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

Opening Statement for Fiscal Year 2018 Operating 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.

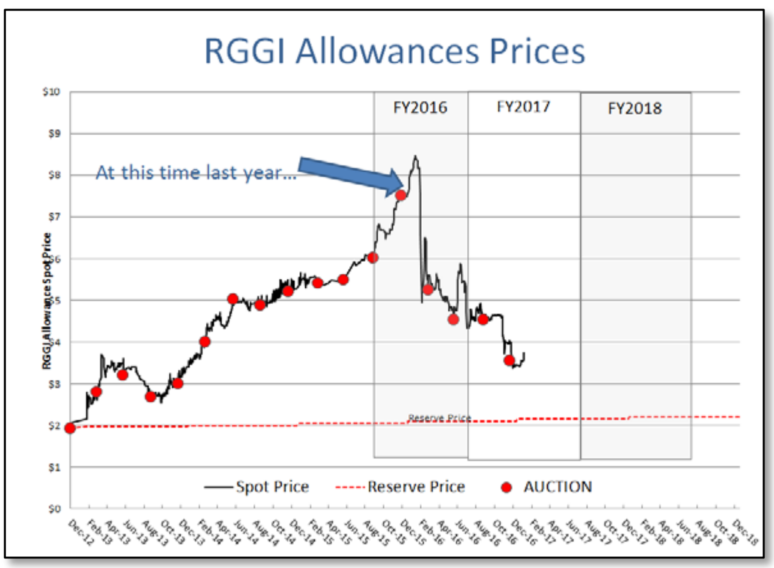
MEA performs these responsibilities with small staff of twenty eight pin and ten contractual employees. As discussed in the DLS analysis and other venues, the agency has been rebuilding its team following a period of significant staff turnover. MEA currently has only two pin vacancies; the AAG position vacated on December 23rd will be filled February 15th and we are actively advertising for the Energy Program Manager position which vacated on October 28th. The position recommended for deletion in the DLS analysis was filled on January 4th. As addressed in the recommendation section below, MEA strongly disagrees with the recommendation. MEA has abolished 4 of 32 pin positions over the past two fiscal years. Further, MEA has abolished 6 of 34 pin positions over the past three fiscal years; a 17.6% reduction since FY2015.

EmPOWER Maryland

While it is true Maryland did not reach the EmPOWER goals, it is important to keep perspective on its successes. EmPOWER goals were established back 2008 in part to respond to PJM projections of potential blackouts due to projections of continued increasing demand. Among the debates at the time was to either invest in efficiency or new power plants and transmission capacity. While Maryland may not have met the ambitious 15% goals, EmPOWER was by no means a failure; energy efficiency and demand response gains are significant – Maryland's per capita electricity usage is down to the levels of the early 1990's[1]. Maryland successfully avoided the forecasted power outages and in 2012 PJM cited increased participation in demand response programs[2] as one of the drivers for terminating a major transmission line project being planned for Maryland. More importantly, the benefits of the energy efficiency improvements will continue to be realized by Maryland residents over the life of the installed energy measures.

Regional Greenhouse Gas Initiative (RGGI) Revenue

MEA commends the DLS analysis on the downturn of the RGGI revenues. 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 discussed, the RGGI auction revenue stream has significantly reversed over the past year. The initial precipitous drop occurred within a few days of the February 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 election and there has 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

[1] Based on historical electricity sales data from EIA and population data from the Maryland Department of Planning.
[2] http://www.pjm.com/~/media/committees-groups/committees/teac/20120913/20120913-srh-letter-to-teac-re-mapp-and-path.ashx

In conclusion, the events of the past year have only reinforced the realization that Maryland's energy landscape continues to grow both size and complexity. New technologies continue to make energy efficiency and conservation and alternative sources of renewable energy more affordable for the average Marylander. This administration remains committed to those ideals and will continue to press for reductions for Maryland rate payers and tax payers.

MEA Responses to DLS Request for Comment

DLS Analysis (Page 19): MCEC indicated in a presentation before the House Appropriations Committee Transportation and Environment Subcommittee briefing on January 19, 2017, that in the past year it has worked on a program called Baltimore SHINE, which is a low- to moderate-income solar initiative. Under Section 10-806(e), MCEC is to coordinate with MEA and may not duplicate programs or activities of MEA without consent of MEA. **MEA should discuss how MEA and MCEC work together to ensure programs are not duplicated.**

MEA Response: While Section 10-806(e) requires the Maryland Clean Energy Center to coordinate with MEA and not to duplicate the programs or activities of MEA without consent, in reality this is seldom done. In specific response to the Baltimore SHINE program, MEA learned of the program through a newspaper article. MEA has informed MCEC leadership that it does appear to be duplicative of the State's efforts. Further, the Maryland SAVES program discussed on page 29 of the DLS analysis was established in December 2016 with minimal discussion with MEA; as was the Commercial PACE initiative and the Green Bank study of the past two years.

DLS Analysis (Page 28): In the November 21, 2016 meeting, RGGI reviewed several potential program change options. RGGI noted that the cap reductions being considered would be expected to start in calendar 2021. Stakeholders reviewed several options for cap reductions including continuing the current 2.5% per year cap decline or increasing the decline of the cap to 3.5% per year… **MEA should comment on the anticipated timing of any announcements related to program changes.**

MEA Response: Our understanding is that announcements are likely to be made in late April; however, the Maryland Department of Environment (MDE) and the Public Service Commission (PSC), as Maryland's representatives to the RGGI Council, are better suited to address this issue.

MEA Response to DLS Recommended Actions

1. Abolish 1 regular position that has been vacant longer than one year ($64,240)

MEA Response: Do not concur. The position to which the DLS analysis refers was filled on January 4th, 2017 (offer had been made on December 14th). It is not appropriate to infer from the fact this position had been vacated a year ago that the position is, in some way, of lesser importance to the State. As discussed in the DLS analysis, in light of significant turnover in FY16, MEA has been reassigning program responsibilities among available staff to best meet the needs of the state energy program while in the process of rehiring staff. This position just happened to be the most recent position to be filled of the 23 pin positions hired over the course of the past 18 months.

Additionally, **MEA has already reduced its PIN staffing over 17% over the past two budget cycles,** (from 34 in FY15 to 28 in FY17).

Finally, MEA currently has two (2) vacant positions (as of 1/4/2017): an Assistant Attorney General position which vacated on December 23rd and is scheduled to be filled on February 15th and the currently advertised Energy Program Manager which vacated on October 28, 2016.

2. Add language making funding for the electric vehicle recharging equipment program contingent on legislation that extends the program.

MEA Response: Concur.

3. Add language to make funding for the Maryland Clean Energy Center and the Maryland Energy Innovation Institute contingent on legislation.

MEA Response: Concur.

4. Adopt committee narrative requesting a report on how the seed funding for the Maryland Energy Innovation Fund will be used in fiscal 2018.

MEA Response: Agree.

5. Adopt committee narrative requesting information on programs for residential customers or State government customers.

MEA Response: Agree.

6. Add a section in the budget bill requiring information on the Regional Greenhouse Gas Initiative revenue and allocation in the fiscal 2019 budget books.

MEA Response: Concur