

Report to the Maryland General Assembly on the Administration's Progress Carrying out the Requirements of the Act Concerning Regulated Sustainable Energy Contract Program

December 31, 2013

In accordance with Section 3 of Chapter 625 of the 2013 Laws of Maryland and Section 2-1246 of the State Government Article, the Maryland Energy Administration (MEA) respectfully submits this report describing MEA's progress carrying out the requirements of the Regulated Sustainable Energy Contract Program (Section 9, Subtitle 20D of the State Government Article).

Background

Dels. Doyle Niemann (District 47, Prince George's County) and Tom Hucker (District 20, Montgomery County) introduced H.B. 621 (cross-filed with S.B. 627, introduced by Sen. Victor Ramirez (District 47, Prince George's County)) on February 1, 2013. H.B. 621 was approved by the General Assembly and enacted into law by Governor O'Malley on May 16. Versions of H.B. 621 were previously introduced during the 2011 and 2012 sessions of the General Assembly.

MEA supported the passage of H.B. 621 (and earlier versions) and testified in favor of the legislation. MEA also provided technical assistance to the House and Senate sponsors to work through issues and find compromises with stakeholders to facilitate passage and enactment. MEA's work on behalf of H.B. 621 was based on an understanding of the potential of the legislation. With the authority provided by H.B. 621, MEA would have a unique opportunity to develop and implement a pilot program to explore the use of the Maryland Contract Lien Act (Section 14, Subtitle 2 of the Real Property Article) to facilitate third-party financing arrangements for energy efficiency measures and renewable energy installations. To MEA's knowledge, the pilot and program outline envisioned in this legislation presents an opportunity unique to Maryland.

In summary, the legislation creating the Regulated Sustainable Energy Contract Program provides MEA three authorizations. Each subsequent step is based on the outcome of its precedent. First, MEA is directed to complete a study of the feasibility of a Regulated Sustainable Energy Contract Program. Second, depending on the outcome of the study, MEA is authorized to create a pilot program. And third, if the pilot proves successful, MEA is authorized to establish a program (and promulgate the necessary regulations).

Progress to Date

As of the date of this report, MEA has completed the bulk of the feasibility study required by the legislation. MEA is confident at this point that moving forward with a pilot is warranted. While MEA has the internal resources create a pilot program, MEA has requested an appropriation in a FY2014 budget amendment to facilitate the development of the pilot program on an expedited basis. MEA's approach to finalizing the feasibility study is to incorporate lessons from the development and implementation of the pilot program.

The feasibility study has so far indicate potential in certain sectors that will be subject of the pilot program. This potential comes from both 1) the need for affordable and accessible financing in the given sectors, and 2) the suitability of secured financing for typical measures and installations in the given sectors.

MEA plans to develop and implement a pilot program for two sectors. The first sector is residential geothermal. Residential geothermal installations are reliable, long-lasting, difficult to remove, and cost-effective over longer periods of time. These qualities make secured financing especially suitable for residential geothermal installations.

The second sector is natural gas conversions and energy efficiency. The conversion process for natural gas (when main lines are within a certain radius of the site) is reliable, long-lasting, and essentially permanent. The cost of a conversion is also borne by the customer as opposed to the utility. MEA envisions the installation of high-efficiency natural gas appliances and equipment as part of the conversion projects receiving financing under the pilot program.

MEA is presently initiating the development and implementation of the pilot program according to an abbreviated timeline with the funds requested in MEA's FY2014 budget amendment, which has been approved. The uniqueness of the pilot program (and any program that follows) authorized makes a completion date difficult to estimate. But MEA is committed to making secured financing from a Regulated Sustainable Energy Contract Program pilot available as soon as possible for the benefit of Maryland residents who wish to benefit from geothermal installations and the improved efficiency afforded by natural gas conversions.