Lawrence J. Hogan, Jr., *Governor*
Boyd K. Rutherford, *Lt. Governor*
Devon L. Dodson, *Acting Director*

Strategic Focus

The Maryland Energy Administration (MEA) focuses on the following three strategic goals in its mission to bring affordable, reliable, clean energy to all Marylanders:

- *EmPOWER Maryland Goal: 15% reduction in per capita peak demand and consumption of electricity by 2015*
- *RPS Goal: 20% electricity from renewables by 2022*
- *Greenhouse Gas Goal: 25% reduction in GHG emissions by 2020*

Agency decisions are directly guided by these goals and are designed to help Maryland businesses and families save energy, reduce their energy bills, create local jobs, and enhance Maryland's energy security. In collaboration with other state agencies, the utilities, and community and industry stakeholders, MEA assesses the energy market place for opportunities to add value and move the needle forward on Maryland's energy goals. MEA works closely with the Public Service Commission (PSC) staff and the electric utilities to steer the direction of the programs being offered by the participating electric utilities under EmPOWER Maryland.

MEA Year in Review

In FY 2014, as a result of successful program changes by the Regional Greenhouse Gas Initiative (RGGI), MEA set out to lay the foundation for programs, initiatives, and policies that will continue to mature through FY 2016. These efforts help ensure that Maryland achieves its energy goals while assisting all Marylanders to reach their specific energy needs. The following are some highlights of our FY 2014 accomplishments:

- In its second year, the Maryland Smart Energy Communities Grant Program continues to succeed by encouraging local jurisdictions to set the energy policies related to renewable energy, energy efficiency and transportation. In FY 2014, MEA awarded grants to 36 communities, helping the communities to reduce operating costs, improve environmental performance, and encourage better energy decisions among residents and local businesses.

- The Clean Energy Grant Program provides incentives for solar photovoltaic, solar water heating, geothermal heating and cooling, and wind energy systems. The program also has a small carve out for commercial-scale Solar Photovoltaic/Electric Vehicle Charging Station Canopy systems. The Clean Energy Grant Program awarded 1,819 grants with an anticipated annual savings of 23.5 million kWh.

- The EmPOWER Clean Energy Communities Low-to-Moderate Income Grant Program is designed to provide grants for energy efficiency initiatives to non-profits and local government agencies that serve low and moderate income Marylanders. The direct energy efficiency improvements are provided by local governments, non-profit organizations, and religious entities to Maryland's vulnerable citizens; these local projects are facilitated by the grants from MEA. Past projects include residential whole building upgrades where an audit identifies and recommends cost effective energy measures, while also detecting and ameliorating health and safety concerns, and energy efficiency improvements to homeless shelters. In FY 2014, MEA awarded 62 grants that to date have resulted in an estimated annual savings of 1.9 million kWh and 13,569.9 MMBTU in projects that have made improvements in more than 2,200 houses, apartments, and buildings across the State.

- In FY 2014, MEA continued its development of initiatives to advance a major offshore wind project off of Maryland's Atlantic Coast. MEA maintains partnerships with sister Agencies such as the Maryland Department of Natural Resources, Maryland Ports Administration, and the University of Maryland System, to perform ecological surveys to understand the natural environment of the Maryland Wind Energy Area (WEA). Major initiatives from the Offshore Wind Program include a High Resolution Geophysical Survey of the federally-designated WEA; a cost-share partnership with the U.S. Department of the Interior to conduct a Passive Acoustic Monitoring program for marine mammals in the WEA; and a major analysis of Maryland port sufficiency to accommodate offshore wind energy deployment.

- MEA launched the EmPOWER Maryland Challenge: Commercial and Industrial Grant Program to increase the energy efficiency gains in the commercial and industrial building sector. Approximately 60% of the state's electricity use is in the C&I sector yet this sector only accounts for about 31% of the energy savings realized towards the EmPOWER Maryland goal to date. This program targets planned retrofits in this sector and offers grants to encourage deeper electricity savings through the execution of projects involving multiple energy measures. In FY 2014, MEA awarded 24 grants with an anticipated savings of 21.3 million kWh.

MEA PAYGO Programs

Two important PAYGO programs that support the State's Governor's energy goals are the revolving funds which MEA administers; the *State Agency Loan Program* (SALP) and the *Jane E. Lawton Loan Program* (Lawton or JELLP). Each of these loan programs are unique in that they serve a customer base with specialized needs.

These two programs contribute to the EmPOWER Maryland goals by reducing the capital operating costs for state agencies and businesses through energy efficiency measures. These programs provide financing for energy efficiency projects that would not otherwise happen.

State Agency Loan Program (SALP)

The SALP program provides zero interest loans to State agencies for energy conservation projects. All projects must generate enough energy savings to cover the loan payments. MEA issued three SALP loans in FY 2014 totaling close to $1M. Historically, some loans were linked with Energy Performance Contracts developed by state agencies. MEA, in concert with DGS' state-wide effort to achieve 20% energy reductions in state agencies, is working on an initiative focused on small to medium sized buildings that have not been part of EPCs as a possible opportunity for future SALP loans.

Lawton Loan Program

The Jane E. Lawton Loan Program provides low-interest loans to help finance energy efficiency projects that reduce operating costs for businesses, nonprofits, and local government agencies. As noted in the DLS analysis, program participation volume has been low in recent years. MEA has made considerable efforts to streamline the program's processes and provide expertise, technical assistance, and guidance to perspective borrowers. The General Assembly enacted Lawton statute amendments (Chapters 348 and 349 of the 20014 Laws of Maryland) in the 2014 General Assembly session. These amendments clarified several provisions and provided new authority to offer credit enhancements to leverage private sector financing in addition to direct loans. Credit enhancements may take a variety of shapes but generally they will require reassurances that the borrower will honor the obligation through additional collateral, insurance, and third party guarantee, therefore reducing default on the debt. MEA anticipates that once credit enhancements are made available there will be an increase in interest and demand for the program.

Summary

The programs above highlight some of the work that MEA does across the State. These programs, as well as initiatives and policies adopted by the State, have propelled Maryland from the 47th ranked State in 2006 to the 9th ranked State in energy efficiency. MEA continues to engage on topics as diverse as reliability and resiliency, representing the State in several utility merger proceedings, completing a task force on how to best incorporate thermal energy into the State’s energy policies, and coordinate a group of experts to discuss microgrids and developing recommendations on the legal, regulatory, and technical framework for their deployment. The world of energy is fast paced and constantly changing and the MEA will continue to develop and deploy new policies and strategies in order to advance Maryland’s energy goals. The loan programs will continue to have a role in this portfolio.

Responses to DLS Recommendations/ Issues

DLS Analysis (Page 7): MEA and the Department of General Services (DGS) are continuing to develop a final list of small buildings for energy upgrades, which will be finalized after the energy audits are complete. MEA, DGS, and the respective agencies will coordinate on plans to complete these upgrades after the list is finalized. **MEA should comment on the anticipated impact of these activities on the SALP.**

MEA Response: It would be premature to testify on the impact of SALP until the audits for these buildings are complete. However, it is fair to say that it is our goal that the benefits of the SALP program be extended to assist these smaller agencies’ effort to be more energy efficient.

DLS Analysis (Page 7): In total, from fiscal 2009 through 2014, after accounting for cancellations, the SALP’s loan activity is slightly more than 75% of the appropriation. However, in fiscal 2014, the level of loan activity was the lowest level in recent history, less than $1 million and only 52.1% of the appropriation. Of note, the fiscal 2014 appropriation included $700,000 of federal funds none of which was loaned. Through January 15, 2015, MEA reports no SALP loans have been made in fiscal 2015. **MEA should comment on the reason for the lower loan activity level in fiscal 2014, and actions the agency plans to take to increase activity in fiscal 2016 given the higher appropriation level.**

MEA Response: There is reluctance on the part of State Agencies to receive federally funded SALP loans due to the extensive nature of federally mandated requirements associated with the American Recovery and Reinvestment Act (ARRA) funds. MEA therefore postponed federally funded SALP loans until a sufficient fund balance from repayments on the initial loan could make the extra administrative work worthwhile. Additionally, in 2014, a $700,000 commitment (non ARRA) fell through when the agency leadership decided to not take on the additional debt and to research other methods to fund the project.