

\* BEFORE THE  
\* PUBLIC SERVICE COMMISSION  
\* OF MARYLAND  
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IN THE MATTER OF EMPOWER MARYLAND  
2024 – 2026 ENERGY EFFICIENCY,  
CONSERVATION AND DEMAND RESPONSE  
PROGRAM PLANS PURSUANT TO THE  
EMPOWER MARYLAND ENERGY ACT OF 2008

\* \_\_\_\_\_  
\* CASE NO. 9705  
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Moderate Income Work Group

Supplemental Report

July 2, 2025

## Executive Summary

The Moderate Income Work Group met regularly to address the requests of the Maryland General Assembly and Public Service Commission. Through these discussions, stakeholders reached consensus that existing moderate-income focused initiatives are providing benefits to participants. Further modeling and data collection would help establish more benefits for participants. While the full capabilities of existing efforts are still being determined, the Work Group anticipates there will be lessons learned from initiatives recently approved by the Maryland Public Service Commission that are underway. The Work Group anticipates that these learnings may both inform and enable future EmPOWER programs to be more beneficial for limited and moderate-income households.

With an estimated 416,000 moderate-income households across Maryland within participating utility service territories, there are potentially more opportunities for the EmPOWER programs to benefit customers and expand its impact. Such work would help ensure households are taking advantage of the ability to increase energy efficiency and reduce carbon emissions and utility bills. Such programs today include improvements to household insulation. In the case of upgrading appliances, this effort adds real and tangible benefits to homeowners, among which are providing more reliable equipment that reduces maintenance costs. The EmPOWER program and its stakeholders are uniquely positioned to help these households. Since the inception of EmPOWER, utility programs have provided low or no additional cost home audits to over 1.1 million Maryland households and provided rebates for the purchase of energy efficient appliances, which generally have a lower cost to operate, to a significant number of households. With the broad reach of DHCD and the utility service territories, certain residents of Maryland can take advantage of these offerings. Even those who do not participate may still reap benefits from these programs since they lessen the stress applied to the infrastructure Maryland citizens use every day.

Drawing on years of experience, EmPOWER program implementers have developed a strong understanding of how these programs can work together and maximize effectiveness. Using this knowledge, the Work Group addresses a collection of topics as requested by the General Assembly and the Commission. The report highlights why the Work Group views the Area Median Income (“AMI”) metric as the best approach for defining Moderate-Income; what DHCD and utility provided offerings are available to consumers today and the progress being made in considering a new program offering for multi-family households.

The Work Group and its stakeholders remain dedicated to advancing the goals of the State in providing expanded services to its limited and moderate-income residents. It further advises that additional data collection be allowed for improved program performance and effectiveness in upcoming cycles.

## **Introduction and Background**

House Bill 864 (“HB 864”) was signed into law by Governor Moore on May 9, 2024. Section 6 of HB 864 required the Commission to establish a Moderate-Income Work Group whose purpose would be to study and make recommendations to the Commission on coordination of activities and benefits under the EmPOWER Maryland program between the Utilities and the Maryland Department of Housing and Community Development (“DHCD”) so that moderate-income households may obtain the most effective assistance under EmPOWER.

The Moderate-Income Work Group discussed the following topics:

1. Definition of a Moderate-Income customer.
2. An assessment of existing utility-based activities funded by EmPOWER and available to moderate income households.
3. Proposals for extending utility-based activities and coordinating those activities with corresponding activities of DHCD with respect to low-income customers.
4. Assessment of benefits and costs associated with extending and expanding activities under number 3.
5. Identify areas of potential overlap between utility and DHCD programs to avoid duplicating efforts.
6. Identification and development of regulatory and legislative changes needed to implement recommended coordination, extension and expansion of EmPOWER activities to benefit moderate-income households.

The Commission issued Order No. 91175 which required the Moderate-Income Work Group to provide status reports on October 15, 2024, February 14, 2025, and submit a final report on April 1, 2025. The Commission is scheduled to file its report to the General Assembly by July 1, 2025. The Work Group held bi-weekly meetings to realize the Commission’s directed deadline

of April 1, 2025. An extension request was filed to allow for a more extensive report. The Moderate-Income Work Group met on February 7, 21, March 7, 21, and April 4, 18, of 2025. On April 1, 2025, Staff, on behalf of the Work Group, requested for extension to file the final report by May 1, 2025. The Commission directed the Work Group to file its report to the Commission by April 25, 2025, and the report was filed on that date.

On May 13 and 14, 2025, the Commission held hearings for the Q3/Q4 2024 EmPOWER program. During the hearings, the Commission requested the Moderate-Income Work Group to reconvene so it could continue discussions and provide additional information on the topics assigned by HB 864. On May 27, 2025, the Commission issued a Letter Order which reiterated its request that the Work Group elaborate on the HB 864 topics. The Letter Order also provided an additional set of topics for the Work Group to discuss. In response, the Work Group reconvened on May 16, 30, and June 6, and 10, 2025 to address the Commission's requests. Conversations and input from Work Group stakeholders have been incorporated into this present supplemental report.

## Discussion Items

The Work Group continued to meet after the Commission's May 13 and 14, 2025 EmPOWER hearings. During these meetings, the Work Group agreed to provide additional clarification for the initial 6 discussion items presented by the General Assembly. Below are the revised statements with the requests of the Commission following.

*(1) Development of a practical definition of “moderate-income” for use in assessing the scope of available activities, potentially beneficial extensions of activities, and associated costs under the EmPOWER Maryland Program;*

The Work Group has come to define “moderate-income” by using the Area Median Income (“AMI”) metric. More specifically, moderate-income status is defined as when a household earns between 80 and 120 percent of the statewide AMI.

Eligibility rules for some moderate-income household initiatives have in the past used the Federal Poverty Level (“FPL”).<sup>1</sup> However, it was found that utilizing the FPL and AMI at the same time

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<sup>1</sup> Department of Health and Human Services, <https://www.healthcare.gov/glossary/federal-poverty-level-fpl/>

would result in overlap with the limited-income programs for certain households. Some households would qualify for both limited and moderate-income status if different Utilities used each of the two metrics. To prevent this from happening in the future, the Work Group has agreed to proceed with using the AMI as the benchmark for determining qualified households. Using the AMI approach will allow for households earning 80 to 120 percent of an area's median income to qualify for moderate-income EmPOWER benefits. The AMI metric is also used by DHCD to determine eligibility for the DHCD administered EmPOWER programs.

*(2) An assessment of existing utility-based activities funded by the Program and available to moderate-income households;*

The EmPOWER programs conducted by BGE and the PHI companies have been modified to better assist moderate-income households. More specifically, these Utilities have expanded their Home Performance with ENERGY STAR® (“HPwES”) program to include a greater focus on moderate-income households. The HPwES program provides home energy assessments for qualified moderate-income customers at no additional cost to eligible participants or ratepayers and offers reduced costs for home upgrades to eligible households. To help ensure program effectiveness, the Utilities and DHCD have coordinated to correctly identify appropriate households. In reaching those households which may be eligible for moderate-income benefits, Pepco and Delmarva Power have launched a marketing campaign on social media and have sent out postcards and informed customers of the Moderate Income Offer with a flyer and direct engagement at community events and meetings. Other programs have been proposed in the past, such as a moderate-income pathway for PE’s Home Energy Retrofit Program. This proposal, however, was not approved with Commission Order No. 90957. BGE launched their Moderate Income Offer using a different approach having no marketing initiatives. After coordination with DHCD, BGE concluded that having an initially smaller program with no marketing would limit overlap between BGE and DHCD programs and would be most beneficial for ratepayers. The smaller program would also allow stakeholders the opportunity to review results before scaling up operations. Other Utilities, such as SMECO, PE, and WGL do not have specific moderate-income household programs. SMECO offers its Home Energy Improvement Program (HEIP) similar to the Home Performance with ENERGY STAR (“HPwES”) program the other Utilities offer. SMECO’s HEIP is open to all residential members and offers no cost home energy assessments, HVAC Tune-ups, Smart Thermostats, and rebates for energy efficiency

upgrades. SMECO also has other offerings similar to the other Utilities (i.e., appliance recycling, appliance rebates, and HVAC rebates) which are also open to all residential members regardless of income. Similar to SMECO, Potomac Edison also provides a Home Energy Retrofit program as well as other low cost/no cost program offerings (e.g., appliance recycling, appliance rebates, and behavioral) that are promoted and available to all customers, including moderate-income households. As these programs continue to be implemented, the Utilities and various stakeholders alike take note of lessons learned to ensure improved program performance and effectiveness and inform program offerings in the future.

Each of the specific HPwES program moderate-income offerings were introduced in the second half of 2024. As such, stakeholders do not presently have sufficient data to fully determine their effectiveness. Initial reports from participating Utilities indicate that information about these benefits are reaching eligible customers. Across Pepco and DPL, over 100 applications have been received for program benefits. BGE has also received an additional 33 applicants who qualify for the program offerings. Additional information is available in response to the specific questions posed to the Work Group with the Commission's May 27, 2025, Letter Order.<sup>2</sup>

*(3) Proposals for extending utility-based activities and coordinating those activities with corresponding activities of the Department of Housing and Community Development with respect to low-income households under the Program;*

The Work Group concludes that, at present, more data is needed to determine if existing utility provided programs should be extended to low-income households. Such an expansion of these utility programs could overlap and interfere with efforts conducted by DHCD. The Work Group notes that the Utilities and DHCD actively maintain an open dialogue to effectively coordinate existing programs. Such recurring meetings take place in part with the explicit intent of preventing overlap between the two institutions. Introducing an overlap of efforts between DHCD and the Utilities may lead to confusion for participants and the later calculation of benefits.

The Work Group further observes that there is a well-established level of coordination between DHCD and the Utilities. Stakeholders have a regularly scheduled set of meetings to discuss program coordination activities. All parties recognize that if there is a concern within a program, DHCD and the Utilities maintain open communications to resolve any issues.

<sup>2</sup> See *infra* pp. 7-22.

*(4) An assessment of benefits and costs associated with extending and expanding activities under item (3) of this subsection;*

As no additional programs or extensions have been identified at this time under item number 3, the Work Group did not discuss the benefits and costs associated with extending and expanding activities.

*(5) Identification of areas of potential overlap between utility-based and Department-based activities that may be harmonized to avoid duplicating efforts and promote more efficient means to provide assistance to moderate-income households; and*

Overlap between DHCD and utility programs is not a serious Work Group concern due to existing efforts to mitigate any overlap. While overlap is possible, programs are designed by the Utilities in tandem with DHCD to purposefully avoid overlapping efforts between parties. Further, when new programs are being proposed or developed, they are reviewed between DHCD and the Utilities before final implementation. Similarly, programs can be introduced as a pilot to sift out potential issues. As a result of these preliminary efforts and extensive coordination between the Utilities and DHCD, as discussed in item number (3), overlap between activities is limited.

The Work Group does note that overlap in specific areas is not considered duplicative or wasteful. The best example of this occurs during marketing and advertising. The broader the reach of cost saving and energy efficiency EmPOWER messages, the more beneficial it is for all consumers even if the messages come from multiple parties.

*(6) Identification and development of regulatory and legislative changes needed to implement recommended coordination, extension, and expansion of Program activities to benefit moderate-income households.*

The Work Group has not identified any recommendations for legislative or regulatory changes that are needed to improve the effectiveness of EmPOWER programs for moderate-income households.

## **Commission Requests Pursuant to its Letter Order of May 27, 2025**

*(1) Identification of potential new opportunities for moderate-income households to obtain assistance from the EmPOWER Program;*

OPC recommended a program targeting moderate-income customers living in multi-family buildings, as discussed below.<sup>3</sup> OPC also suggested, during a Work Group meeting on May 30, 2025, that the Utilities utilize their behavioral programs to conduct targeted outreach to moderate-income households, perhaps using census tract data as a proxy for household income data. With the exception of these suggestions, discussed further below, Work Group discussions did not generate any additional opportunities for moderate-income households to obtain assistance from the EmPOWER program. The Work Group does note, however, that there are lessons learned for each program. This is especially the case with new programs and offerings. As the Utilities continue to pursue their current moderate-income initiatives, they will each learn how best to improve operations and perform the appropriate functions more effectively. With each program cycle, comes feedback and henceforth information on how the Utilities can improve programs. Out of this feedback and lessons learned will invariably come new opportunities that will be provided to moderate-income households. At this present time, the Utilities and relevant stakeholders have simply not collected enough data or had enough experience with these offerings to definitively say what new opportunities should be made available.

### **JOINT UTILITIES**

The Utilities believe that new opportunities exist for moderate-income customers and that the Moderate Income Offer that was recently approved by the Maryland Public Service Commission will provide insights to shape future offerings specific to moderate-income customers.

#### **Home Performance with ENERGY STAR<sup>®</sup>-Moderate Income Offer**

##### **Overview**

Since the MD General Assembly passed HB 864, BGE, Pepco, and Delmarva Power requested and were approved by the Commission for a Moderate Income Offer in their existing Home Performance Programs. The Moderate Income Offer was approved by Commission Order No. 91213, issued July 1, 2024.

The moderate-income component of the Home Performance program was designed to address the affordability gap for households that earn too much to qualify for limited-income programs but still find market-rate energy efficiency upgrades cost-prohibitive.

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<sup>3</sup> See *infra* pp. 19-21.

The Moderate Income Offer was designed to:

- Bridge the gap between limited-income and market-rate programs.
- Explore challenges in serving customers who are in this moderate-income range.
- Offer income driven incentives that do not conflict with offers from DHCD.

The Moderate Income Offer is designed to serve households that do not qualify for programs offered through DHCD.

- The Moderate-Income Offer is a component of the Home Performance with ENERGY STAR<sup>®</sup> program targeted towards moderate-income customers.
- Enhanced incentives reduce the upfront cost of weatherization, heat pumps, and heat pump water heaters.
- Available to customers above DHCD's income limit but below 100% of Area Median Income.
- Customers who apply for the moderate-income offer are directed to DHCD if they meet DHCD income or categorical eligibility requirements.
- The offer is delivered by contractors who participate in both limited-income and market-rate programs with existing relationships with DHCD and the Utilities.

### Offer Rollout

Prior to the launch of the moderate-income offer, the Utilities met with stakeholders to review the design of the offer. Feedback primarily focused on ensuring that the offer would complement—rather than compete with—programs administered by DHCD. Stakeholders, including DHCD, supported the Utilities taking a measured approach to rolling out the offer. This approach provided both DHCD and the Utilities with sufficient time to ramp up the program, monitor progress, identify potential issues, and make necessary adjustments.

To support a smooth launch, the Utilities selected a limited number of contractors who had existing established relationships with both DHCD and the Utilities' retrofit programs. This ensured continuity and alignment across programs.

BGE, Pepco, and Delmarva Power officially launched the Moderate Income Offer in the fourth quarter of 2024. In alignment with DHCD's request to minimize potential market

confusion, BGE opted not to conduct any initial marketing or public outreach. Pepco and Delmarva Power implemented initial marketing efforts to support the soft launch including a new Moderate Income Offer webpage and marketing campaign with targeted ads, a postcard, and an email to inform and drive customer application submittals.

Ongoing coordination between the Utilities and DHCD has ensured that customers who meet DHCD's eligibility criteria are appropriately referred to its limited-income programs. Also, this coordination has ensured that any potential overlap is identified and addressed. As of now, no overlap has been observed. The Utilities will continue to track program performance and maintain close coordination with DHCD as additional participation data becomes available.

Utility-specific results as of the end of May 2025:

#### BGE

- Over 83 BGE customer applications
- 12 applicants qualified and received their home energy audit
- 41 applicants referred to DHCD
- 5 applicants referred to HPwES Market Program
- 1 completed project with 3 projects pending

#### Pepco

- 74 Pepco customer applications
- 38 applicants qualified and received their home energy audit
- 6 applicants referred to DHCD
- 18 applicants are currently moving forward with projects
- 5 completed projects with 14 projects pending

#### Delmarva Power

- 48 DPL customer applications
- 8 applicants qualified and received their home energy audit
- 20 applicants referred to DHCD
- 0 applicants currently moving forward with projects

### Initial Findings and Challenges

Some initial takeaways from the utility moderate-income offer include:

- The need to strike the right balance. Identifying moderate-income households and reviewing offers takes time away from DHCD’s efforts to reach low-income customers who are most in need of DHCD’s attention.
- Identifying moderate-income customers and eligible moderate-income participants both interested in and financially able to participate is not easy. The current offer has shown to be a strong lead generator for the DHCD programs. Not all qualified moderate-income customers are interested in moving ahead with an audit at no additional cost nor the discounted improvement work.

### Potential Opportunities

The Utilities believe several areas can be explored for further opportunities:

- Enhanced Incentives – leveraging experience from the moderate-income offer, the Utilities could propose other enhanced incentive offers (e.g. appliance rebates, etc.) to help overcome cost barriers to participate. This could include offers for income-verified customers or offers based on the median income levels in certain geographic areas.
- Coordinated Targeted Offers – address the challenge to disaggregate moderate-income customers from low or market rate customers. The Utilities could work on coordinated offerings for limited and moderate-income customers with DHCD. This coordination would allow for an intense focus on these two special segments of the population and tiered offerings based on income eligibility.

*(2) The number of moderate-income customers in the EmPOWER Program service territories or, if such information is not available, an explanation as to why;*

The number of moderate-income customers in a Utility service territory is not a data figure collected by the Utilities, DHCD, or any other relevant institution. However, household income data are available from the US Bureau of Census (“Census”). Per request from the Work Group, the Evaluation Advisory Group (“EAG”) matched income data from Census and the utilities provided a list of zip-codes in their territories. By overlaying data at the zip-code level with the utility service territories, the EAG estimated the number of moderate-income customers residing in each utility

service territory (see table for preliminary values).

Table 1:

Utility	Moderate-Income Customers (count)
Baltimore Gas and Electric Company (“BGE”)	197,408
Delmarva Power (“DPL”)	41,793
Potomac Edison (“PE”)	46,010
Potomac Electric Power Company (“Pepco”)	101,203
Southern Maryland Electric Cooperative, Inc. (“SMECO”)	30,024

The Census zip-code data does not align exactly with data provided by the Utilities. The EAG will continue to refine the data and estimates; thus these estimates may change and should be viewed as preliminary. The EAG has put in a request to the Utilities to provide more precise customer figures for each zip-code to better account for overlapping zip-codes among Utilities and non-EmPOWER municipalities and cooperatives.

*(3) The extent to which, and the number of, moderate-income customers who are currently being served by existing EmPOWER programs;*

All moderate-income customers of the participating EmPOWER Utilities are eligible to participate in EmPOWER programs. The extent to which individuals are benefiting from the EmPOWER programs, however, varies. All customers receive a baseline benefit from the program in the form of externalities, regardless of their income or involvement in EmPOWER programs. This baseline includes reduced pricing and other avoided costs, reduced greenhouse gas emissions, a reduction in demand on the electric grid, and improved awareness of energy efficiency initiatives through marketing and educational efforts. Customers living in service territories of Utilities that do not participate in the EmPOWER program (i.e. Choptank Electric Cooperative, Columbia Gas, and Easton Utilities Commission) also receive a benefit. While customers of these Utilities may not be participating in EmPOWER, the reduced strain on the electric grid and carbon emissions benefits all ratepayers of Maryland.

With the exception of customers participating in Office of Home Energy Programs (“OHEP”) or

other Limited-Income offerings, the utilities and DHCD have to date not attempted to collect income data from their customers and/or program participants. In response to the Commission Order, the EAG is developing a series of questions to be added to existing evaluation surveys which are administered approximately every three years for programs comprising approximately 60% of the residential MWh portfolio. These surveys, already administered as part of the EmPOWER program, would ask a sample of program participants the number of household members and whether the household income falls within the associated moderate-income definition, as provided in Table 1.

### **DHCD**

For DHCD's MEEHA program, it inherently services the housing units of moderate-income tenants which are located in qualifying affordable multifamily properties. The majority of affordable housing properties are mixed-income, with a proportion of units in the low-income category, a portion in the moderate-income category, and some above. Because MEEHA qualifies the entire building as "affordable" based on meeting the unit threshold for low-income, the other units, including those who are in the moderate-income category, are retrofitted at the same time through the whole building approach.

### **JOINT UTILITIES**

Historically, the EmPOWER program has focused on increasing participation by low-income customers served collectively by DHCD through their dedicated program initiatives and through the Utilities' residential programs. DHCD and the Utilities have strongly coordinated program offerings to minimize overlap and competition between programs and to both increase participation in, and benefits of, EmPOWER to low-income customers. The Utilities envision continuing this proven collaboration among themselves and with DHCD to continue to evolve EmPOWER programs to similarly increase participation in, and benefits of, EmPOWER to moderate-income customers.

Currently, all utility EmPOWER residential programs are available to moderate-income customers. The EmPOWER Utilities provide programs to moderate-income households through a combination of programs available to all Maryland residential customers and through recently implemented specific moderate-income initiatives by BGE, Pepco, and Delmarva Power. In addition, among the portfolio of the utility residential programs are several programs that provide no- to low-cost measures and serve as good pathways for moderate-income customers to participate in and benefit from EmPOWER. Generally, it is expected that moderate-income customers will participate in no-

to low-cost initiatives at participation rates that are equivalent to or approaching those of above moderate-income customers. The utility residential programs provided under EmPOWER that include no- to low-cost measures for customer participation are described as follows:

- **Appliance Recycling:** This program provides rebates along with the no-cost pick-up and recycling of inefficient appliances at the customer's residence and through local community events. This program includes both small (e.g., room air conditioners, dehumidifiers) and large (e.g., refrigerators) appliances. This program has historically been successful in achieving broad customer participation because of having a selection of measures and no-cost to the customer to participate.
- **Appliance Rebate:** This program provides rebates or discounts to residential customers for their purchase of energy efficient products. This program includes many measures that have a lower incremental cost to participate such as air purifiers, room air conditioners, dehumidifiers, smart thermostats, sound bars, and advanced power strips. This program has historically been successful in achieving large amounts of customer participation because of having a broad selection of measures, many of which have a lower cost to participate. Based on the most recent semi-annual reports, this program represents over 60% of residential customer participation in the utility EmPOWER programs, excluding the Behavior program.
- **Home Retrofit/Quick Home Energy Check-up:** This program provides all residential customers no-cost home energy assessments and the direct installation of common energy efficiency measures given (e.g., LED light bulbs, low-flow shower heads, faucet aerators, HVAC visual inspections, smart thermostats, etc.) at the time of the assessments. This program has historically been successful in achieving broad customer participation because of having no cost of entry. Based on the most recent semi-annual reports, this program represents over 15% of residential customer participation in the utility EmPOWER programs, excluding the Behavior program.
- **Behavior:** This program provides customized Home Energy Reports about each customer's energy usage as well as analysis regarding their usage over time with specific tips and recommendations that provide energy efficiency and conservation opportunities, including those that are no- to low-cost, and other available programs such as those provided by DHCD. This program has no cost to participate and achieves significant

participation among all residential customers. Based on the most recent semi-annual reports, this program represents almost 70% of the total residential customer participation in the utility EmPOWER programs.

Other EmPOWER programs provided by the Utilities that are available to moderate-income customers include HVAC Rebates and New Construction. These programs have smaller rates of participation among residential customers, in part due to their higher cost to participate, as well as having longer-lived measures. Based on the most recent semi-annual reports, these programs combined represent less than 5% of residential customer participation in the utility EmPOWER programs, excluding the Behavior program.

In addition to serving moderate-income customers through programs that are available to residential customers, BGE, Pepco, and Delmarva Power introduced specific program initiatives in the second half of 2024 that seek to better assist moderate-income households. More specifically, these Exelon Utilities have expanded their Home Performance with ENERGY STAR® (“HPwES”) program to include a greater focus on moderate-income households. The HPwES program provides home energy assessments for moderate-income customers at no additional cost to ratepayers, consistent with the Home Retrofit offering by the other Utilities discussed above, and seeks to better assist moderate-income households offers reduced costs for home upgrades to income-eligible households. To help ensure program effectiveness, the Exelon Utilities and DHCD have coordinated to identify appropriate households. As a result of discussions with DHCD, BGE launched its moderate-income offering with no marketing to limit overlap between BGE and DHCD programs. Pepco and Delmarva Power launched a marketing campaign on social media, sent out postcards, and informed customers of the moderate-income offer with a flyer and direct engagement at community events and meetings. Due to the newness of these program initiatives, stakeholders do not presently have sufficient data to fully determine their effectiveness. Initial reports indicate that information regarding this initiative for moderate-income customers is reaching income-eligible customers, and BGE, Pepco, and Delmarva Power are all receiving applications for program benefits.

Looking ahead, all Utilities look to continue to evolve, inform, and improve their EmPOWER program offerings in the future. This includes monitoring the newer moderate-income initiatives discussed above that were recently introduced by BGE, Pepco and Delmarva Power, to take note of

lessons learned and their effectiveness, and to continue coordination with DHCD to collectively strive to increase the participation in and benefits of EmPOWER to moderate-income customers.

*(4) How many of the moderate-income customers currently being served by existing EmPOWER programs have attempted to enroll in DHCD EmPOWER programs over that last five years;*

#### **DHCD**

In 2024, DHCD denied 48 applications for exceeding the income limit of the low-income programs. These customers typically fall into the moderate-income bracket. However, it can be assumed that the majority of moderate-income customers do not currently attempt to qualify for DHCD's programs, as the income limits are clearly posted and pre-screened on the DHCD website. Any customers who are found to be over the income limits for DHCD's low-income programs by program staff during application review are provided with information about other resources they may be eligible for. These resources include the utility websites for EmPOWER rebates, and DHCD's BeSmart Energy Efficiency Loan program. Approximately 20% of the loan applicants to BeSmart are moderate-income households (80-120% AMI).

#### **JOINT UTILITIES**

Aside from the moderate-income offer in the Home Performance program for BGE, Pepco, and Delmarva Power, and that it is expected that moderate-income customers participate in no- to low-cost initiatives at participation rates that are equivalent to or at rates approaching those of above moderate-income customers, as discussed in the response to Letter Order Item (3) above, moderate-income customer participation in the existing utility EmPOWER program is unknown due to there being no income verification by the utility EmPOWER programs. The Exelon Utilities conduct income eligibility screening for each Moderate Income Offer ("MIO") application received and, if not eligible, appropriately slot and send the application to either DHCD or the HPwES market rate program. The Exelon Utilities' specific MIO results as of the end of May 2025 are reported above (on page 10) under Letter Order Item (1).

*(5) Recommended next steps for the Commission to take in furtherance of the HB 864 moderate-income goals;*

The Work Group notes first that HB 864 lays out:

“The purpose of the working group is to study and make recommendations to the Public Service Commission and the General Assembly on coordination of activities and benefits under the EmPOWER Maryland Program between utility companies subject to this Act and the Department of Housing and Community Development so that moderate-income households may obtain the most efficient and cost-effective assistance under the Program.”

In furtherance of this effort, the Work Group recommends the Commission allow Stakeholders more time to collect and analyze program data. Of the moderate-income offerings currently available, none have been operating for a period long enough to develop a full understanding of their effectiveness. In understanding the data, the Moderate-Income Work Group aims to coordinate with the EAG to ensure the data is being evaluated and verified accurately.

### **JOINT UTILITIES**

At this point, the Utilities believe that much is left to be learned about the moderate-income market and how it can be best addressed without pulling resources that would be best used to address low-income customers.

*(6) Greater explanation as to how the work group arrived at the definition of moderate-income and what other alternatives were considered. Additionally, the work group should explain how this differs from the federal definitions for provision of federal assistance from the Office of Home Energy Programs (“OHEP”);*

The Work Group chose to define moderate-income with the AMI metric. Any household earning between 80% and 120% of the statewide AMI is defined as moderate-income. This was agreed upon because it has been found to be the best approach used by DHCD and the Utilities from experience gained by operating past programs. The Work Group did consider alternatives, the primary of which was the Federal Poverty Level (“FPL”). Specifically, any household earning greater than 250% of the FPL would be considered moderate-income. The FPL, however, presents issues with accurately describing what constitutes a Maryland moderate-income household.

The FPL is based on nationwide income data. However, Maryland is a high cost of living state, and the nationwide income data does not adequately reflect the income that is necessary in Maryland to afford daily living or to afford energy efficiency upgrades. The AMI metric, however, is based on Maryland income data, which is higher than FPL and more in line with the cost of living in Maryland.

**DHCD**

- The Work Group discussed using AMI vs FPL based income guidelines. The primary goal was to have a clearly defined income bracket that does not overlap with the definition of low income for DHCD’s programs. A clear delineation was determined to be of utmost importance to reduce customer confusion and optimize program coordination between DHCD and the Utilities.
- DHCD’s definition of the income guidelines for low-income is the greater of 250% FPL or 80% AMI. When this income limit was first approved by the Commission in 2021, the 250% FPL and 80% AMI household limits were about comparable for an average household. However, over the past years wages in the state have risen more than wages have risen nationally. Therefore, the 80% AMI levels are now higher for all household sizes except for an 8-person household. 8-person households are very rare; therefore the de-facto income limit for the low income programs at this point is 80% AMI across the board.
- Data as of 1/2025:

Household Size	250% FPL	80% AMI (Statewide)
1	\$37,650	68,500
2	\$51,100	78,250
3	\$64,550	88,050
4	\$78,000	97,800
5	\$91,450	105,650
6	\$104,900	113,450
7	\$118,350	121,300
8	\$131,800	129,100

- In order to avoid any overlap with DHCD programs, the 80% AMI levels must be used as the lower threshold for the Moderate-Income definition.
- When discussing the upper end of the income range, the Work Group leaned on the definitions used by other programs that make upgrades to homes, such as energy efficiency or rehabilitation retrofits. For many of those programs, the HUD definition of moderate income is used, which is defined as 80% to 120% AMI. By using the same definition for the EmPOWER programs, it will be ensured that customers who qualify for the EmPOWER moderate-income upgrades can also qualify for other housing rehabilitation programs that could be leveraged.
- Other options that were considered:
  - The DOE IRA rebates define the upper limit for rebate eligibility at 150% AMI.
  - The Utilities' current moderate-income offers use 100% as the upper limit.

*(7) A more detailed explanation as to what is meant by “more data is needed to determine if existing programs should be extended to low-income households” under item (3) in the work group report;*

While all EmPOWER programs are available to low-income households, they are provided by DHCD. The statement from the Work Group referenced above illustrates the group's concern with expanding utility provided programs to customers served by DHCD programs. It is crucial to collect, analyze, and understand data regarding a program's effectiveness. Without such steps, a program could cause an unnecessary increase in the EmPOWER surcharge. In this particular case, expanding utility program offerings without knowing what effectiveness they possess may unnecessarily increase the surcharge to account for an increase in the utility budgets.

*(8) A preliminary examination of the Office of People's Counsel's proposals and the next steps the Commission and/or legislature should take with regard to them; and*

The Work Group received a proposal for a program idea from VEIC on behalf of OPC. The program was shared with a presentation during one of the Work Group's meetings. The program is designed to focus on having energy efficient appliances and equipment installed in multi-family properties for low and moderate-income households. The Work Group requested and received additional

information from OPC and VEIC on the proposed multi-family moderate-income program.

The Work Group does not oppose the proposed program idea. But it does have multiple concerns and general hesitations. One such concern is how the proposed program differs from a previously proposed program from the Utilities and the existing MEEHA program. The proposed 2024-2026 EmPOWER programs from BGE,<sup>4</sup> Pepco,<sup>5</sup> DPL,<sup>6</sup> and PE<sup>7</sup> included a similar program. This was later rejected by the Commission on grounds that the program may interfere with DHCD's programs.<sup>8</sup> Another concern from the Work Group would be how landlords and property owners are incentivized to participate. For most rental properties, the landlords are responsible for choosing the household appliances. However, it is the tenant that is responsible for paying the utility consumption costs. This creates a situation where tenants must bear the burden of using sometimes inefficient appliances without having the ability to install more energy efficient appliances. The proposed program does not adequately discuss how to resolve this problem of split incentives. How landlords and property owners would be incentivized to participate is not fully addressed in the proposal received by the Work Group. Such incentives to landlords would need to overcome several issues of their own. Just as landlords do not bear the burden of inefficient appliances in their properties, they would not directly benefit from allocating funds to have energy efficient appliances installed for tenants. Similarly, the program does not fully address concerns over landlords shifting appliance costs to tenants and pricing them out. A proposed solution was to require rental agreements. These rental agreements would serve as contracts between the landlord and tenant(s) for the purpose of offering protection to the tenant from being priced out of their residence. Such rental agreements would also need to include language providing opportunities for landlords to evict tenants on reasonable grounds. Without a clear indication of how such agreements would read and uncertainty around enforcement of these agreements, the Work Group does not feel as though all its concerns are adequately addressed.

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<sup>4</sup> Case No. 9705, Maillog No. 304397.

<sup>5</sup> Case No. 9705, Maillog No. 304395.

<sup>6</sup> Case No. 9705, Maillog No. 304394.

<sup>7</sup> Case No. 9705, Maillog No. 304398.

<sup>8</sup> Case No. 9705, Commission Order No. 90957.

## DHCD

The MEEHA program is currently serving all units in a building. If there are moderate income units in an affordable property, they are already covered and served by DHCD. Most units in affordable properties that are not low-income, are very likely moderate-income.

Following VEIC's proposal on behalf of OPC, DHCD raised some clarifying questions, which OPC addressed in the subsequent meeting:

- Is VEIC proposing that instead of DHCD funding all units in an affordable property (with funding they receive from the utilities), that the utilities should fund the moderate-income portion of the units in a MEEHA qualified building directly? And who would fund the market rate units? This piece-meal approach would reduce efficiency of the project delivery.
  - OPC explained that it was not proposing a piece-meal approach, but a whole building approach for properties that would qualify as moderate-income as a whole.
- Or is the suggestion that DHCD continues to cover the moderate-income units in qualified affordable buildings, and there is a different set of multi-family properties that qualify as “moderate income properties” for the separate Multi-Family Moderate Income Program? To qualify as such a property that does not also qualify for DHCD MEEHA, what are the criteria? How many units need to be of moderate-income?
  - In response to the concerns about overlap with the MEEHA program, OPC responded that the moderate-income offerings could be offered to residents of multi-family buildings that are not currently eligible for MEEHA. If greater than 50 percent of households in the building qualified as moderate income, for example, the building could be eligible for the moderate-income program. Such a program could theoretically be developed for the 2027-2029 EmPOWER cycle or explored as a pilot program in 2026.

OPC acknowledges that it was not attempting to provide a fully designed program to the Work Group but instead hoped to provide a starting point for a discussion.

The Work Group is interested in continuing discussions on what a moderate-income program for

multi-family buildings might look like.

### **JOINT UTILITIES**

As discussed by DHCD under Question 9 below, the majority of the estimated 133k moderate-income multi-family households should already be covered by the existing comprehensive offerings for income qualified households. Based on this, the Utilities are unsure how this proposal would identify additional moderate-income multi-family housing that is not already being served by DHCD. In addition, the Utilities are unsure how the proposal would complement (not compete with) or differ from what DHCD offers through its MEEHA program.

*(9) An explanation as to why the work group finds it unnecessary to develop more targeted programs for moderate-income customers from existing programs.*

To clarify the Work Group's previous filing, the Work Group does not find it unnecessary to develop more targeted programs for moderate-income customers from existing programs. Rather, the Work Group does not have any specific proposals or developments it can provide to the Commission at this time. In due time, Stakeholders will likely be able to fully comprehend existing program offerings and identify opportunities for expansion.

### **DHCD**

The majority of the moderate-income households should already be covered by the existing comprehensive offerings for income qualified households:

- The MEEHA program already inherently serves moderate-income households housed within affordable properties.
- As discussed in response to Question (1) above, BGE and PHI implemented moderate-income offerings specifically for moderate-income homeowners last year and the Utilities are looking forward to gaining insights and experience from this to shape future offerings specific for moderate-income customers.

Non-affordable multifamily properties currently can participate in the Utilities' market rate programs. It could be considered to offer enhanced incentives for those units within the existing programs.

### **JOINT UTILITIES**

The Utilities find it appropriate to develop more targeted programs for moderate-income customers. However, the Utilities have not identified any specific opportunities at this time. Due to the very limited amount of program experience with the BGE and PHI moderate-income offer discussed above in Question (1), the time remaining in the current program cycle, and the schedule for development of program plans for the upcoming cycle, the Utilities believe that the best path forward is to explore the opportunities to provide enhanced incentives and coordinated targeted offerings with DHCD discussed above in Question (1) and considering the lessons learned and experience gained from the BGE and PHI Moderate Income Offer be used by stakeholders to develop future offerings specific for moderate-income customers.