MARYLAND ENERGY ADMINISTRATION
Fiscal Year 2021 Operating Budget
Response to Department of Legislative Services Budget Analysis

Testimony of Mary Beth Tung
Director

Senate Budget and Taxation Committee
Public Safety, Transportation, & Environment Subcommittee
Chair: Cory V. McCray
January 31, 2020

House Appropriations Committee
Transportation and the Environment Subcommittee
Chair: Marc Korman
February 10, 2020

Good afternoon, I am Mary Beth Tung, Director of the Maryland Energy Administration and I appreciate the opportunity to address the agency's budget for Fiscal Year 2021. Joining me at the table today is our Chief of Staff, Chris Rice; Legislative Liaison, Richard Mallory and our Director of Finance and Administration, Ralph Scherini. Also with us in the front row are other members of our staff prepared to provide whatever detailed responses may be necessary during our hearing.

I wish to extend my gratitude to the DLS analyst, Tonya Zimmerman, for her comprehensive review of the agency budget. MEA concurs with both of her recommendations.

My remarks will focus on the three issues on which the DLS analysis requested we comment after which I and my staff will respond to any further questions.

Page 16 of the analysis addresses future funding challenges in light of dwindling non-RGGI funds, specifically those resulting from PSC orders, and requests we <u>comment on the potential challenges that the</u>

energy efficiency and renewable and clean energy programs will face following the end of these alternative sources of funding. As addressed in the analysis, revenues from RGGI auctions, our main source of funding, rise and fall in response to market supply and demand. Fortunately, the alternative sources of funds discussed here materialized during a period of market uncertainty and enabled the State to continue funding energy programs despite the dramatic downturn of the RGGI auction revenues at the time. Now, as we exhaust these funding sources, we are relying more exclusively on RGGI auction revenues. Working within the guiding priorities set by the General Assembly in the statutory allocation of RGGI auction revenues, the Administration is making tough choices among worthy competing programs. We have ended less popular programs and streamlined other programs. We have been maintaining core energy programs using fund balances saved through our use of the non-RGGI revenues and by allocating interest earnings on the SEIF where necessary. The analysis correctly describes the improving stability of the RGGI market starting on page 18 and this is somewhat reassuring. However, RGGI auction revenues will always remain a creature of market and socio-economic forces and our programs will have to fit within available resources.

The next comment, on page 20, requested how and when MEA determines to reallocate the interest earned on the SEIF balances. As the administrator of the SEIF, MEA has been rather stingy with interest revenue over the years; electing to hold these funds in reserve, as they are the most fungible of the SEIF funds. We use interest balances to help maintain program continuity in times of dwindling balances.

The last requested comment is from page 30 under the section titled "Change in Use of the ACP": MEA should comment on how the proposed increase in the amount of the SEIF transferred to replace the revenue lost due to the tax credit will impact the program offerings otherwise funded through RGGI revenue and how the proposed change to the use of ACP would impact the provision of grants and loans to support renewable and clean energy creation. The reasoning behind the additional financial support for transportation programs is the high percentage of greenhouse gasses that come from that sector and the need to continue spurring adoption rates of Zero Emission Vehicles in Maryland. There has been broad bipartisan support for these programs. Senate Bill 277 and its cross-file House Bill 359 propose to backfill the RGGI revenue in question by utilizing a portion of ACP.

The Governor's Clean Cars Act proposes two initiatives:

1. A dramatic increase in funding for Zero Emission Vehicle incentives and Electric Vehicle charging equipment rebates; AND
2. Greater discretion in the use of the Clean Jobs Act Alternative Compliance Payments (ACP).

As stated in Section 2 of the analysis, these ACP revenues can currently only be used for renewable energy projects and herein lies a challenge. Difficulties arise in placing solar on low income residences due to factors such as insufficient square footage, structural deficiencies, and the high numbers of non-owneroccupied residences. Community solar is one possible solution and MEA has been working closely with the PSC to increase adoption in this area.

In general, the best practice is to implement energy efficiency measures FIRST, before renewable energy gets installed.[1] This would be particularly true for the low-income sector. Improvements made through energy efficiency efforts lower vulnerable Marylander's energy bills and do so in perpetuity for whoever occupies the improved property. Energy efficiency measures can improve the economics and environmental impact of any home or building. It is often stated that the cheapest, cleanest electron is the one that is never used. That is precisely what the State's Low to Moderate Income (LMI) energy efficiency programs aim to do; and they are anticipated to have a greater impact in a more economically efficient manner. It is our position that energy efficiency measures should always be implemented before solar or other renewable energy projects.

This means that energy efficiency programs may be better suited to serve the low-income communities as a primary initiative and complimented with the installation of Tier 1 renewable generation. In order to address the needs of low-to-moderate income constituents as efficiency and effectively as possible and obtain the greatest impact from ACP funds, the proposed bill allows the use of ACP for energy efficiency upgrades.

This concludes my prepared remarks. Again, thank you for your time this afternoon; I and my staff are available to answer any further questions the committee may have.

[1] As outlined in "A Maryland Consumer's Guide to Solar, energy efficiency "is usually more cost efficient than solar; it reduces the cost, size, and footprint of the final solar system…"