 percent of annual retail sales as guidance to the Commission. NEEP also recommends ensuring that the TRC test, if continued to be used, should include the full range of customer benefits as well as costs. They note that other states have implemented the use of performance based incentives and suggest addressing this in the final report.

### **Potomac Edison**

Potomac Edison supports the option that Maryland not revise existing targets beyond 2015 at this time, citing uncertainty as to what goals would be appropriate or affordable in the years 2016 and beyond. They note that current EmPOWER program costs are amortized over five years, so payments for pre-2016 programs will already continue beyond 2016. Potomac Edison suggests deferring the issue of goal setting beyond 2016 for now and that the Commission in conjunction with MEA review Maryland’s status relative towards the 2015 targets.

Potomac Edison states that the current statute process appropriate direction to the Commission relative to considerations that should factor into program approvals including cost effectiveness and suggest that legislative changes are neither necessary nor appropriate. They also suggest that weather normalization is neither necessary nor appropriate and are rendered unnecessary through protocols used in the evaluation process.

### **Richard Reis – Conservation Engineering, LLC**

Mr. Reis suggests the State set a minimum goal for state facilities. He suggests that a 40% reduction in lighting loads is feasible by 2015 through the implementation of technologies such as bi-level lighting for stairwells and hallways, introducing natural light where possible, and replacing incandescent list with CFLs or LED technology, among others. Mr. Reis recommends extending the EmPOWER targets to 2020 with a 30% overall electrical energy reduction and be expanded to include demand reduction from other stationary sources such as natural gas, propane, and fuel oil. He suggests revising all building costs to require or encourage energy savings, and to remove the exclusive or monopolistic authority of preferred contractors. Finally, Mr. Reis suggests conducting research through state departments, colleges, and universities into the development and application of cost-effective energy saving technologies.