FAQ Page

Maryland Smart Energy Communities Grant Program

Below you will find frequently asked questions for the Maryland Smart Energy Communities Program (MSEC). If your question is not answered, please contact the MSEC Program Manager using the information at the end of this document.

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Policies

This program requires local governments to adopt written, formal policies committing them to goals related to energy efficiency, renewable energy, and or/transportation. What type of local legislation is required to be eligible for funding?
The intent of this program is to support local governments as they commit to MSEC's goals of energy efficiency, renewable energy, and/or transportation petroleum reduction. To be eligible under the program, policies must be formally written and passed as a resolution, etc. by the appropriate governing body of the local government. Each community must determine which two goals are most appropriate, based on the local charters and procedures. A copy of a draft resolution is available upon request.

What happens if we do not meet the adopted goal within the appropriate timeframe (e.g., achieve a 15% electricity reduction within 5 years)? Will our grant funding be rescinded?
While MEA will not rescind your grant funding, we strongly encourage participants to make a good-faith effort toward achieving the goals in order to be eligible for grant funding in future years.

Can part of the grant funding be used for administrative cost or costs related to creating the baseline, passing the policies, and creating plans?
Each community will be allowed to use up to 30% of its grant funding on indirect costs (e.g., grant administrative costs, feasibility studies, energy baseline(s), policy development). At least 70% of MSEC grant funding must be spent on direct energy project costs (e.g., labor and materials associated with an energy efficiency, renewable energy, or petroleum-reduction project) that have been approved by MEA.

Upon the execution of a grant agreement with MEA, a participant may access up to 30% of the FY21 MSEC funding for indirect costs including, but not limited to, policy development and the creation of

energy baselines, if applicable. The remaining 70% of funding, which must be spent on a specific energy-related project, <u>cannot be accessed until all required energy deliverables (e.g., baselines, policies, etc.) are completed</u>. In addition, only 10% of the grant award will be available for reimbursement of administrative costs.

What baseline year can be used?
MEA requests that a participating community use a baseline year for which it has the most recent available energy data. Most MSEC New Communities will use the previous calendar year. However, MEA will be flexible on the baseline year as some communities have already completed energy-related projects that may count toward the energy goals. MEA will approve baseline year data on a case-by-case basis. Please note that the energy goals must be accomplished within five years of the baseline year, so a community choosing a 2020 baseline year will need to achieve the necessary reductions by 2025, and so forth.

Can a community work with a private partner? For example, some local governments have privatized trash collection.
Yes, MEA will consider each partnership to meet energy goals on a case-by-case basis. If a local government chooses to include them, then the privatized services must also be included in the appropriate baseline. However, MSEC funding will only be awarded to the participating local government; MSEC grant awards are not available to the private partner.

What is the correlation with other state programs administered by the Department of Housing and Community Development (DHCD), the Maryland Department of Planning, etc.?
The Maryland Smart Energy Communities Program focuses specifically on what a community can do to achieve energy and cost savings, while other programs in the State may focus more on community revitalization and general sustainability. While State programs may be complementary, each is a separate program with a different focus and funding structure.

Will MEA provide energy audits?
No, MEA does not conduct energy audits for communities. However, participating new MSEC communities will be allowed to use <u>up to 30%</u> of their grant funding on indirect costs. An energy audit would be considered an eligible indirect cost.

Is a draft resolution available for communities to use?
Yes, MEA can provide model policies upon request.

As part of the federally-funded Energy Efficiency and Conservation Block Grant (EECBG) program, we had our county council adopt an energy efficiency plan. Could this count as our energy efficiency policy?
MEA would need to review the energy efficiency plan to verify that it meets the program's reduction requirements. Please review the energy policy guidance provided by MEA. The MSEC application asks each community to list existing energy policies and to submit copies of those policies so that MEA can review them and determine if they can be used as written or will require modification. However, MEA notes that approximately ten years have passed since the EECBG program was created; with this in mind, changes to operation and equipment during the last decade may have made some EECBG audits no longer accurate.

How do we address a situation where the goals required by the Smart Energy Communities program are different from the goals already developed in the community's current policy documents?
MEA will review existing policies to evaluate any discrepancies between them and the grant requirements. MEA will accept a more aggressive policy; however, if the policy is less aggressive, MEA would require the community to increase that goal and modify that policy.

Projects

How much funding is a municipality eligible for?
MEA has approximately $1,080,000 in fiscal year 2021 (FY21) for MSEC energy efficiency, renewable energy, and transportation awards, which will be divided amongst both new and existing MSEC communities. Exact funding levels will vary based on the number of applications, type of application (i.e., energy efficiency, renewable energy, or transportation), and quality of proposed projects. Funding is not meant to cover the full cost of passing and implementing the policies, but rather to assist in covering the costs of the energy-related projects.

Applicants under the Existing Community track can request up to $55,000 per proposed energy efficiency, renewable energy or transportation project. Applications must show a cost share of at least 15% of the total project cost (including the MSEC award and other incentives or rebates, etc.). Applicants may apply for funding of more than one energy project, and/or type of project (e.g., a solar PV project and a charging station for electric vehicles (EVs)), or more than one measure per project (e.g., a lighting measure and an HVAC measure in one building energy efficiency project). However, applicants must submit a separate application for each project and/or each measure per project and have policies in place related to the types of projects for which they are applying. Funding for all projects and/or measures is not guaranteed, even if one project or measure is awarded.

How will MEA evaluate applications under the New Community funding track?
Please refer to the FY21 MSEC funding announcement.

How will MEA evaluate applications under the Existing Community funding track?
Please refer to the FY21 MSEC funding announcement.

What are the required criteria for a project?
Please refer to the FY21 MSEC funding announcement.

For what purpose can a local government use the grant funding?
The funding distributed to Maryland Smart Energy Communities must be used for energy efficiency, renewable energy, and/or transportation projects directly impacting the participating local government's facilities or vehicles. MEA will work with each local government to approve individual projects that maximize energy savings. New Communities MUST propose energy efficiency projects first before becoming eligible for other types of projects, unless they completed efficiency projects before participating in the MSEC program. For Existing Communities, there is flexibility in how funds can be spent, as the intent is to encourage innovative project ideas. All projects funded through MSEC must have a direct benefit to energy and cost savings.

<u>In all cases, MSEC funding awards will be tied to one of the three energy policies (i.e., energy efficiency, renewable energy, or petroleum-reduction) and will only be available for energy projects that are consistent with the specific energy goal (e.g., a community that adopts the energy efficiency and the transportation goals cannot use its MSEC award for a renewable energy project).</u>

Are matching funds required as a condition of the grant?
Matching funds (cost sharing) are required for Existing Communities only; a community must contribute at least 15% cost-share of the total project cost (per project).

Can communities collaborate/have a project with another community?
Yes, but each community involved in the project must follow the MSEC protocols. Additionally, the MSEC award will be made directly to each local government.

Can MSEC communities use other MEA sources of funding in combination with an MSEC grant?
Yes. MSEC communities can use funds from the Lawton Loan Program to supplement their MSEC energy efficiency funding. Prospective recipients must apply separately to the Lawton program for additional funding. See this web site for more information https://energy.maryland.gov/govt/pages/janeelawton.aspx

However, any MSEC grantee interested in pursuing electric vehicle supply equipment (e.g., EV charging equipment) with MSEC funding will not be eligible for an MEA EVSE rebate or for funding from the solar canopy program. Similarly, an MSEC grantee will not receive an MEA Clean Energy Rebate Program incentive for any renewable energy system installed using MSEC funds.

Are Power Purchase Agreements (PPAs) an allowed funding mechanism?
Yes, PPAs are an allowable mechanism to deploy renewable energy. However, all projects must be on a government-owned facility or land. The MSEC grant funds will be distributed directly to the government entity that applied to the MSEC program.   Funds may not be used to purchase electricity; however, MSEC funds can be used to "buy down" the cost of the equipment that will be generating the renewable energy.

Can I purchase Renewable Energy Credits (RECs) in lieu of building an on-site project to achieve the renewable energy goal?
No, REC purchases do not qualify for this program. The MSEC program's renewable energy goal is to construct additional renewable energy generation in the State.

Will a community have to submit a separate approval form for each proposed project and/or measure?
Yes, each community should work with MEA to identify projects that should be completed with MSEC funds. For New Communities, this collaboration process will be simultaneous with other deliverables. When the community is close to finalizing the three deliverables, the community may begin start focusing on potential projects.

Can MEA provide suggestions for projects that could be conducted with the limited amount of funding and could be spent in a short amount of time?
Yes, MEA can provide preliminary suggestions for potential projects.

Can we implement projects identified in prior energy audits?
Yes, as long as the audit was completed relatively recently and the building use, building systems, occupancy, and operational schedule have not had major changes since the audit was conducted.

Since the policies require long-term commitments, do designated Smart Energy Communities become automatically eligible for future funds, or will they need to reapply?
A Smart Energy Community would need to reapply. A Smart Energy Community is eligible for funding under the existing community track as long as it is in good standing with the program, subject to funding availability in future fiscal years.

When will the funding for installing energy projects be available to a New Community ?
Once a New Community is selected to participate in the MSEC program, a grant agreement must first be fully executed between MEA and the community. The community must then complete the three required energy deliverables[1] AND get its proposed energy project(s) approved by MEA. Once the deliverables are completed AND the specific-energy project is approved, only then may the MSEC participant complete its energy project and request reimbursement from MEA.

An Existing MSEC community may begin its project after the grant agreement has been fully executed with MEA and it has submitted a Project Development Form (Attachment A) and received back a Project Approval Form (Attachment B) from MEA.

What is the difference between the energy reduction plan and the energy project?
The energy plan ensures the energy policy goals adopted by the local government have the best possible chance of being attained. The energy reduction plan, for example, is the roadmap to achieve the energy reduction goals laid out in the energy efficiency policy. A number of projects will likely be necessary to achieve target reductions. The MSEC-funded project is a single component of the plan.

Is this funding a reimbursement style grant?
Yes, grant funds are disbursed as a reimbursement of costs after all energy measures have been completed. The MSEC community will pay the project costs up front and then provide an invoice for reimbursement. MEA will then reimburse the MSEC community as set forth in the Grant Agreement.

Program Guidelines and Requirements

What are the requirements of the program?
MEA anticipates the following terms and conditions:
- MEA intends to include as many communities as possible in the Smart Energy Communities Program, but reserves the right to limit the number of participants based on funding availability.
- Submission of an application does not guarantee that the Applicant will receive a grant.
- To receive grant funding for a project, the grantee must enter into a Grant Agreement with MEA by Spring 2021 (exact date to be determined by MEA), unless an extension is given in writing by MEA.

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[1] The three deliverables are establishing energy usage baselines (to measure reduction); passing two of the three energy-related policies; and developing a reduction plan pertaining to the two policies adopted.

- If awarded a grant, the Applicant must provide MEA with a complete IRS W-9 Form. All Applicant information (e.g., name, address) on the W-9 Form must match the information provided on the Program Application.
- MEA may request additional information in order to evaluate an application for an MSEC grant award.
- Projects must comply with all applicable state and federal laws, regulations, and guidelines, including, but not limited to, following appropriate procurement policies, compliance with the National Historic Preservation Act of 1966, all applicable licenses, insurance, permits, environmental standards, etc.
- MEA will not reimburse for any costs expended prior to the execution of a grant agreement between MEA and the participating local government. Additionally, in order to receive reimbursement from MEA, a grantee will be required to get its energy project approved in writing by MEA prior to beginning construction. This assures that the energy project will directly contribute to the achievement of at least one MSEC energy policy goal.
- Each community will be required to provide authorized MEA representatives with access to the project location in order to conduct site inspections or measurement & verification activities for the program.
- Each community will be required to allow MEA permission to use photos and video of the project(s) for marketing, publicity, and advertising purposes. However, prior to their use for these purposes, the Grantee will be able to review and approve them.
- MEA and its representatives, will not divulge confidential information or trade secrets consistent with the Maryland Public Information Act. An applicant should mark any information that they believe to be confidential or a trade secret.
- MEA reserves the right to obligate all, some or none of the Fiscal Year 2021 Maryland Smart Energy Communities Grant Program budget, based on the quality and eligibility of applications submitted to MEA and funding availability.
- MEA is unable to give tax advice. Any tax-related questions should be directed to a qualified tax professional.
- The Maryland Code Ann., Section 9-20B-05(m)(1) of the State Government Article requires that any new loan or grant funded by the Strategic Energy Investment Fund (SEIF) to a unit of State or local government to comply with §14-416 and §17-303 of the State Finance and Procurement Article. Applicants affected by this requirement should take this into account when developing applications to SEIF-funded programs, including the Maryland Smart Energy Communities Program. Grant agreements for the program will contain a provision requiring grantees to comply with the American Manufactured Goods requirements.
- The Maryland Code Ann., Section 9-20B-05(m)(2) of the State Government Article requires at least 80% of Grantee's workers participating in a SEIF-funded project or program to reside within 50 miles of the project or program. As the SEIF funds a statewide program, compliance for the purposes of MEA's programs will be based on whether at least 80% of the workers employed by the Grantee for the project reside in Maryland, or within 50 miles of Maryland's borders. As MSEC is a SEIF-funded program, an applicant should take this new requirement into account when developing its application. Grant agreements for this program will include a provision outlining this requirement, including any documentation of compliance that will be required before grant funds are disbursed.

Contact Information

For more information or assistance, please visit www.energy.maryland.gov or contact:

Briggs Cunningham, MSEC Program Manager, at msec.mea@maryland.gov or 410-537-4070.