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

MARYLAND ENERGY ADMINISTRATION
Fiscal Year 2022 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
February 11, 2021

House Appropriations Committee
Transportation and the Environment Subcommittee
Chair: Marc Korman
February 11, 2021

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

The staff at MEA understands and appreciates the public trust that is placed in us as we strive to promote affordable, reliable, and cleaner energy for the good of all Marylanders. This mission is critical, and we are happy to report that Maryland is being recognized nationally for our achievements in this arena.

Within this written testimony MEA addresses the two areas the DLS analysis requested comment. The specific comments requested of MEA are related to the Jane E. Lawton Loan Program and the Maryland Gas Expansion Fund.

MEA Responsiveness During COVID-19

The COVID-19 pandemic has had a substantial impact on the clean energy sector, over 10,000 Marylander's working in the clean energy sector have been displaced. These impacts have been most severely felt in the energy efficiency sector and by women and people of color. MEA has continued to keep in contact with stakeholders to monitor the impact to the clean energy industries, utility customers and others. While work in some areas has certainly slowed, demand for grants and incentives in almost all programs continues to exceed available resources.

Early in the pandemic MEA rapidly virtualized its operations, leveraging technology tools that helped make remote operations smooth but improved overall efficiency. MEA implemented a central communications webpage to keep the industry and program customers abreast of emerging information. MEA launched an ad hoc working group of key departments to ensure a dialog of how COVID was impacting our agencies. The agency also developed a COVID-19 plan for its operations and programs. MEA took steps to assist program participants, extensions were provided for most energy project grants to accommodate delays that grantees were encountering due to the pandemic. Service grantees were also permitted to spend more aggressively into grant administrative allowances to front load their planning efforts and keep staff at work who may not have been able to gain access to customer sites. MEA extended forbearance to participants in the Jane E. Lawton energy efficiency loan program, including several nonprofits struggling with cash flow and offered reduced interest rates for new participants in FY21. MEA maintains frequent contact with these borrowers to gauge their ability to repay.

MEA, as part of its ongoing efforts, strives to ensure that our work is part of the solution. MEA is focusing FY22 efforts to help bolster our workforce, engage vulnerable residents and businesses to help reduce energy use and cost while maintaining progress towards the state's greenhouse gas reduction efforts. MEA program investment in feasibility assessments for resiliency and clean energy projects and capital support are core to getting Maryland's energy sector workers back to work. MEA continues to monitor the impacts of COVID to the energy workforce and has funded an effort with the National Association of State Energy Officials (NASEO) to assess the status of clean energy jobs in Maryland, the quality of clean energy jobs, the equity and geographic distribution of jobs as well as strategies to help grow Maryland's clean energy workforce.

MEA Recent Achievements

In support of Maryland's goals, the MEA team works to promote affordable, reliable, and cleaner energy on a multitude of fronts, engaging in both programmatic and policy undertakings. Many of MEA's efforts are summarized in the annual Strategic Energy Investment Fund report, available to the public on MEA's website. Highlights from fiscal year 2020 touched many different segments of the Maryland economy, starting with Maryland residents who were able to install over 21,000 kW of residential solar PV, 935 electric vehicle chargers, and 350 clean burning wood and pellet stoves. MEA was also able to launch a new cross-cutting pilot program aimed at driving the growth of microgrids and distributed energy resources; offer business-oriented energy efficiency programs targeted at data centers and combined heat and power installations and continue the successful Low-to-Moderate Income Grant program, making 29 awards to non-profit organizations and local governments to enable these entities to keep delivering energy efficiency in the local communities they serve.

And Maryland’s energy efforts have been noticed. The American Council for an Energy-Efficient Economy (ACEEE) ranked Maryland 6th nationally in energy efficiency, Maryland’s highest rank ever on the State Efficiency Scorecard. And just this month, Maryland was ranked 4th on ACEEE’s first State Transportation Electrification Scorecard.

But to continue to keep up this good work, Maryland must continue investing resources in these programs.

Preserving Future Funding for MEA Programs

The DLS analysis astutely observed that with little funding expected to be available from non-RGGI-sourced funds beyond FY 2022 and with increased SEIF usage outside of the agency, some MEA programs may be reduced or eliminated in the future. This is certainly the case, and not only is a reduction in funds for MEA programs likely, but successful programs would also be eliminated if funding levels are not restored in FY2023 and beyond. Any new, outside initiatives should appropriately seek alternative funding sources and not attempt to leverage the SEIF which, as the DLS analysis highlights, has already been depleted of non-RGGI fund balances. This year’s legislative session has seen many bills introduced that would prescribe the use of SEIF funds and ultimately divert SEIF funding from existing SEIF-funded programs. The revenue projected from future RGGI auctions simply cannot sustain the existing programmatic activity funded by the SEIF and the proposed funding demands by new, external SEIF-funded legislative initiatives.

Whenever possible, Statewide energy initiatives should be administered through MEA, the State’s energy office, to promote a comprehensive energy strategy and ensure the limited resource of RGGI revenues are effectively and efficiently deployed and monitored. Leveraging the existing infrastructure at MEA promotes cost effective deployment of programmatic funds which is in stark contrast to using the limited RGGI revenues to stand up or augment small-scale one-off initiatives.

MEA Comments Per DLS Analysis Request

DLS Analysis: Regarding Jane E. Lawton Loan Program - MEA should comment on the decision to increase funding for non-State entities when loan activity has been limited. MEA should also discuss the impact of COVID-19 on interest in the program and loan repayments.

MEA Comment: While the rate of new applications has been impacted by the pandemic, as the clean energy industry gets back to work, we expect both public and private sector demand to increase rapidly. In fiscal year 2020, there were a total of four loan commitments made to non-State entities. However, all of the loans to non-State entities were all smaller loans, each totaling no more than $120,000. This level of activity and interest in the Lawton program during a year in which the last quarter was impacted by the pandemic shutdown led MEA to feel comfortable making a slight budgetary increase in FY22, knowing that any unused appropriation would also be

1800 Washington Boulevard, Suite 755, Baltimore, MD 21230 | Phone: 410-537-4000 | Fax: 410-537-4096
www.Energy.Maryland.gov

available to State agencies during the second half of the fiscal year. Should funds not be fully encumbered they will return to the Lawton loan fund to support future efforts. In response to COVID-19, MEA has allowed borrowers to defer loan payments.

DLS Analysis: Regarding the Maryland Gas Expansion Fund - MEA should comment on why these funds ($6.5 million) will not be used for the purpose for which the General Assembly restricted them.

MEA Comment: The Maryland Gas Expansion Fund was established using the proceeds of the Maryland Public Service Commission's (PSC) Order 88631 in Case No. 9449. Under this order, MEA was directed to spend the funds to support the expansion of natural gas infrastructure, with the majority of these funds to be expended within the Washington Gas and Light Service territory. This merger was a transparent evidentiary process conducted by the PSC involving many parties, resulting in an order that directs how MGEF is to be administered and used. The General Assembly suggested diverting these funds for a purpose inconsistent with PSC Order 88631. The diversion of these funds would hinder MEA's ability to fulfill the requirements of the Order. MEA would be unable to deploy the funds appropriately and secure projects that help engage and grow the Maryland energy workforce while reducing emissions, constructing resilient energy infrastructure, and providing affordable energy to Marylanders who may be adversely impacted by an inability to access natural gas for economic development. Funds for low-moderate income weatherization are also available from other sources including EmPower and federal grants.

As noted in MEA's response, the agency plans to target investment in FY22 for the following activities within the three existing programs. These targets will provide positive economic, environmental, and equity benefits for Maryland. 1. Funds for gas expansion/equipment modernization in schools, manufacturing facilities, and multi-family properties to lower costs and improve health and safety, 2. Replacement of oil-fired infrastructure in small co-ops and municipal utilities to lower costs and reduce emissions, 3. Investment in combined heat and power and fuel cells to bolster resilience of critical infrastructure, vulnerable communities and agricultural applications which benefit regional food security 4. Enhancing pipeline infrastructure to allow injection of renewable natural gas (RNG) helping rural communities by providing additional revenue to farm operations, 5. Investment in CNG fleet use to reduce air pollution in disadvantaged communities.