D13A13
Maryland Energy Administration

Operating Budget Data

($ in Thousands)

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change	% Change Prior Year
Special Fund	$20,030	$50,139	$45,507	-$4,632	-9.2%
Contingent & Back of Bill Reductions	0	0	-27	-27	
Adjusted Special Fund	**$20,030**	**$50,139**	**$45,480**	**-$4,659**	**-9.3%**
Federal Fund	5,965	1,187	818	-368	-31.0%
Contingent & Back of Bill Reductions	0	0	-7	-7	
Adjusted Federal Fund	**$5,965**	**$1,187**	**$811**	**-$376**	**-31.6%**
Reimbursable Fund	3,488	141	145	5	3.2%
Adjusted Reimbursable Fund	**$3,488**	**$141**	**$145**	**$5**	**3.2%**
Adjusted Grand Total	**$29,483**	**$51,467**	**$46,436**	**-$5,030**	**-9.8%**

- The fiscal 2015 allowance of the Maryland Energy Administration (MEA) decreases by $5.0 million, or 9.8%, compared to the fiscal 2014 working appropriation after accounting for the across-the-board and contingent reductions in fiscal 2015. The decrease occurs primarily among special funds, the main fund source for MEA.

- Federal funds decrease by $375,551, or 31.6%, in the fiscal 2015 allowance. The fiscal 2015 allowance is a more typical level of federal funding for MEA based on the State Energy Program base grant and the remaining portion of a competitive grant. Fiscal 2014 funding also included the federal funds that remained available to the agency from grants which have expired or have now been fully expended.

Note: Numbers may not sum to total due to rounding.

For further information contact: Tonya D. Zimmerman Phone: (410) 946-5530

- The fiscal 2014 budget includes $7.2 million of general funds for three new activities, which were funded under a new capital pay-as-you-go program. However, during fiscal 2014, a change has been made to treat these programs as operating programs and fund the programs from the Strategic Energy Investment Fund (SEIF). Although the general funds are no longer needed, they were not initially withdrawn; the Governor's fiscal 2015 budget plan assumes that those funds will be reverted to the general fund. It is the understanding of the Department of Legislative Services that these funds are no longer available to MEA.

Personnel Data

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change
Regular Positions	30.00	30.00	30.00	0.00
Contractual FTEs	9.00	10.00	10.50	0.50
Total Personnel	**39.00**	**40.00**	**40.50**	**0.50**
Vacancy Data: Regular Positions				
Turnover and Necessary Vacancies, Excluding New Positions		1.50	5.00%	
Positions and Percentage Vacant as of 12/31/13		4.00	13.33%	

- The fiscal 2015 allowance of MEA contains no new regular positions. However, 4.0 new regular positions are expected to be created by the Board of Public Works but have not been created as of this writing. The new regular positions are 3.0 program managers and 1.0 staff attorney. **MEA should comment on when the new positions are expected to be created.**

- The fiscal 2014 and 2015 contractual full-time equivalent (FTE) count includes 2.0 FTEs (grant administrators) added during fiscal 2014 with additional funding available from the SEIF.

- As of December 31, 2013, MEA had a vacancy rate of 13.3%, or 4.0 positions. To meet its turnover expectancy of 5.0%, MEA needs to maintain 1.5 vacant positions during fiscal 2015.

Analysis in Brief

Major Trends

EmPOWER Maryland Goals: Maryland continues to make progress in meeting the goals of reducing per capita peak demand and per capita electricity consumption by 15.0% by the end of calendar 2015, having achieved a reduction of 10.8% in per capita peak demand and a 9.1% reduction in per capita electricity consumption by the end of calendar 2012.

Renewable Energy in Service: Substantial growth occurred in calendar 2013 in the commercial scale and residential and small commercial scale renewable energy in service, a total increase of 67.3%. Slower, but still substantial, growth is expected through calendar 2015.

Issues

Regional Greenhouse Gas Initiative Funding Allocation Change and Strategic Energy Investment Fund Revenue: Higher than expected revenue from Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auctions following the announcement of program changes has led to an accumulation of fund balance in the SEIF, allowing for higher spending in the fiscal 2015 allowance than would otherwise be possible with revenue from the auctions. The Budget Reconciliation and Financing Act (BRFA) of 2011 temporarily altered the allocation of proceeds from RGGI auctions. The temporary allocation was in effect during fiscal 2011 through 2014. Absent legislative action, the allocation would return to the original statutory allocation in fiscal 2015. However, the BRFA of 2014 proposes to essentially retain the allocations under the BRFA of 2011, except that it adds resiliency as an eligible use of funds and increases the cap for the administrative allocation.

Commercial and Industrial Sector Deep Energy Retrofit Grant Program: MEA's fiscal 2014 budget contained funding to provide grants for deep energy retrofits (retrofits resulting in at least 20% savings) of commercial and industrial facilities. Fiscal 2014 budget bill language restricted a portion of the program's funding until MEA submitted information on the grant selection process. Budget bill language also required information on the grantees and leveraging of funds associated with each grant. MEA submitted the report on the grant selection process in July 2013, which stated that the grant selection process is focused on a variety of factors including the energy savings, amount of matching funds, and ability to serve as a best practice/showcase project. MEA anticipates making the grant decisions in March 2014. As a result, the list of grantees and leveraging of grants is not available. MEA plans to continue this program in fiscal 2015.

Recommended Actions

		Funds
1.	Increase turnover expectancy to 7%.	$ 62,133
2.	Add language restricting funds to be used for the new Net Zero Homes Program in the Department of Housing and Community Development.	
3.	Add budget bill language to require information on the Regional Greenhouse Gas Initiative revenue and allocation in the fiscal 2016 budget books.	
	Total Reductions	**$ 62,133**

Updates

EmPOWER Maryland: During calendar 2013, MEA and the Public Service Commission (PSC) continued to take actions to develop the next phase of EmPOWER Maryland. MEA has initiated a workgroup process related to the measurement of cost effectiveness, the avoided cost of energy, and studies of the baseline and potential savings under different cost effectiveness assumptions. PSC held a hearing in October 2013 to address issues related to the planning process. In January 2014, PSC staff issued an invitation for stakeholders to present new programs for the next program cycle.

Electric Vehicle Support of the Transportation Trust Fund: Committee narrative in the 2013 *Joint Chairmen's Report* requested that MEA and the Maryland Department of Transportation (MDOT) submit a report discussing options for providing support to the Transportation Trust Fund by owners of electric vehicles. MEA and MDOT recommended no charge for electric vehicles at this time, but that a charge be considered if the number of electric vehicles reaches a pre-determined level (1.25% of registered vehicles).

Operating Budget Analysis

Program Description

The Maryland Energy Administration (MEA) is an independent unit of State government with a mission of promoting affordable, reliable, and clean energy. Consistent with this mission, MEA conducts planning activities for a variety of energy sources; administers the Strategic Energy Investment Fund (SEIF); administers programs aimed at increasing energy efficiency and increasing the use of renewable and clean energy; and advises the Governor's Office on energy policy and managing energy emergencies and disruptions. MEA's programs affect local and State government, nonprofit organizations, residential consumers, and commercial and industrial consumers. MEA's key goals are:

- increasing Maryland's energy efficiency and energy conservation;
- reducing State agency energy consumption;
- improving the energy efficiency of local governments, nonprofits, and businesses;
- increasing electricity generation fuel diversity, improving air quality, and reducing greenhouse gas emissions through the use of renewable energy; and
- reducing the State's consumption of petroleum fuels through increased use of alternative fuels and advanced transportation technologies.

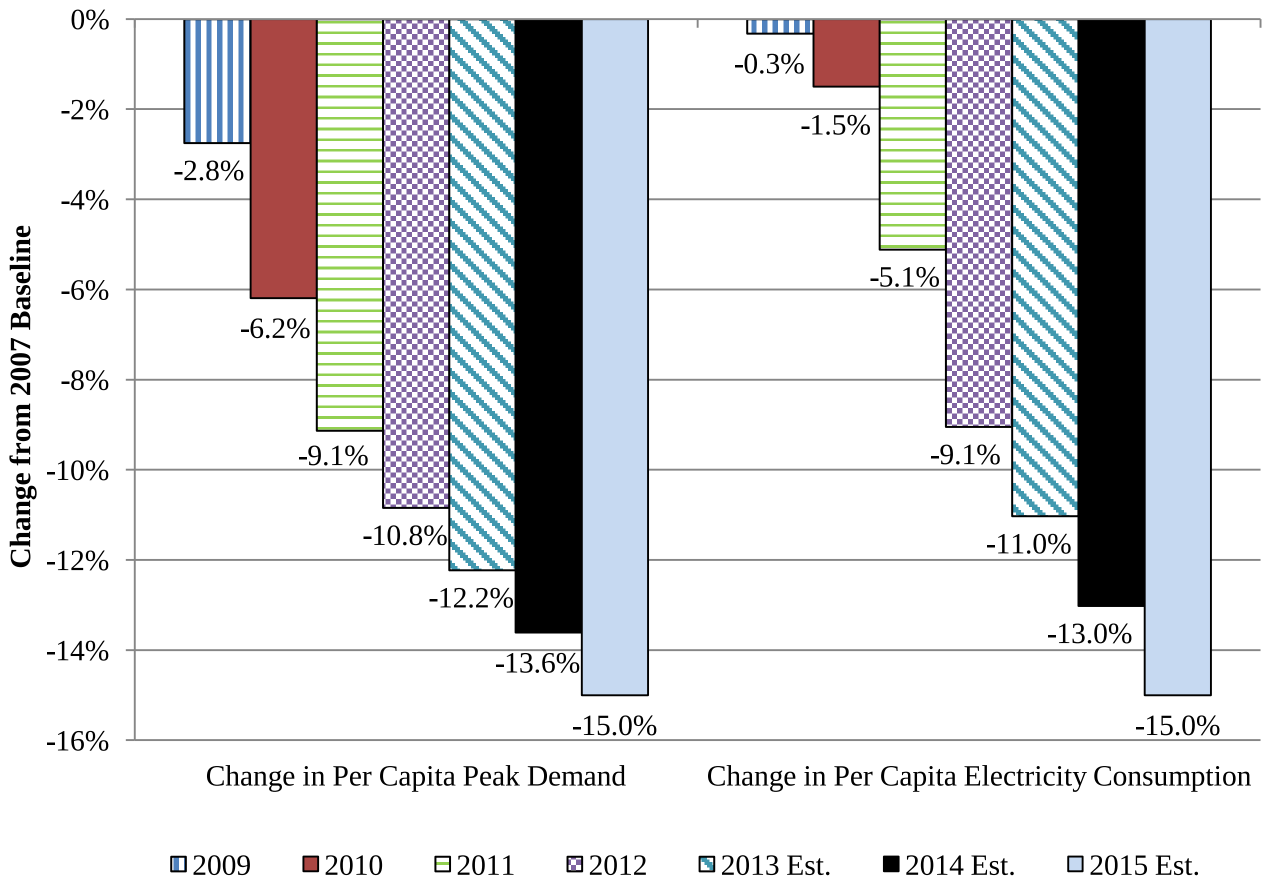
Performance Analysis: Managing for Results

1. EmPOWER Maryland Goals

Chapter 131 of 2008 (EmPOWER Maryland Energy Efficiency Act) established goals of reducing per capita peak demand and electricity consumption in the State by 15% by the end of calendar 2015 and interim goals of a 5% reduction by 2011. MEA's Managing for Results submission contains measures that show the State's progress in meeting these goals. These measures generally reflect activity in the State, not only changes relating to MEA's programs, and reflect the cumulative progress over time in meeting these goals. Due to the timing of the release of energy consumption data, the calendar 2013 data are estimates.

As shown in **Exhibit 1**, in calendar 2012, the State made slower progress toward the per capita peak demand reduction goal than in previous years, a reduction of 1.7 percentage points. MEA reports that the slow growth is largely the result of utilities reaching a saturation point with these programs. For example, MEA notes that Baltimore Gas and Electric (BGE) has about 40.0% of customers with a peak demand control device, near the maximum amount of any utility nationwide. However, at a reduction of 10.8%, the State is more than two-thirds of the way to the 15.0% reduction goal. MEA anticipates that the State will meet the goal with steady progress in each of the next several years.

Exhibit 1
EmPOWER Maryland Goal Progress
Calendar 2009-2015 Est.



Source: Maryland Energy Administration; Governor's Budget Books

Through calendar 2012, less progress has been made in meeting the per capita electricity consumption goal, a 9.1% reduction. However, for the second consecutive year, the State made substantial progress toward meeting the goal, reductions of 3.6 percentage points in calendar 2011 and 3.9 percentage points in calendar 2012. MEA reports that several factors influenced performance in calendar 2012: (1) the success of the utility energy efficiency programs; (2) the warmer winter weather and milder summer weather; (3) the slower than expected economic recovery; and (4) the closing of the Sparrows Point steel mill. **MEA should comment on the likelihood of meeting the goal.**

If the State meets the anticipated level of reductions in calendar 2015 (and by extension meets the EmPOWER Maryland goals), Maryland will have avoided electricity costs totaling $1.2 billion.

2. Renewable Energy in Service

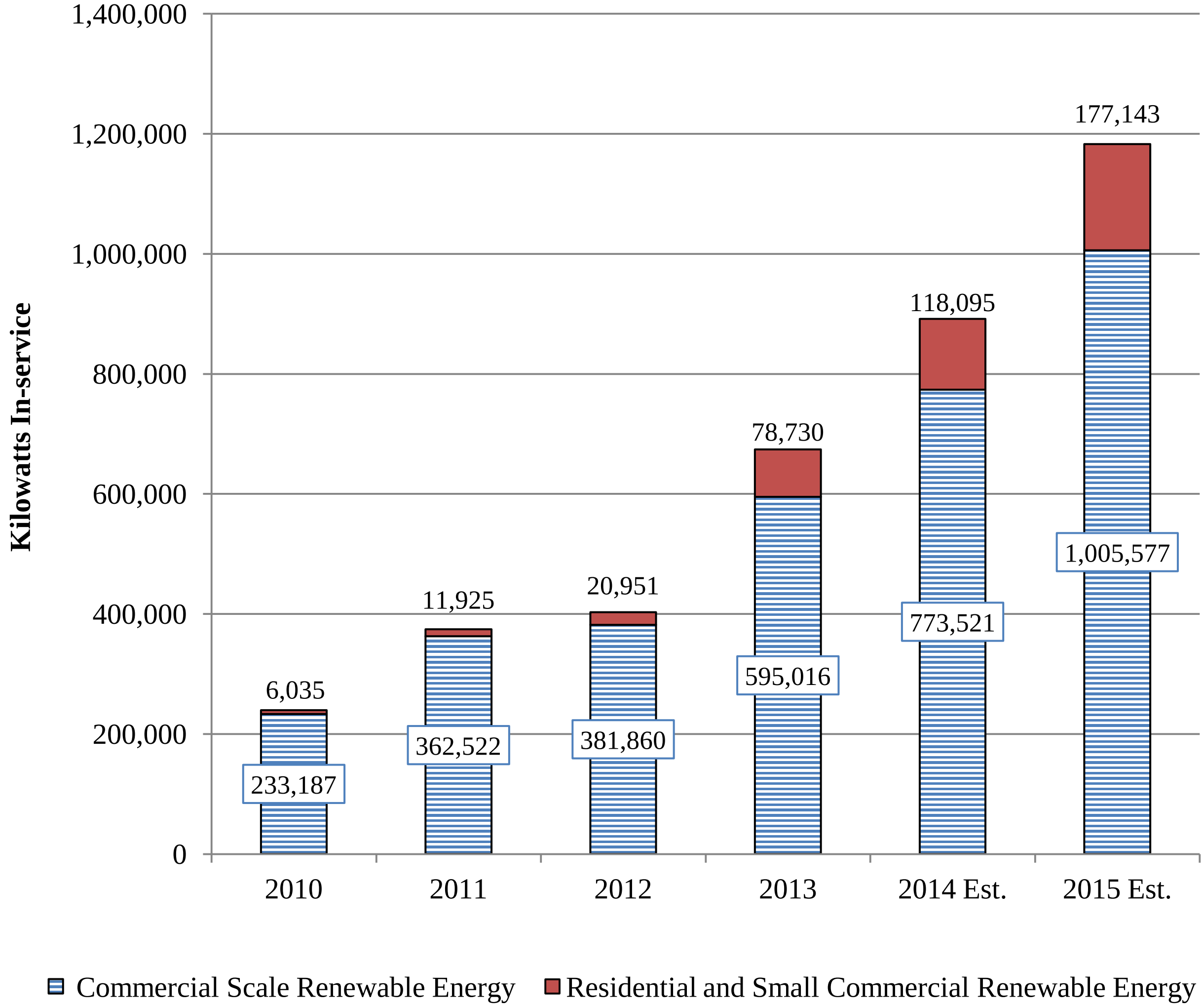
MEA has a goal of increasing electricity generation fuel diversity, improving air quality, and reducing greenhouse gas emissions through the increased use of renewable energy. As shown in **Exhibit 2**, after modest growth in calendar 2012, substantial increases occurred in the number of kilowatts of renewable energy in service in calendar 2013 in both the commercial scale (an increase of 55.8%) and residential and small commercial scale (275.8%) renewable energy in service. MEA indicates that these improvements result, in part, from the opening of two large solar farms (at Mount St. Mary's University and the Maryland Correctional Institution – Hagerstown). MEA anticipates growth of a little more than 30.0% in total renewable energy in service in calendar 2014 and 2015. The anticipated slower growth is influenced by the solar renewable energy credit market. In addition, MEA reports that there are delays in processing applications for solar renewable energy credits in calendar 2013, which results in an anticipated understatement of renewable energy in service in that year.

Fiscal 2014 Actions

Budget Amendment

Revenue from Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auctions, the primary source of ongoing revenue into the SEIF, came in higher than anticipated following an announcement of program changes in February 2013, which included a reduction in the carbon dioxide emission allowance cap. The increased revenue will be discussed further in Issue 1. Due to the timing, the higher revenue was not included in the fiscal 2013 or 2014 budget (as enacted). However, a budget amendment added funds to MEA's fiscal 2014 budget as a result of the higher available revenue.

Exhibit 2
Renewable Energy in Service
Calendar 2010-2015 Est.



Source: Maryland Energy Administration; Governor's Budget Books

The budget amendment increased MEA's special fund appropriation by $23.9 million, an increase of 86.8% in the operating budget of MEA. A portion of these funds ($7.2 million) actually reflects a fund swap for programs originally funded with general funds as capital pay-as-you-go (PAYGO) programs. The general funds have been included as a targeted reversion in the Governor's fiscal 2015 budget plan, and if that change is accounted for, the increase from the budget amendment to MEA's operating budget was approximately 60.7%.

The budget amendment not only changed the fund source for the three activities funded originally in fiscal 2014 as PAYGO programs, but changed the categorization of the programs to operating programs. MEA indicates that the programs (the Commercial and Industrial Deep Energy Retrofit Grant program, the Maryland Emergency Generation Grant program, and the installation of electric vehicle charging stations at Maryland Area Regional Commuter (MARC) and Metrorail stations with a parking lot) are similar to programs that have been funded as operating programs in the past.

The budget amendment also expanded several of MEA's existing programs and added a few existing programs that were not initially funded in fiscal 2014. These programs are:

- the Low- and Moderate-income Clean Energy Communities Grant Program, including a new competitive grant component (an increase of $7.0 million), total funding of $9.5 million;

- the Maryland Smart Energy Communities Program (an increase of $2.5 million), total funding of $4.1 million;

- the Clean Energy Grant Program, specifically for a new solar canopy for parking lots component and a community wind project component (an increase of $3.2 million), total funding of $7.7 million;

- the Mathias Agricultural Energy Efficiency Program (an increase of $1.2 million), the program was not initially funded in fiscal 2014;

- a building energy code compliance strategies program (an increase of $346,959), total funding of $397,095; and

- a communications and marketing program (an increase of $300,000), the program was not initially funded in fiscal 2014.

The budget amendment also included funding for a pilot program authorized in Chapter 625 of 2013 (Regulated Sustainable Energy Contracts) ($400,000) and technical and economic feasibility studies related to optimized siting for distributed energy resources for grid resiliency, solar development on brownfields, and solar water heating on correctional facilities ($1.6 million).

The budget amendment also included partial year funding for 4 new regular positions (3 program managers and 1 staff attorney) and 2 contractual full-time equivalents (FTE) ($233,750). The new regular positions are expected to be created by the Board of Public Works during fiscal 2014.

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2015 allowance of MEA decreases by $5.0 million, or 9.8%, compared to the fiscal 2014 working appropriation after accounting for across-the-board and contingent reductions in fiscal 2015. The decrease occurs primarily among special funds ($4.7 million), the primary fund source of MEA.

Federal funds decrease by $375,551, or 31.6%, in the fiscal 2015 allowance. The federal fund decrease reflects a return to a more typical federal funding level for MEA based on the State Energy Program base grant. The fiscal 2015 allowance includes a decrease in the funds available from a grant supporting energy efficiency in State buildings as it nears completion and from grants and fund balance that have since expired or are fully expended in fiscal 2014:

- the Energy Efficiency and Conservation Block Grant (EECBG) from the American Recovery and Reinvestment Act of 2009 (ARRA);
- the Priority Wind Outreach program used for activities to support community wind projects; and
- the Save Energy Now II grant for commercial and industrial energy efficiency.

Exhibit 3
Proposed Budget
Maryland Energy Administration
($ in Thousands)

How Much It Grows:	**Special Fund**	**Federal Fund**	**Reimb. Fund**	**Total**
2014 Working Appropriation	$50,139	$1,187	$141	$51,467
2015 Allowance	45,480	811	145	46,436
Amount Change	-$4,659	-$376	$5	-$5,030
Percent Change	-9.3%	-31.6%	3.2%	-9.8%

Where It Goes:

Personnel Expenses

Annualization of 4 new positions to be created by the Board of Public Works	$184
Contractual employee payroll due to increased use for grid resiliency and commercial and industrial sector initiatives	109
Annualization of the fiscal 2014 cost-of-living adjustments and increments	97
Annualization of 2 new contractual full-time equivalents	58

Where It Goes:	
Employee retirement	21
Social Security contributions and unemployment compensation	5
Turnover adjustments	-6
Employee and retiree health insurance	-55
Regular earnings primarily due to the filling of vacant positions at lower salary levels partially offset by planned increments	-95
New Programs	
Freedom Fleet Voucher program and the Natural Gas Vehicle Refilling Station grant program	4,000
Combined Heat and Power programs	1,500
Solar program at Maryland schools and development of a comprehensive online application portal for solar energy	800
Eliminated Programs	
Residential Sustainable Energy Contracts pilot program	-400
Game Changer Grant program	-1,000
Electric Vehicle Charging Stations at Maryland Area Regional Commuter and Metrorail Stations	-1,000
Mathias Agricultural Energy Efficiency program	-1,200
Solar at Maryland Correctional Facilities, solar siting on brownfields, and a solar siting study for grid resiliency	-1,550
Federal Grant Programs Nearing End or Expired	
Advancing Energy Efficiency in Public Buildings grant, nonpersonnel	-24
Save Energy Now II grant for commercial and industrial energy efficiency, which expired in September 2013	-70
Priority Wind Outreach Program used in fiscal 2014 for activities related to community wind projects	-83
Energy Efficiency and Conservation Block Grant, which expired in September 2013 used in fiscal 2014 for lighting upgrades	-120
SEIF Program Changes Due to Changing Priorities or Funding Availability	
Offshore Wind Development program	1,326
Energy building code activities including technical assistance	-147
Low- and Moderate-income Clean Energy Communities Grant program	-395
Smart Energy Communities programs	-2,100
Clean Energy Grant Programs	-2,801
Commercial and Industrial deep energy retrofit grant program	-3,000

Where It Goes:	
Customer Investment Fund Based on Allocation Schedule	
Net Zero Schools program providing incremental funding	2,676
Next Generation Energy Efficiency for Industrial Sector providing training, outreach, and technical assistance	90
Small Business Energy Advance program in coordination with the Small Business Energy Solutions program of Baltimore Gas and Electric	-2,275
Administrative Expenses	
Evaluation, measurement, and verification	416
Travel primarily for support of the offshore wind program	36
Association dues primarily due to increased outreach and participation in industry/trade associations related to offshore wind	35
Rent due to increased space from additional staffing partially offset by savings in rent paid to the Department of General Services	34
Software licenses	31
Statewide cost allocation	14
Statewide personnel system allocation, Office of Attorney General administrative fee, and Department of Information Technology services allocation	-4
Car purchased in fiscal 2014	-23
Procurement assistance	-23
Energy planning activities	-114
Other changes	23
Total	**-$5,030**

SEIF: Strategic Energy Investment Fund

Note: Numbers may not sum to total due to rounding. The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions.

Cost Containment

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. They affect funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management – Personnel and the State retirement Agency. MEA's share of these reductions is $34,366.

Personnel

Personnel expenses increase by $151,795 in the fiscal 2015 allowance compared to the fiscal 2014 working appropriation after accounting for across-the-board and contingent reductions. The majority of this increase results from the planned addition of 4 new regular positions discussed earlier, which are funded for only part of fiscal 2014. The positions had not been created at the time of the fiscal 2015 budget development and, as a result, are not included in the agency's position count. However, the fiscal 2015 allowance provides a full year of funding for these positions, an increase of $183,639.

As discussed earlier, the budget amendment also added funding for two new contractual FTEs for part of the year. The fiscal 2015 allowance provides a full year of funding for these new FTEs, an increase of $57,787.

MEA has also increased its use of contractual FTEs to support grid resiliency activities and initiatives for the commercial and industrial sector resulting in an increase of $108,793 in contractual employee payroll.

Offshore Wind

Chapter 3 of 2013 (the Maryland Offshore Wind Energy Act of 2013) established the Maryland Offshore Wind Business Development Fund (MOWBDF) in MEA to provide financial assistance, business development, and employee training opportunities to prepare and encourage emerging businesses (including minority-owned emerging businesses) to participate in the offshore wind industry. An emerging business is defined as a business that is at least 51% owned and controlled by an individual or individuals who are certified to have a personal net worth that does not exceed $6.5 million (adjusted each year for inflation based on the Consumer Price Index). Chapter 3 also established an advisory committee for the fund, which was to make recommendations to MEA on the most effective use of the fund to maximize opportunities for emerging businesses in the State by December 31, 2013, with updated recommendations due by December 31, 2014. MEA is to consider these recommendations in deciding how to use the MOWBDF.

The MOWBDF is primarily comprised of funds transferred from the SEIF (from the Offshore Wind Development Fund created from the Exelon Corporation and Constellation Energy Group merger) and funds contributed by the approved developer of an offshore wind project as required in the Act. Chapter 3 required initial transfers from the SEIF of $1.5 million in fiscal 2014 and 2015, which were provided in Supplemental Budget No. 1 for fiscal 2014 and in the fiscal 2015 allowance to MEA for use in those years.

In the initial report, the Maryland Offshore Wind Business Development Advisory Committee presented recommendations for the use of the funds in fiscal 2014 only. The advisory committee made three recommendations for the use of these funds: (1) to develop an offshore wind supply chain map and overlay it with Maryland's emerging businesses; (2) to assist Maryland's emerging businesses within the manufacturing sector to gain a foothold in the established offshore wind supply chain market by pursuing export opportunities; and (3) to develop and implement a proactive statewide outreach program targeting emerging businesses. MEA is following these recommendations and has dedicated approximately $450,000 to the offshore wind supply chain map and $600,000 for targeted market entry assistance grants. Costs for the outreach activities have not been determined. Recommendations for the fiscal 2015 funding is not available yet. MEA expects that the advisory committee recommendations will be important in determining how these funds will be used.

MEA's fiscal 2015 allowance also includes $6.8 million of funds from the SEIF, available from the Offshore Wind Development Fund. A portion of these funds will be used to support administrative expenses of the agency ($274,710). In addition, MEA will largely continue with ongoing research studies and add some new studies (ecological, specific marine mammal and whale monitoring, and wind measurement). MEA also plans to increase offshore wind economic development efforts, an increase of $1.7 million with particular investments in port infrastructure and related studies. MEA also plans to create a geotechnical assistance grant program ($139,991).

Based on the closing fiscal 2013 fund balance, fiscal 2014 working appropriation, and fiscal 2015 allowance from the Offshore Wind Development Fund, approximately $7.7 million is expected to remain in the fund at the close of fiscal 2015.

New Programs

The fiscal 2015 allowance contains two new Combined Heat and Power programs, totaling $1.5 million. One of these programs will be used to enhance hospital energy reliability and resiliency ($1.0 million). The second creates a program for distributed generation and combined heat and power technologies using biogas from wastewater treatment plants ($0.5 million).

The fiscal 2015 allowance creates two transportation programs to support cleaner fleets, total funding of $4.0 million. One program (the Freedom Fleet Voucher program) is similar to several previous voucher programs that were designed for specific fuel sources. Under this program, incentives would be provided for fleet replacements, regardless of chosen technology (for example electric, propane, *etc*.). However, under the program, the amount of the incentive would vary by the weight of the vehicle and type of fuel source. The second program (Natural Gas Refilling Station Program) would provide funds for fueling infrastructure for natural gas vehicles that will be supported by commercial fleets. Each of these programs would receive $2.0 million.

The fiscal 2015 allowance also provides funding for technical feasibility studies and deployment of solar at Maryland public schools ($500,000). This program would provide grants for schools to add solar panels to the school roofs. Schools would have to demonstrate a certain level of energy efficiency to qualify for the grant.

MEA also intends to support the upfront software development of a comprehensive online application portal that could be used to expedite solar permitting and inspections ($300,000). The portal would lessen the burden on developers by inputting data in one place for a project rather than on separate applications for separate facilities.

Net Zero Homes

Currently, with funding from the SEIF that is not designated to specific programs under the Customer Investment Fund, MEA intends to fund four programs totaling $3.25 million under its general energy efficiency program: (1) the Commercial and Industrial Deep Energy Retrofit grant program ($1.5 million); (2) a Combined Heat and Power program to improve hospital energy reliability and resiliency ($1.0 million); (3) a portion of the Smart Energy Communities program ($500,000); and (4) energy education and building code activities ($250,000).

The fiscal 2015 capital budget includes $3.0 million of general obligation (GO) bond funding in the Department of Housing and Community Development (DHCD) for the new Net Zero Homes Program. HB 553 of 2014 would create an Energy-Efficient Homes Construction Loan Program to provide loans to construct low-energy homes and net-zero homes in sustainable communities. The program would be operated as a revolving loan fund, for which it is the understanding of the Department of Legislative Services (DLS) that these GO bond funds serve as initial capitalization, with an additional $1.0 million in GO bond funding planned for fiscal 2016 through 2019. This program would be an eligible use of the SEIF energy efficiency allocation. The GO bond funds would be supporting private activity and would, therefore, have to be issued as taxable debt. The fiscal 2014 budget included language stating that it was the intent of the General Assembly to reduce the amount of proposed private activity GO bond debt in fiscal 2015 and beyond. Specifically, the language included the intent that private activity authorizations should be less than $5.0 million per year in the fiscal 2015 to 2019 *Capital Improvement Program*. **Consistent with that intent language, DLS recommends deleting the GO bond funds in the capital budget for this purpose and instead restricting funds in MEA's general energy efficiency program to be transferred to DHCD to be used for this program.**

Issues

1. Regional Greenhouse Gas Initiative Funding Allocation Change and Strategic Energy Investment Fund Revenue

Chapters 127 and 128 of 2008 established the SEIF, which is composed primarily of revenue received from RGGI auctions. The chapters also established an allocation of the revenue from the RGGI carbon dioxide emission allowance auctions to be distributed among various categories of spending. Other revenue in the SEIF available from different fund sources (such as Alternative Compliance Payments from the Renewable Portfolio Standard and the Offshore Wind Development Fund) is not subject to the allocation.

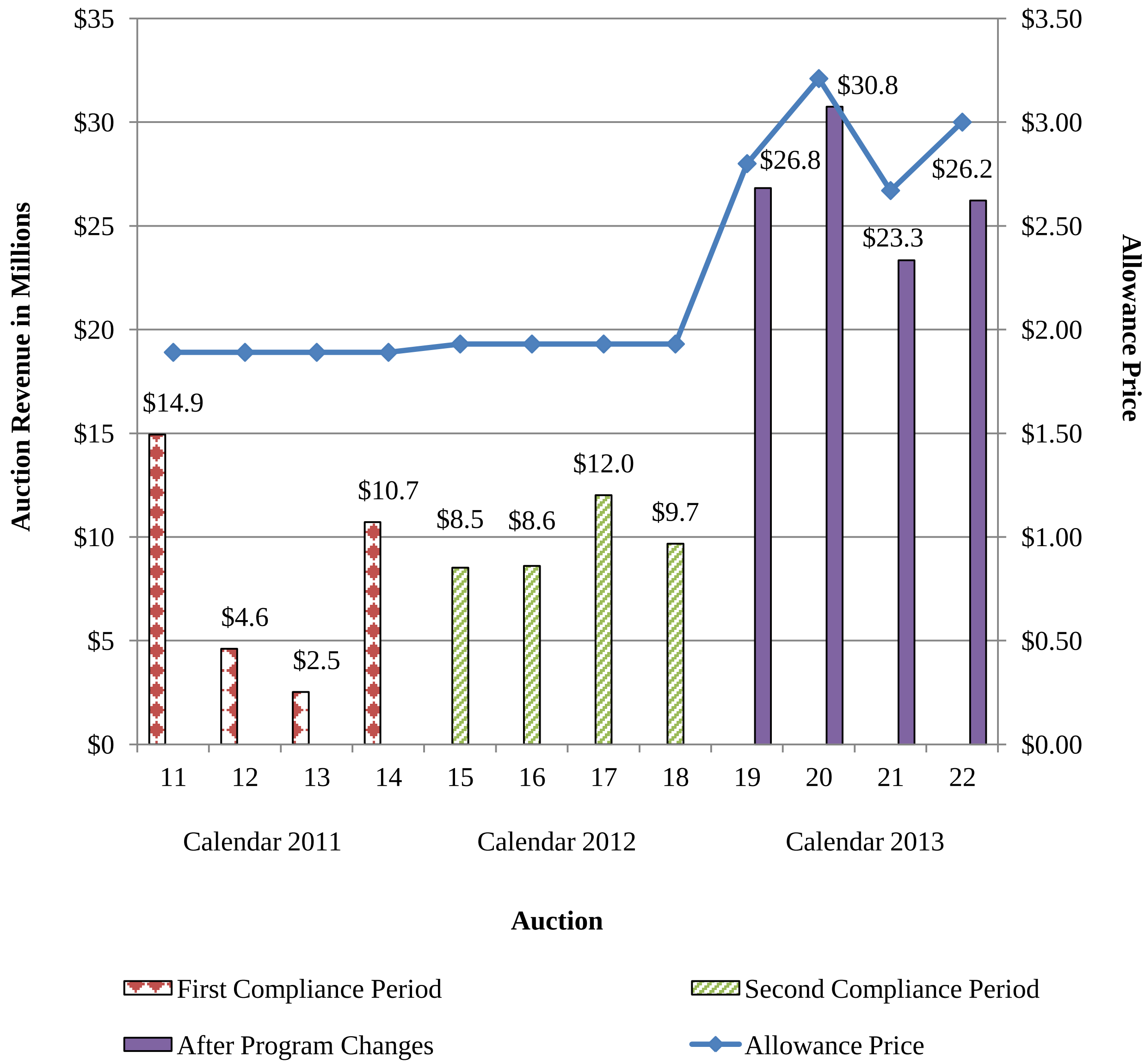
In February 2013, RGGI, Inc. announced changes to the program, including a planned reduction (45.0%) of the carbon dioxide emission allowance cap and adjustments for banked allowances from before the cap change. The allowance cap is further tightened over time with a reduction of 2.5% per year, as originally envisioned.

RGGI Revenue

As shown in **Exhibit 4**, the announcement of the program changes had an immediate impact on the auction revenue in both the auction clearing price and the number of allowances that sold, despite the change in the cap not taking effect until calendar 2014. In the first auction following the announcement, the clearing price rose from the minimum reserve price, where it had been since Auction 9 (September 2010). In addition, all of the allowances offered for sale sold, which had last occurred in Auction 11 (March 2011).

The fiscal 2015 allowance also assumes further increases in the allowance prices, with an assumption of an allowance price of $3.89 for auctions held in calendar 2014 and an allowance price of $5.68 for auctions held in calendar 2015. It is unclear how much further the allowance prices will increase now that the change has gone into effect. The allowance price has averaged $2.92 for the four auctions held since the change was announced. **MEA should comment on how it developed an assumption of the allowance price for calendar 2014 and 2015.**

Exhibit 4
RGGI Auction Results for Maryland
Auctions 11-22



RGGI: Regional Greenhouse Gas Initiative

Source: Regional Greenhouse Gas Initiative, Inc.

The increase in revenue from the program changes was not anticipated in the fiscal 2013 or 2014 budgets and, as a result, the higher than anticipated revenue in fiscal 2013 largely accrued to the SEIF fund balance. As of the close of fiscal 2013, the SEIF fund balance was $53.1 million excluding funds from the Offshore Wind Development Fund. A portion of these fund balances are being used to support the expansions of programs and changes to program funding in MEA in fiscal 2014, as discussed earlier. In addition, three deficiency appropriations swap general funds with the SEIF (totaling $1.0 million) to support energy performance contracts in the Department of Health and Mental Hygiene. Some fund balance, most notable for energy assistance, is not appropriated in fiscal 2014 and remains available for use in future years.

SEIF Allocation

The allocation of revenue from RGGI auctions established in Chapters 127 and 128 was in effect for only two auctions before it was temporarily changed in the Budget Reconciliation and Financing Act (BRFA) of 2009. The BRFA of 2011 once again altered the allocation temporarily (for auctions held in fiscal 2012, 2013, and 2014). Absent legislative change, the allocation would return to the distribution provided in Chapters 127 and 128 in fiscal 2015. However, the BRFA of 2014 proposes to permanently change the allocation. **Exhibit 5** provides a summary of the three allocations of RGGI revenue and presents information on the allocation proposed in the BRFA of 2014. The allocation proposed in the BRFA of 2014 is essentially the same as the allocation from the BRFA of 2011 with two changes: (1) to add resiliency to the eligible uses of the renewable and clean energy and climate change allocation; and (2) to increase the cap on the administrative allocation to $5 million.

Exhibit 5
Comparison of Statutory Allocations of RGGI Auction Proceeds and Time Period of Use

	Chapters 127 and 128 of 2008	BRFA of 2009 (Chapter 487 of 2009)	BRFA of 2011 (Chapter 397 of 2011)	Proposed BRFA of 2014
In effect for Auction Numbers	1 and 2 (September and December 2008); and beginning with 25 (September 2014)	3-12 (March 2009 – June 2011)	13-24 (September 2011 – June 2014)	25 – indefinitely (September 2014 – indefinitely)
Energy assistance for the Electric Universal Service Program and other electricity assistance	17.0%	Up to 50.0%	Up to 50.0%	Up to 50.0%
Residential Rate Relief	23.0%	23.0%	0.0%	0.0%
Energy Efficiency and Conservation (at least one-half for low- and moderate-income programs)	At least 46.0%	At least 17.5%	At least 20.0%	At least 20.0%
Renewable and clean energy programs; energy related public education and outreach; and climate change programs	Up to 10.5%	At least 6.5%	At least 20.0%	At least 20.0% *(add resiliency to eligible use)*
Administrative expenses (MEA)	Up to 3.5%, but no more than $4 million	Up to 3.0%, but no more than $4 million	Up to 10.0%, but no more than $4 million	Up to 10.0%, *but no more than $5 million*

MEA: Maryland Energy Administration
RGGI: Regional Greenhouse Gas Initiative

Note: Although the allocation under the Budget Reconciliation and Financing Act (BRFA) of 2009 was amended by the BRFA of 2010 to extend the allocation until June 30, 2012, the BRFA of 2011 superseded the extension.

Source: Section 9-20B-05(g-1) of the State Government Article; Section 9-20B-05(g) of the State Government Article; Chapter 397 of 2011; HB 162/SB 172 of 2014

For illustrative purposes, **Exhibit 6** compares the distribution of RGGI revenue under the current statutory allocation for fiscal 2015 and the allocation as proposed in the BRFA of 2014 using the $68 million of RGGI revenue expected to be available in fiscal 2015. The exhibit does not reflect the actual funding available in the fiscal 2015 allowance.

Exhibit 6
Comparison of RGGI Distribution
($ in Millions)

	Allocation as Required in Ch. 127 and 128 of 2008		Allocation as Proposed in the BRFA of 2014		Difference Between Proposed and Required Allocations
Energy Assistance	17.0%	$11.6	50%	$34.0	$22.4
Residential Rate Relief	23.0%	15.6	0%		-15.6
Maryland Energy Administration (MEA)					
Energy Efficiency and Conservation, Low- and Moderate-income	23.0%	15.6	10%	6.8	-8.8
MEA					
Dept. of Housing and Community Development					
Energy Efficiency and Conservation, All Other Sectors	23.0%	15.6	10%	6.8	-8.8
MEA					
Department of General Services (Energy Office salaries)					
Department of Health and Mental Hygiene (Energy Performance Contracts in various hospitals)					
Renewable Energy, Climate Change	10.5%	7.1	20%	13.6	6.5
MEA					
Maryland Department of the Environment					
Administration	3.5%	2.4	10%	5.0	2.6
MEA					
Excess Revenue for Administration after Cap				1.8	

BRFA: Budget Reconciliation and Financing Act
RGGI: Regional Greenhouse Gas Initiative

Source: Section 9-20B-05(g) of the State Government Article; HB 162/SB 172 of 2014; Governor's Budget Books; Department of Legislative Services

Fiscal 2015 Allowance Distribution

Exhibit 7 compares the fiscal 2015 allowance and fiscal 2014 working appropriation (including proposed deficiency appropriations) from the SEIF. This comparison excludes funds from the Offshore Wind Development Fund, Offshore Wind Business Development Fund, and Customer Investment Fund budgeted as the SEIF in those years.

Exhibit 7
Fiscal 2015 Allowance for the SEIF
($ in Thousands)

	Fiscal 2014 Working Appropriation*	Fiscal 2015 Allowance	Change
Energy Assistance	**$17,675.0**	**$37,151.3**	**$19,476.3**
Department of Human Resources	$17,675.0	$37,151.3	$19,476.3
Energy Efficiency and Conservation, Low- and Moderate-income Sector	**$11,000.0**	**$10,605.0**	**-$395.0**
Maryland Energy Administration	$10,500.0	$10,105.0	-$395.0
Department of Housing and Community Development	500.0	500.0	0.0
Energy Efficiency and Conservation, All Other Sectors	**$12,209.3**	**$7,155.9**	**-$5,053.4**
Maryland Energy Administration	$8,297.1	$3,250.0	-$5,047.1
Department of General Services (Energy Office Salaries)	426.9	420.6	-6.3
Department of Health and Mental Hygiene (Energy Performance Contract Fund Swap)*	3,485.2	3,485.2	0.0
Renewable and Clean Energy, Climate Change	**$16,073.5**	**$15,714.7**	**-$358.8**
Maryland Energy Administration	$14,565.8	$12,714.7	-$1,851.1
Maryland Department of the Environment	1,507.7	3,000.0	1,492.3
Administration	**$3,848.2**	**$4,697.9**	**$849.6**
Maryland Energy Administration	$3,848.2	$4,697.9	$849.6
Total	**$60,806.0**	**$75,234.7**	**$14,518.7**

SEIF: Strategic Energy Investment Fund

*Includes deficiency appropriations.

Source: Governor's Budget Books; Department of Budget and Management; Maryland Energy Administration

Although the BRFA of 2014 proposes to alter the allocation from what would otherwise have occurred, the fiscal 2015 allowance does not assume those changes will occur for the areas in which the allocation would increase but instead relies heavily on fund balance to support the appropriations for energy assistance ($25.6 million), renewable and clean energy programs ($8.5 million), and administrative expenses ($1.5 million). If the allocation of RGGI proceeds is changed, the reliance on fund balance to support these appropriations are reduced because the allocation of new revenues for these purposes is increased. Whether sufficient fund balance is available to support the fiscal 2015 allowance is dependent on the accuracy of the revenue assumptions for both fiscal 2014 and 2015, including both the allowance price and number of allowances sold. **MEA should comment on how planned program activity might need to be adjusted if revenue does not meet expectations.**

The fiscal 2015 allowance does not include the higher current statutory allocation for energy efficiency and rate relief. In fact, no funding is included for rate relief. If the changes proposed in the BRFA were to not occur, funds could be added by budget amendment for these areas.

2. Commercial and Industrial Sector Deep Energy Retrofit Grant Program

The fiscal 2014 budget included three new general fund capital PAYGO programs, including $4.5 million for a Commercial and Industrial Sector Deep Energy Retrofit Grant program. Because this was a new program little was known about how the funds would be used. As a result, the fiscal 2014 budget bill included language for this program to:

- withhold $1.0 million of the funds until a report was submitted on the grant selection process;
- request a report on the list of grantees and the leveraging of funds; and
- limit the grants provided under this program to no more than 50% of the total estimated project cost net of utility rebates.

MEA submitted the report on the grant selection process in July 2013, and the withheld funds were subsequently released.

As discussed earlier, these new PAYGO programs were later transferred to special fund operating programs due to the availability of higher than anticipated RGGI revenue and a change in perception of the program. Although originally proposed as a one-time program, the fiscal 2015 allowance continues this program, but at a reduced funding level (a total of $1.5 million, a reduction of $3.0 million).

Eligible Projects

MEA indicates that all types of commercial buildings are eligible to receive a grant for this program; however, MEA is specifically targeting certain sectors where the energy efficiency improvements are replicable such as senior living facilities, office buildings/areas related to industrial plants, and restaurants.

The projects receiving grants must have energy savings of at least 20%. Eligible types of improvements include (1) insulation; (2) heating, air conditioning, and ventilation upgrades; (3) lighting; (4) combined heat and power; (5) motors; and (6) refrigeration.

Selection Criteria

MEA has seven criteria that factor into the grant selection:

- the energy savings (must have at least 20% savings, but additional consideration is given to projects exceeding that minimum);
- the amount of leveraged funds;
- the ability/willingness to be a show-case project or to demonstrate best practices;
- the project feasibility;
- the payback period;
- the accuracy of estimates of energy savings and costs; and
- the inclusion of innovative technologies.

MEA notes that it may select applicants that would allow for a diverse portfolio based upon factors such as type of energy measure, geographic region, and ability to be replicated. MEA also requires applicants to develop a monthly project spending plan with milestone dates and to provide verification that the applicant is approved to do business in Maryland and is in good standing with the State.

Grantees and Leveraging of Funds

Although the budget bill language requested a report on the grantees and leveraging of funds by January 31, 2014, MEA is still in the process of selecting grantees. Under MEA's planned program timeline, the agency will announce grant decisions in March 2014 and have grant agreements signed by May 2014. MEA is requiring that all energy efficiency measures for the selected grants be installed by May 1, 2015. Due to the project timeline, the requested information is not available as of this writing. DLS expects to see the report following the grant decision announcements in March 2014.

Recommended Actions

		Amount Reduction	
1.	Increase turnover expectancy to 7%. A turnover expectancy of 7% would require 2.1 positions to be vacant. As of December 31, 2013, the Maryland Energy Administration has 4.0 vacant positions. A turnover expectancy of 7% better reflects historic experience.	$ 50,638 $ 11,495	SF FF

2. Add the following language to the special fund appropriation:

   <u>, provided that $3,000,000 of this appropriation made for the purpose of Energy Efficiency and Conservation Programs, All Other Sectors may not be expended for that purpose but instead may be transferred by budget amendment to the Department of Housing and Community Development program S00A25.08 Homeownership Programs – Capital Appropriation to be used only for the Net Zero Homes Program. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall be cancelled.</u>

   Explanation: This language restricts $3 million of the Maryland Energy Administration funding from the Strategic Energy Investment Fund allocated to the Energy Efficiency and Conservation Programs, All Other Sectors to be used instead for the Net Zero Homes Program in the Department of Housing and Community Development (DHCD). The fiscal 2015 capital budget, as introduced, contains $3 million of general obligation bond funds for this program. Under the program, DHCD will provide construction loans for net zero or low-energy use homes to homebuilders. The program is expected to become a revolving loan fund and the fiscal 2015 funding is part of the initial capitalization. This program is more appropriately funded with special funds as a pay-as-you-go program.

3. Add the following section:

   <u>SECTION XX. AND BE IT FURTHER ENACTED, That the Department of Budget and Management shall provide an annual report on the revenue from the Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auctions and set-aside allowances to the General Assembly in conjunction with submission of the fiscal 2016 budget and annually thereafter as an appendix to the Governor's budget books. This report shall include information for the actual fiscal 2014 budget, fiscal 2015 working appropriation, and fiscal 2016 allowance. The report shall detail revenue assumptions used to calculate the available Strategic Energy Investment Fund (SEIF) from RGGI auctions for each fiscal year including:</u>

(1) the number of auctions;

(2) the number of allowances sold;

(3) the allowance price for both current and future (if offered) control period allowances sold in each auction;

(4) prior year fund balance from RGGI auction revenue used to support the appropriation; and

(5) anticipated revenue from set-aside allowances.

The report shall also include detail on the amount of the SEIF from RGGI auction revenue available to each agency that receives funding through each required allocation, separately identifying any prior year fund balance:

(1) energy assistance;

(2) residential rate relief;

(3) energy efficiency and conservation programs, low-and moderate-income sector;

(4) energy efficiency and conservation programs, all other sectors;

(5) renewable and clean energy programs and initiatives, education, and climate change programs;

(6) administrative expenditures;

(7) dues owed to the RGGI, Inc.; and

(8) transfers made to other funds.

Explanation: This language requires the Department of Budget and Management (DBM) to include as an appendix in the Governor's budget books for fiscal 2016 detail on the revenue assumptions for RGGI auctions budgeted in each fiscal year as well as how those revenues are distributed to various agencies. This information increases transparency, differentiates funding from the SEIF that is available from sources other than RGGI auctions, and allows for analysis of whether the allocation of RGGI auction revenue meets statutory requirements. This language is similar to language included in prior budget bills.

Information Request	Author	Due Date
Report on revenue assumptions and use of RGGI auction revenue	DBM	With submission of the Governor's fiscal 2016 budget books and annually thereafter

Total Reductions	**$ 62,133**
Total Special Fund Reductions	**$ 50,638**
Total Federal Fund Reductions	**$ 11,495**

Updates

1. EmPOWER Maryland

Chapter 131 (the EmPOWER Maryland Energy Efficiency Act of 2008), known as EmPOWER Maryland, established goals of a 15% per capita reduction in peak demand and 15% per capita reduction in energy consumption by 2015. Chapter 131 required MEA, in consultation with the Public Service Commission (PSC), to submit two reports in December 2012. Among other recommendations, MEA recommended continuing to set energy efficiency and peak demand reduction goals.

In July 2013, MEA submitted a request to PSC for direction on how to proceed in the planning process. The request presented a preliminary workplan for the planning of the next phase of EmPOWER Maryland. The proposed timeline included three studies: (1) avoided cost study – to determine the value of avoided energy using information on electric energy and capacity, transmission and distribution investments, compliance costs, non-energy benefits, and price suppression impacts related to having these types of programs; (2) a baseline study of the residential and commercial sector; and (3) a potential study – the amount of savings that could be achieved under different assumptions about cost effectiveness. Under the proposed timeline, these studies would be completed by spring 2014. MEA anticipated that the programs for the next program cycle would be submitted to PSC for approval in September 2014, with a decision in November 2014. MEA asked for specific guidance on questions of (1) the length of the next program cycle; (2) elements to include in the next programs (electric energy efficiency, natural gas energy efficiency, and electricity peak demand); (3) the needed studies; and (4) how to procure the needed studies.

Prior to the hearing, MEA noted that it had already initiated the avoided cost study but requested that a decision regarding the recommendations for procurement, implementation, and funding for the baseline and potential studies be made at the meeting or shortly afterward. At hearings in October 2013, PSC addressed issues of cost effectiveness and MEA’s July request and, following the hearing, ordered that PSC staff in conjunction with MEA and in consultation with the Office of People’s Counsel and the utilities develop a request for proposals (RFP). The RFP would have two deliverables (the two studies), allowing groups to bid on one or both of the studies and be issued at the direction of PSC staff by the utilities. The procurement selection was to be made by PSC staff and MEA, and the study would be funded by the utilities through the ratepayer surcharge. The RFP is still under review; when ready, the RFP is expected to be issued under the BGE procurement process.

MEA has also initiated several workgroups/stakeholder groups as part of the EmPOWER planning process, including avoided cost, cost effectiveness, and the two studies. MEA has held several of these workgroup meetings. The workgroup meetings are expected to continue in calendar 2014.

On January 15, 2014, PSC staff issued an invitation to stakeholders to propose new or revised programs, measures, or products to assist in the development of programs to be included in the utility EmPOWER Maryland plans for the 2015 to 2017 program cycle. These proposals are due February 17, 2014, with an expectation of presentations on the proposals in March 2014.

2. Electric Vehicle Support of the Transportation Trust Fund

The 2013 *Joint Chairmen's Report* contained committee narrative requesting MEA and the Maryland Department of Transportation (MDOT) submit a report discussing options for providing support to the Transportation Trust Fund (TTF) by owners of electric vehicles. The response was submitted in November 2013.

Current State Policies and Electric Vehicle Use

According to MEA and MDOT, approximately 1,800 electric vehicles are registered in Maryland, which represents 0.000375% of the passenger vehicle fleet in Maryland. MEA and MDOT indicated that of the current approximately 1,800 electric vehicles on the road, 70% are plug-in hybrid electric vehicles and 30% are all electric vehicles. The State goal is to have 60,000 electric vehicles in Maryland by 2020.

Current State policies and incentives supportive of electric vehicle deployment include:

- an excise tax credit for electric vehicle purchases;
- an income tax credit for the purchase of electric vehicle charging equipment;
- an ability of electric vehicles to use High Occupancy Vehicle (known as HOV) lanes;
- a 2010 grant program by MEA to support the installation of electric vehicle charging stations, under which two grants were provided and 81 charging stations were installed;
- a $1 million program in MEA in fiscal 2014 to install charging stations in MARC and Metrorail stations; and
- an Electric Vehicle Infrastructure Council (which has developed recommendations on how to encourage further infrastructure deployment for electric vehicles, developed an action plan to expand adoption of plug-in electric vehicles, and developed recommendations to coordinate government policies to encourage electric vehicles).

Electric Vehicle Impact

MEA and MDOT presented an analysis of the impact of electric vehicles on the TTF. The calculation compared the gasoline tax that would be paid by (1) a conventional gasoline-powered sedan; (2) a 2013 improved fuel economy vehicle; (3) a plug-in hybrid electric vehicle; and (4) an all electric vehicle. The calculations assumed that an average of 12,000 miles was driven per year and is based on the current size and composition of the electric vehicles in Maryland. The analysis concludes that in comparison to a fuel efficient vehicle, the current complement of electric vehicles results in a loss to the TTF of $86,000. However, MEA and MDOT note that if the State reaches its goal of 60,000 electric vehicles and the tax rate remains the same, the loss to the TTF would be $4.1 million per year.

MEA and MDOT also explained that because the damage to roadways varies by the weight of the vehicle, damage from electric vehicles is minimal. For example, the report stated that to cause $1.00 of damage to one-mile of the roadway would require 10,000 electric vehicles (at the average of weight of a current electric vehicle) versus $4.50 in roadway damage from an 80,000 pound truck.

Recommendation

The discussion of options for support to the TTF focused on policies currently in place or policies that have been discussed in eight states. These options included:

- an annual registration fee (or required annual decal purchase);
- a per-mile charge; and
- a tax on electricity used to support electric vehicles.

Of these options, the annual registration fee was the most common option in place or under consideration.

MEA and MDOT recommended not implementing any type of alternative tax or fee to be paid by electric vehicle owners at this time. The agencies felt that, given the current policies in place to support electric vehicle deployment, the implementation of such a cost would send a mixed message to consumers. However, the agencies recommended that when electric vehicle use in Maryland reaches a certain cap (1.25%) that the State implement a revenue option.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
Maryland Energy Administration
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2013					
Legislative Appropriation	$0	$19,184	$705	$129	$20,019
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	4,286	8,571	4,026	16,884
Reversions and Cancellations	0	-3,441	-3,312	-667	-7,419
Actual Expenditures	**$0**	**$20,030**	**$5,965**	**$3,488**	**$29,483**
Fiscal 2014					
Legislative Appropriation	$0	$26,180	$793	$141	$27,113
Budget Amendments	0	23,959	394	0	24,354
Working Appropriation	**$0**	**$50,139**	**$1,187**	**$141**	**$51,467**

Note: Numbers may not sum to total due to rounding. The fiscal 2014 working appropriation does not include deficiencies or contingent reductions.

Fiscal 2013

MEA's fiscal 2013 expenditures were $9.5 million higher than the legislative appropriation. MEA's special fund expenditures were $845,315 higher than the legislative appropriation. Budget amendments increased MEA's appropriation by $4.3 million, largely from the SEIF, in the following areas:

- the Smart Energy Communities program, which provides funding to local governments that agree to adopt certain energy efficiency and renewable and clean energy policies ($2.5 million);
- the Advanced Energy Upgrades program, which provides funding to demonstrate best practices in energy efficiency ($853,475 from the SEIF and $94,090 from the Pepco/Connective fund balance);
- the Low- and Moderate-income Clean Energy Communities Grant program ($747,651);
- activities associated with the Accelerating Commercial Efficiency Retrofits program, being conducted in conjunction with the Virginia Department of Mines, Minerals, and Energy ($70,763); and
- the special fund share of the fiscal 2013 cost-of-living adjustment (COLA) ($20,379).

These increases are partially offset by cancellations totaling $3.4 million in the following areas:

- the clean energy grant program due to delays in new initiatives within that program and lower than estimated grant commitments ($1.2 million);
- salaries and wages and other administrative expenditures due to the use of other fund sources rather than special funds for some costs and higher than anticipated vacancies ($852,617);
- the offshore wind program due to lower than expected costs of contracts ($542,482);
- the Environmental Trust Fund and Energy Overcharge Restitution Fund due to work conducted jointly with the Power Plant Research Program which was funded within that program ($325,948);
- the Smart Energy Communities program due to a late program start-up and low- and moderate-income communities grant program due to lower than budgeted awards ($227,381);
- technical support ($114,478);

- evaluation, measurement, and verification costs in part due to higher use of federal funds ($71,379); and

- the Game Changer Grant program due to lower than budgeted awards ($60,819).

The fiscal 2013 federal fund expenditures of MEA were $5.3 million higher than the legislative appropriation. Budget amendments increased MEA's appropriation by $8.6 million. The increases occurred largely from the EECBG available from the ARRA, including funds for administrative expenditures ($5.4 million). Other substantial increases occurred for:

- the residential clean energy grant program ($1.2 million);

- energy assurance plan development ($375,000)

- the Save Energy Now II program focusing on industrial energy efficiency activities ($370,000);

- administrative expenditures associated with ARRA funding for the State Energy Program and Clean Cities grant ($331,105);

- clean energy economic development activities ($260,000);

- the federal Better Buildings Grant program focusing on energy efficiency activities for State buildings ($245,835); and

- technical assistance for building codes ($215,000).

The remaining increases were for the Priority Wind Outreach program ($95,474), home energy performance program ($85,000), the federal fund share of the fiscal 2013 COLA ($3,789), and the EmPOWER Financing program ($1,770).

These increases are partially offset by cancellations totaling $3.3 million, largely the result of unneeded appropriations from the ARRA funding ($2.9 million). Other cancellations resulted from the Save Energy Now II grant program due to a reduced grant amount and funds that will be used in fiscal 2014 rather than fiscal 2013 ($166,130), ARRA funds from the EECBG, which will be used in fiscal 2014 rather than fiscal 2013 ($126,167), and delayed contract awards in the Priority Wind Outreach program ($83,100).

MEA's fiscal 2013 reimbursable fund expenditures were $3.4 million higher than the legislative appropriation. Budget amendments increased the appropriation by $4.0 million; nearly half of this increase resulted from an agreement with DHCD to support the Mathias Agricultural Energy Efficiency program. The remainder of the increase was available from an agreement with DHCD to support activities associated with the Green Schools program ($1.2 million), an agreement with MDOT for the Electric Truck Voucher program ($500,000), and an agreement with the Maryland Department of Environment for the Maryland Idle Reduction program ($365,868). These increases were partially offset by cancellations totaling $666,666 resulting from delays in the Idle Reduction and Electric Truck Voucher programs ($507,368), lower than expected costs for the Green Schools initiative ($145,046), and lower than expected costs for Attorney General support ($14,252).

Fiscal 2014

MEA's fiscal 2014 appropriation has increased by $24.4 million. These increases include the funds to support the COLA to be provided in January 2014 ($30,952 in special funds and $8,301 in federal funds) and increments to be provided in April 2014 ($11,813 in special funds and $405 in federal funds). Other federal fund increases, totaling $385,467, are available from:

- the remaining EECBG from the ARRA to support lighting upgrades by the Department of General Services and salaries and wages ($130,000);
- a higher than expected fiscal 2013 State Energy Program appropriation to support salaries and wages ($102,367);
- the Priority Wind Outreach program to purchase a remote sensing equipment for community wind assessment and services associated with the deployment of community wind ($83,100); and
- the remaining funds from the Save Energy Now II program ($70,000).

Other special fund increases totaling $23.9 million are available from higher than anticipated revenue from the RGGI auctions and are used for:

- three new programs originally funded in fiscal 2014 as general fund PAYGO programs for which special funds are now available (Commercial and Industrial Sector Deep Retrofit Grant Program, Maryland Emergency Generation Grant Program, and installation of electric vehicles at MARC and Metrorail Stations) ($7.2 million);
- the Low- and Moderate-income Clean Energy Communities Grant program to provide additional funding for jurisdictions and a new statewide competitive grant ($7.0 million);
- additional funding for the Maryland Smart Energy Communities Program ($2.5 million);
- a grant program for the installation of solar canopies on parking lots ($2.0 million);

- solar technical/economic feasibility studies related to optimizing siting for distributed energy resources for grid resiliency, siting on brownfields, and solar water heating on correctional facilities ($1.6 million);
- a grant program for community wind projects ($1.2 million);
- the Mathias Agricultural Energy Efficiency program ($1.2 million);
- a pilot program for Regulated Sustainable Energy Contracts as authorized in Chapter 625 ($400,000);
- building energy code compliance strategies including training and technical assistance for code officials and builders and trades people ($346,959);
- communications and marketing ($300,000); and
- partial year funding for 4 new regular positions and 2 contractual FTEs ($233,750).

Appendix 2

Audit Findings

Audit Period for Last Audit:	June 1, 2010 – May 12, 2013
Issue Date:	November 2013
Number of Findings:	0
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	N/A

This audit did not disclose any findings.

Object/Fund Difference Report
Maryland Energy Administration

Object/Fund	FY 13 Actual	FY 14 Working Appropriation	FY 15 Allowance	FY 14 - FY 15 Amount Change	Percent Change
Positions					
01 Regular	30.00	30.00	30.00	0.00	0%
Total Positions	**30.00**	**30.00**	**30.00**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$ 2,904,602	$ 3,464,088	$ 3,650,249	$ 186,161	5.4%
02 Technical and Spec. Fees	686,268	694,974	863,554	168,580	24.3%
03 Communication	62,108	66,194	76,079	9,885	14.9%
04 Travel	76,623	71,882	107,188	35,306	49.1%
07 Motor Vehicles	1,421	27,082	4,570	-22,512	-83.1%
08 Contractual Services	6,464,111	7,256,545	13,031,439	5,774,894	79.6%
09 Supplies and Materials	18,939	19,900	24,000	4,100	20.6%
10 Equipment – Replacement	6,294	16,810	17,710	900	5.4%
11 Equipment – Additional	27,870	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	18,893,637	39,514,578	28,292,965	-11,221,613	-28.4%
13 Fixed Charges	341,491	334,486	403,026	68,540	20.5%
Total Objects	**$ 29,483,364**	**$ 51,466,539**	**$ 46,470,780**	**-$ 4,995,759**	**-9.7%**
Funds					
03 Special Fund	$ 20,029,754	$ 50,139,177	$ 45,507,312	-$ 4,631,865	-9.2%
05 Federal Fund	5,965,251	1,186,774	818,314	-368,460	-31.0%
09 Reimbursable Fund	3,488,359	140,588	145,154	4,566	3.2%
Total Funds	**$ 29,483,364**	**$ 51,466,539**	**$ 46,470,780**	**-$ 4,995,759**	**-9.7%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Fiscal Summary
Maryland Energy Administration

Program/Unit	FY 13 Actual	FY 14 Wrk Approp	FY 15 Allowance	Change	FY 14 - FY 15 % Change
01 General Administration	$ 5,402,911	$ 5,747,015	$ 6,441,627	$ 694,612	12.1%
06 Energy Efficiency and Conservation Programs, Low- and Moderate-income Residential Sector	4,216,330	10,500,000	10,105,000	-395,000	-3.8%
07 Energy Efficiency and Conservation Programs, All Other Sectors	8,954,660	13,929,747	9,159,653	-4,770,094	-34.2%
08 Renewable and Clean Energy Programs and Initiatives	10,909,463	21,289,777	20,764,500	-525,277	-2.5%
Total Expenditures	**$ 29,483,364**	**$ 51,466,539**	**$ 46,470,780**	**-$ 4,995,759**	**-9.7%**
Special Fund	$ 20,029,754	$ 50,139,177	$ 45,507,312	-$ 4,631,865	-9.2%
Federal Fund	5,965,251	1,186,774	818,314	-368,460	-31.0%
Total Appropriations	**$ 25,995,005**	**$ 51,325,951**	**$ 46,325,626**	**-$ 5,000,325**	**-9.7%**
Reimbursable Fund	$ 3,488,359	$ 140,588	$ 145,154	$ 4,566	3.2%
Total Funds	**$ 29,483,364**	**$ 51,466,539**	**$ 46,470,780**	**-$ 4,995,759**	**-9.7%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.