Larry Hogan, *Governor*
Boyd K. Rutherford, *Lt. Governor*
Mary Beth Tung, *Director*

Opening Statement for Fiscal Year 2018 Capital Budget Hearing

The mission of the Maryland Energy Administration (MEA) is to promote affordable, reliable and cleaner energy for the benefit of all Marylanders. MEA's duties, as outlined in State Government Article §9-2003, run the full spectrum of State energy administration responsibilities:

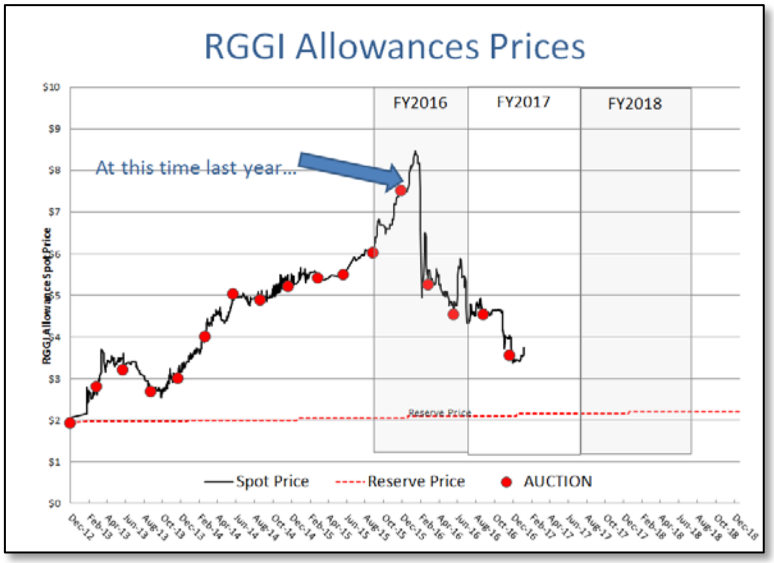
- provide advisory, consultants, training, and educational services, technical assistance, grants and loans in order to establish/carry out sound energy policies or practices;
- evaluate and coordinate energy policies and activities among agencies and local governments;
- collect, analyze, and evaluate energy statistics and information and coordinate information related to energy resources throughout the state;
- service as liaison between federal, sister states and Maryland state agencies on all matters related to energy;
- develop and conduct education and communication programs on energy production, supply, and conservation;
- provide for, encourage and assist public participation in energy programs;
- collaborate with DGS to monitor state agency energy management and conservation efforts;
- coordinate and direct integrated energy planning for state agencies and the public that recognizes the benefits and costs of energy conservation and improved efficiency;
- promote transfer and commercialization of energy conservation methods and technology;
- cooperate and coordinate with other state agencies in research and development of energy conservation methods and alternative energy technologies; and
- develop strategic plans and implement policies relating to energy supply management including the promotion and supervision of research on alternative fuels and energy emergency management.

MEA performs these responsibilities with small staff of twenty eight pin and ten contractual employees which we have been rebuilding following a period of significant staff turnover. MEA will only have one pin vacancy after February 15th; an Energy Program Manager position, vacated on October 28th, for which we are interviewing.

Regional Greenhouse Gas Initiative (RGGI) Revenue

As briefly discussed in the DLS analysis, a recent downturn of the RGGI revenues has impacted MEA's plan for the FY2017 federal-for-special fund swap in the State Agency Loan Program (SALP). The source of the special funds to be used was the Strategic Energy Investment Fund (SEIF); however, revised projections for revenues from the quarterly RGGI auctions made the fund swap unaffordable and necessitated postponement of the plan.

MEA provides the chart below to provide perspective to the decreases in RGGI revenues. The chart shows the spot prices of RGGI allowances traded on the secondary market with the quarterly auction prices depicted as red dots. At this time last year, the RGGI revenue stream was strong and the budgeted revenue projected that trend would continue. As can be seen, the RGGI auction revenue stream has reversed over the past year resulting in significant decreases in the fund balances of the Strategic Energy Investment Fund (SEIF). The initial precipitous drop occurred within a few days of the February 2016 U.S. Supreme Court decision to stay further implementation of the EPA Clean Power Plan (CPP) pending resolution of litigation in lower federal courts. Events of the past year have not led to any major trend changes. The final drop came on the heels of the presidential election and there have been some rebounding since.



The current budget therefore reflects a 50% reduction to previous revenue projections for both FY2017 and FY2018 and, as discussed in the DLS analysis, a number of mitigating steps have been taken by the Administration including:

- Realigning available balances
- Adjusting spending plans for the Exelon ACP and Cove Point fund sources
- Downsizing or canceling planned FY2017 programs
- Reducing program plans for FY2018

One such impact is the postponement of the SALP special-for-federal fund swap until such time sufficient special funds can be identified. As discussed in the DLS analysis, this postponement makes the planned 2017 SALP program unaffordable; however, the DLS recommendation to transfer $2 million of the available Lawton fund balances to the SALP resolves this issue. MEA therefore agrees with the DLS recommendation.

MEA Response to DLS Recommended Actions

1. Adopt committee narrative requesting a report on the potential for merging the Jane E. Lawton Loan Program and State Agency Loan Program.

MEA Response: Agree.

2. DLS recommends an amendment to the Budget Reconciliation and Financing Act of 2017 to authorize a transfer of $2 million from the JELLP fund to the SALP in fiscal 2017.

MEA Response: Concur.