

**Maryland Energy**

ADMINISTRATION

*Powering Maryland's Future*

# **Maryland Strategic Energy Investment Fund**

**FY 2009**

MSAR # 7285

# Maryland Energy

ADMINISTRATION

*Powering Maryland's Future*

**The Maryland Energy Administration, in accordance with § 2-1246 of the State Government Article, issues the following report to the General Assembly on the uses and expenditures of the Maryland Strategic Energy Investment Fund from the prior fiscal year.**

**The report includes:**

- (1) A summary of key programs and successes, funded by SEIF and ARRA monies in FY2009
- (2) A detailed accounting of all amounts received by and disbursed from the fund;
- (3) All amounts used by the administration for administrative purposes;
- (4) Programs, projects, and activities included in each category under § 9-20B-05(g) of this subtitle;
- (5) The status of programs, projects, activities, and investments implemented with funds from the fund, including an evaluation of the impact of the programs, projects, activities, and investments that are directed to low-income or moderate-income residential sectors or to other particular classes of ratepayers;
- (6) An estimate of electricity savings from the programs, projects, activities, and investments;
- (7) The number of allowances sold in each auction;
- (8) The average allowance price from each auction;
- (9) An estimate of revenue from future auctions; and
- (10) Recommendations for changes to the allocation of funds under § 9-20B-05(g) of this subtitle.

The O'Malley-Brown Administration has taken major steps to advance our energy future, lower electricity bills, and promote clean, renewable power. MEA did not receive any General Funds in 2009, relying instead on the proceeds from the sale of greenhouse gas allowances and federal stimulus funds. Below are some of MEA's 2009 accomplishments to create a *Smart, Green and Growing Maryland* for our families and future generations.

#### **MEA Working for Maryland Families:**

**Over 1,600 units in multi-family buildings across Maryland have been retrofitted** with energy efficiency and renewable energy measures, and an additional 1,176 units in 17 buildings have been audited to identify opportunities to save energy through the Multifamily Energy Efficiency and Housing Affordability (MEEHA) program. Energy consumption will be reduced by 15-20 percent.

**Over 2,500 single family homes benefitted from quick energy check-ups, audits or retrofits in 2009** through a partnership between MEA and the electric utilities. The EmPOWER Maryland Home Performance with ENERGY STAR program connects residents looking to improve the energy efficiency of their homes with certified auditors and contractors. Most Maryland utilities are now offering low cost check-ups and discounts of up to \$1,300 for full energy audits and retrofits. Energy savings typically range from 10-40 percent.

**Nearly 500 Maryland residents and small business were awarded grants through the Solar Energy Grant Program** to help defray the upfront costs of installing photovoltaics and solar hot water systems and encourage Marylanders to reduce their energy bills and carbon footprint. These grants, totaling over \$2.75 million, helped add over 1,800 MWh of clean, renewable solar power to the grid.

**350 Marylanders received grants for geothermal energy systems at their homes**

**and businesses**, worth roughly \$1 million and adding about 1,000 MWh to our grid. Maryland's *Windswept* program experienced growth as well, awarding 23 grants for small scale, residential wind systems, totaling \$170,000 and helped to add approximately 270 MWh of wind energy in our State.

#### **MEA Working for Maryland Businesses:**

**Commercial and industrial businesses are taking advantage of MEA's new energy assessment and low-interest loan program.** In 2009, MEA and the Maryland Technology Extension Service provided ten energy assessments to Maryland businesses, worth \$50,000. In November, MEA offered \$5.6 million in low-interest loans under the Commercial & Industrial Energy Assessment Program to help businesses invest in energy efficiency measures that will reduce their costs for years to come.

**Alternative fuel transportation projects accelerate in 2009.** MEA and our industry partners won a DOE Clean Cities award for \$5.9 million for the purchase of 150 heavy duty hybrid electric trucks, a project estimated to displace 460,000 gallons of diesel fuel annually. In addition, MEA awarded 6 grants, totaling \$100,000, to support alternative fuel infrastructure projects, such as E85 stations and biodiesel storage facilities. These grants leveraged \$1.1 million over the course of the year and will displace approximately 290,000 gallons per year.

**Solar investments help Maryland businesses stay competitive.** Building on the success of the residential solar program, MEA launched a new program to help Maryland businesses defray the upfront costs of larger solar photovoltaic and solar water heating investments. With \$1.45 million

available, the Mid-Size Solar Commercial Grant Program provides up to \$25,000 for systems between PV systems between 20 kW and 100 kW and large solar water heating systems. MEA also announced the launch of “Project Sunburst” with the goal of doubling the amount of solar energy produced in Maryland through a focused effort to add renewable systems arrays to public buildings.

**MEA jump-starts the first major, utility scale renewable projects in the region** through the Generating Clean Horizons program. These long-term power purchase agreements with four large scale renewable energy projects will provide up to 133 megawatts of wind and solar energy to Marylanders. This equates to powering 30,000 Maryland homes each year with stable pricing and a cleaner environment. These long term agreements with the University Systems of Maryland and Department of General Services help developers secure project financing to make the first utility scale projects a reality.

#### **MEA Working for Maryland Employees**

**607 contractors have been trained** through the Home Energy Retrofit and Weatherization Workforce Training Programs recently launched at 13 community colleges across the State. The program offers a “one-stop” training source for any energy retrofit career path in the state, including contractors working with local weatherization agencies and Maryland’s utility providers.

#### **MEA Working for Maryland Communities**

**38 community and non-profit groups received the first EmPOWER Clean Energy Communities grants and loans in 2009.** MEA competitively awarded twenty grants for investments in energy efficiency and renewable projects across the state. Projects include retrofitting senior centers, museums and ice rinks. In addition, eighteen organizations that exclusively serve low-to-moderate income Marylanders received grants or loans.

**Using federal stimulus funds, MEA awarded \$9.6 million to 173 local governments to finance energy overhauls and renewable projects.**

Using ARRA funds, MEA is providing 13 counties and 160 localities an Energy Efficiency Conservation Block Grant. The grants will allow local governments to install energy efficiency and renewable energy systems on public facilities, which create green jobs, reduces costs, and improves the environment.

**Marylanders learned how to save money and energy through MEA’s General Awareness Campaign** which began in the late spring and ran through the fall. Based on the EmPOWER Maryland 15% energy efficiency goals, the campaign provided 15 tips for saving money and energy. Web traffic increased by over 74% from this time last year and our newsletter is now nearing a reach of over 3,000 opt-in subscribers each month.

**(2) A Detailed Accounting of All Amounts Received By and Disbursed from the Fund**

FY 2009

SEIF Revenues and expenditures

FY 2009

	D1301 Admin	D1305 PSC	D1306 EE- L&M	D1307 EE-Other	D1308 Renew	Total MEA	D3048 DHR	Total SEIF
Pre BRFA	3.5%	23%	23%	23%	10.5%	83%	17%	
BRFA	3.0%	23%	8.75%	8.75%	6.5%		50%	
Revenue	2,343,038.20	16,645,010.04	11,232,913.99	11,232,913.99	6,079,624.08	47,533,500.30	24,836,108.58	72,369,608.88
Interest Earned	122,512.87	140,100.37	109,047.09	90,934.80	46,023.22	508,618.35	145,556.53	654,174.88
<b>Total Revenue thru 6/30/2009</b>	<b>2,465,551.07</b>	<b>16,785,110.41</b>	<b>11,341,961.08</b>	<b>11,323,848.79</b>	<b>6,125,647.30</b>	<b>48,042,118.65</b>	<b>24,981,665.11</b>	<b>73,023,783.76</b>
Spent	628,470.75	6,558,069.00	3,500,000.00	5,386,280.02	2,317,777.16	18,390,596.93	0.00	18,390,596.93
Revenue Transfers to DHR, MDE, DGS			2,500,000.00		1,100,000.00	3,600,000.00	3,571,245.00	7,171,245.00
Lawton & SALP Transfers			1,500,000.00	1,700,000.00		3,200,000.00		3,200,000.00
<b>Total Spent</b>	<b>628,470.75</b>	<b>6,558,069.00</b>	<b>7,500,000.00</b>	<b>7,086,280.02</b>	<b>3,417,777.16</b>	<b>25,190,596.93</b>	<b>3,571,245.00</b>	<b>28,761,841.93</b>
Total Revenue	2,343,038.20	16,645,010.04	11,232,913.99	11,232,913.99	6,079,624.08	47,533,500.30	24,836,108.58	72,369,608.88
rstars	2,343,038.22	16,645,010.04	11,232,913.99	11,232,913.99	6,079,624.07		24,836,108.57	
Monies Received in Fy2009								
Auction1	16,368,567.67							
Auction2	18,021,419.78							
pre BRFA Percentages	34,389,987.45							
Auction3	19,934,204.53							
Auction4	18,045,416.90							
	37,979,621.43							
<b>Total Revenue</b>	<b>72,369,608.88</b>							

**(3) Administrative Costs**

Administrative costs totaled \$ 513,316.75 for FY2009.

The following chart provides the required information on:

- (4) Programs, Projects, and Activities and
- (5) Status and Impact of the Programs and
- (6) Estimates of energy savings

**Maryland Energy Administration and the Strategic Energy Investment Fund - FY09**

**Authority** – The Maryland Senate and House passed S-268 and H-368 repealing the Maryland Renewable Energy Fund and establishing the Maryland Strategic Energy Investment Program in the Maryland Energy Administration; establishing the purpose of the Program; establishing the duties of the Administration under the Program; establishing the Maryland Strategic Energy Investment Fund; providing that the Fund is a special, nonlapsing fund not subject to a specified law; etc.

**Implementation (Operating Plan)** – Maryland Energy Administration’s 2009 Plan for Using the Strategic Energy Investment Fund. Approved in February 2009.

Source: [http://energy.maryland.gov/documents/MEA\\_FY09.pdf](http://energy.maryland.gov/documents/MEA_FY09.pdf)

Program	\$ or %	Program Objective	Procurement Process	RGIS Spent to Date	Projected: Kilowatt Hours Saved/or MMBTUs and Number of Homes Affected
<b>Residential Rate Relief</b>	<b>23% - \$7,529,540</b>				
• Direct Rate Relief	\$7,529,540	Provide rate relief for customers	NA/ Invoicing currently in process with utilities	By end of FY 09 \$7,529,540 will be paid out to provide rate relief through the utilities.	2,186,029 account holders
<b>Low-Income Energy Assistance</b>	<b>17% - \$3,571,245</b>				
• Electric Universal Service Program	\$3,571,245	Assist low-income electric customers with their electric bills	DHR is accepting applications	MEA set aside \$3,571,245 for DHR but DBM has included this in DHR’s FY2010 deficiency request. MEA will disburse funds when deficiency is approved by Legislature.	5200 homes affected

<b>Low-Income &amp; Moderate Income Energy Efficiency</b>	<b>23% - \$7,500,000</b>					
<ul style="list-style-type: none"> <li>Low and Moderate Income Energy Efficiency Retrofits</li> </ul>	\$2,500,000	Provide energy upgrades, building improvements, HVAC replacement and weatherization	MOU between DHCD for \$2.5 million for Weatherization Program and Assisted Home Performance with ENERGY STAR program	\$2.5 million is in process of being transferred to DHCD to weatherization retrofit at least 100 homes as part of the Weatherization Assistance Program, install at least 100 Energy Star HVACs, and enable WAP to weatherize at least 200 homes that would not have been able to due to structural/ health and safety problems. The Assisted Home Performance with Energy Star will ensure 200 homes are weatherized.	WAP: 100 homes and 350,000 kWh saved  HVACs: 100 homes and 4300 MMBTUs  Structural Improvement: 200 homes  Assisted Home Performance: 200 homes and 700,000 kWh	
<ul style="list-style-type: none"> <li>Empowering Clean Communities Energy Efficiency Low-to-Moderate Income Grants</li> </ul>	\$3,500,000	EE improvement programs to local gov'ts and non-profits	Competitive grants	In process of awarding full \$3.5 million encumbered	Approximately 12,740,344 kWh saved  18 projects affected	
<ul style="list-style-type: none"> <li>Jane E. Lawton Conservation Loan Program- Empowering Clean Communities</li> </ul>	\$1,500,000	Below market revolving loans for EE housing programs to local gov'ts and non-profits	Awarding loans	In process of awarding \$1.5 million	Approximately 3,439,401kWh saved  3 projects affected	
<b>Energy Efficiency, Conservation &amp; Demand Response Programs</b>	<b>23% - \$7,173,183</b>					
<ul style="list-style-type: none"> <li>Specialized Industrial &amp; Commercial Energy Assessments</li> </ul>	\$200,000	Cost share industrial facility energy assessments	MOU with University of Maryland Technology Extension Service	Finalizing interagency agreement with University of Maryland. Expected to encumber all funds by end of FY09.	At least 20 projects	
<ul style="list-style-type: none"> <li>Existing Home Retrofits</li> </ul>	\$300,000	Provide Home Performance with ENERGY STAR program administration,	Contract in place with Maryland firm to implement Maryland Home Performance with	\$123,697 spent to date on home retrofits.	200 Homes and 700,000 kWh	

		training and quality assurance for Home Performance auditors and contractors.	ENERGY STAR market-rate and low/moderate income program. Award incentives based on measures taken to reduce energy consumption		
<ul style="list-style-type: none"> <li>Energy Workforce Training</li> </ul>	\$400,000	Provide training to service providers in the energy residential retrofit industry.	Open enrollment	MEA is working with community colleges. \$400,000 to be encumbered by end of FY09.	300+ Energy Auditor Field Supervisors Trained
<ul style="list-style-type: none"> <li>Farm Energy Technical Assistance &amp; Incentives</li> </ul>	\$200,000	Technical assistance, energy assessments, and rebates for farms	Open enrollment	MEA provided \$200,000 grant to Maryland Eastern Shore Conservation and Development Council establish State-wide farm energy audit program. \$50,000 spent to date.	-Approximately 535,475 kWh saved -23 audits -TA for 45 farms -5,577 gallons of propane saved
<ul style="list-style-type: none"> <li>Energy Programs through Department of General Services</li> </ul>	\$100,000	Supports DGS Energy Programs	NA	MEA dispersed full amount of \$100,000 in February 09.	NA
<ul style="list-style-type: none"> <li>Empowering Clean Communities Energy Efficiency Grants</li> </ul>	\$1,000,000	Implement EE programs by local gov'ts and non-profits in low & moderate income areas	Competitive grants	In process of awarding full \$1 million.	Approximately 2,991,096 kWh saved  20 projects affected
<ul style="list-style-type: none"> <li>State Agency Energy Efficiency Infrastructure-Energy Performance Fund Swap</li> </ul>	\$3,373,183	Make repayments to State's Master Lease for agencies participating in energy performance contracting	NA	MEA dispersed full amount of \$3,373,183 in February 09.	NA



<ul style="list-style-type: none"> <li>Jane E. Lawton Conservation Loan Program- Empowering Clean Communities</li> </ul>	\$800,000	Below market revolving loans for EE housing programs to local governments and non-profits	Awarding loans	In process of awarding \$800,000 million in loans.	Approximately 1,734,602 kWh saved  4 projects affected
<ul style="list-style-type: none"> <li>State Agency Loan Program</li> </ul>	\$800,000	Revolving loan program for state-owned facilities	Interagency Loan Agreement	In process of awarding full \$800,000 in loans for state buildings.	17.6 million kWh annually 4 state buildings affected
<b>Clean Energy &amp; Climate Change Programs, Outreach &amp; Education</b>	<b>10.5% - \$3,420,000</b>				
<ul style="list-style-type: none"> <li>Empowering Clean Communities Renewable Energy Grants</li> </ul>	\$250,000	Implement RE programs by local governments and non-profits	Competitive grant process	In process of awarding full \$250,000.	Approximately 151,905 kWh saved  15 Projects Affected
<ul style="list-style-type: none"> <li>MDE's Climate Change Program</li> </ul>	\$1,000,000	Develop and implement climate change programs	Open enrollment	MEA transferred \$1 million to MDE in February.	
<ul style="list-style-type: none"> <li>Residential Renewable Energy Grants</li> </ul>	\$1,420,000	Installation of renewable energy systems	Open enrollment for waiting list	Spent \$1,379,548 to date but expected to spend full \$1.4 million by end of FY09.	Approximately 883,000 kWh saved annually
<ul style="list-style-type: none"> <li>Public Outreach Campaign</li> </ul>	\$750,000	Educate Marylanders about improving EE	Competitive Solicitation	Contract Awarded to SNS Marketing and funds encumbered.	Statewide reach
<b>Administration</b>	<b>3.5% - \$820,558</b>				
<ul style="list-style-type: none"> <li>Administration of Fund</li> </ul>	\$820,558	Administration, Planning and Evaluation	NA	Spent to date \$235,810.	
<b>Total</b>	<b>100%</b>				

(7) The number of allowances sold in each auction; (8) the average allowance price from each auction; (9) an estimate of future revenue

September			
One			
	PV	CV	FV
Allowance Year		2009	
Allowances		5,331,781	
Allowance Price		3.07	
Revenue		16,368,568	
Total Allowances		5,331,781	
Total Revenue		16,368,568	
Budgeted FY 09			9/25/08

December			
Two			
	PV	CV	FV
Allowance Year		2009	
Allowances		5,331,781	
Allowance Price		3.38	
Revenue		18,021,420	
Total Allowances		5,331,781	
Total Revenue		18,021,420	
Budgeted FY 09			12/17/08

March			
Three			
	PV	CV	FV
Allowance Year		2009	2012
Allowances		5,331,783	399,884
Allowance Price		3.51	3.05
Revenue		18,714,558	1,219,646
Total Allowances		5,731,667	
Total Revenue		19,934,205	
Budgeted FY 10			3/18/09

June			
Four			
	PV	CV	FV
Allowance Year		2009	2012
Allowances		5,331,782	399,884
Allowance Price		3.23	2.06
Revenue		17,221,656	823,761
Total Allowances		5,731,666	
Total Revenue		18,045,417	
Budgeted FY 10			6/17/09

Five			
	PV	CV	FV
Allowance Year		2009	2012
Allowances		5,331,782	399,884
Allowance Price		2.19	1.87
Revenue		11,676,602	747,783
Total Allowances		5,731,666	
Total Revenue		12,424,385	
Budgeted FY 10			9/9/09

Six			
	PV	CV	FV
Allowance Year		2009	2012
Allowances		5,331,782	294,317
Allowance Price		2.05	1.86
Revenue		10,930,153	547,430
Total Allowances		5,626,099	
Total Revenue		11,477,582	
Budgeted FY 10			12/2/09

Seven			
	PV	CV	FV
Allowance Year	2009	2010	2012
Allowances	350,000	7,528,873	294,317
Allowance Price	2.05	2.05	1.86
Revenue	717,500	15,434,190	547,430
Total Allowances		8,173,190	
Total Revenue		16,699,119	
Budgeted FY 10			3/10/2010

Eight			
	PV	CV	FV
Allowance Year	2009	2010	2012
Allowances	n/a	7,528,873	376,444
Allowance Price		2.05	1.86
Revenue		15,434,190	700,186
Total Allowances		7,905,317	
Total Revenue		16,134,375	
Budgeted FY 11			6/9/2010

Nine			
	PV	CV	FV
Allowance Year	2009	2010	2012
Allowances	n/a	7,528,873	376,444
Allowance Price		2.05	1.86
Revenue		15,434,190	700,186
Total Allowances		7,905,317	
Total Revenue		16,134,375	
Budgeted FY 11			9/8/2010

Ten			
	PV	CV	FV
Allowance Year	2009	2010	2012
Allowances	n/a	7,528,872	376,444
Allowance Price		2.05	1.86
Revenue		15,434,188	700,186
Total Allowances		7,905,316	
Total Revenue		16,134,373	
Budgeted FY 11			12/1/2010

Eleven			
	PV	CV	FV
Allowance Year	2010	2011	2012
Allowances	unknown	7,528,873	376,444
Allowance Price		2.05	1.86
Revenue		15,434,189	700,186
Total Allowances		7,905,317	
Total Revenue		16,134,375	
Budgeted FY 11			TBD

Twelve			
	PV	CV	FV
Allowance Year	2010	2011	2012
Allowances	unknown	7,528,873	376,444
Allowance Price		2.05	1.86
Revenue		15,434,189	700,186
Total Allowances		7,905,317	
Total Revenue		16,134,375	
Budgeted FY 11 ?			TBD

Not Applicable

Revenue numbers are estimates and for planning purposes only.

Note- Information for Auctions 1-6 from RGGI Inc. Website

Information for Auctions 7-12 provided by MDE

012009; MEA will estimate revenue for auction 7 at a total amount of 16,669,120 instead of 16,851,875 to account for the potential of less allowances being sold.

Total FY 09 Revenue (1-2) 34,389,987  
 Est. FY 10 Revenue (3-7) 78,580,708  
 Est. FY 11 Revenue (8-11) 64,537,499  
 Est. FY 11 Revenue (8-12) 80,671,874

auctions 1-6 revenue 96,271,577

FY10  
 0.23 18,073,563  
 0.5 39,290,354  
 0.0875 6,875,812  
 0.0875 6,875,812  
 0.065 5,107,746  
 0.03 2,357,421  
 78,580,708

FY11  
 0.23 14,843,625  
 0.5 32,268,750  
 0.0875 5,647,031  
 0.0875 5,647,031  
 0.065 4,194,937  
 0.03 1,936,125  
 64,537,499

## **(10) Recommendations**

There has been debate regarding DLS's recommendation to amend the BRFA of 2010 to extend the current allocation of SEIF on both policy and fiscal grounds. MEA strongly objects to this recommendation on several grounds.

First, there is no reason to consider such a step this year. Beyond the traditional economic unknowns that could affect the budget, the Waxman-Markey climate change bill that passed the U.S. House of Representatives in late 2009 would preempt RGGI starting in 2012. In addition, MEA realizes that the main intent in keeping the current allocation would be to reduce the amount of General Funds needed to support Low Income Bill Pay Energy Assistance through DHR but it is unclear how much funding DHR will receive under the Federal LIHEAP program at this time.

Secondly, under the ten-state RGGI agreement, the proceeds from the RGGI auctions are intended to be used to promote energy efficiency, renewables and other measures to reduce greenhouse gas emissions; the funds are not supposed to be used for deficit reduction. Such a shift reinforces the argument that states can't be trusted with proceeds from a Federal climate bill as they will divert money for other purposes.

Finally, MEA's programs would be facing a crisis in FY 2012 in light of the declining RGGI auction prices and the exhaustion of the ARRA funds. Since MEA currently receives no general funds the continued percentage allocations would leave less than 12% of RGGI auction proceeds, if funded the same as FY 2011, for MEA Programs and no funding whatsoever from ARRA. As DLS noted, from FY 2010 to FY 2011, there is approximately a -49.2% change in allowance for Federal funds, which is already a huge reduction in program funding.

Any funding that MEA would have left over from ARRA in FY 2012 will have already been encumbered and partially spent on projects in FY 2011, as is the plan. Hence, MEA would not be able to fund any new projects in FY 2012 with ARRA funding but only continue the projects already in progress. With such a drastic reduction, much of the work MEA currently does would need to be stopped or significantly reduced; making it even more difficult to achieve the Governor's Goals, namely goal 9, reducing energy consumption and goal 10, increasing renewable energy production and achieve goals related to EmPOWER Maryland.

MEA recommends strongly that the BRFA of 2010 revert back, as originally planned, in order for MEA to continue energy advancements in the State and uphold the terms set forth by the Regional Greenhouse Gas Initiative.

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