

**STATE OF MARYLAND  
OFFICE OF PEOPLE'S COUNSEL**

**Paula M. Carmody, People's Counsel**

6 St. Paul Street, Suite 2102  
Baltimore, Maryland 21202  
410-767-8150; 800-207-4055  
[www.opc.maryland.gov](http://www.opc.maryland.gov)

**BILL NO.:** **House Bill 1281**  
**Strategic Energy Investment Program and Advisory Board - Alterations**

**COMMITTEE:** **Economic Matters**

**HEARING DATE:** **March 3, 2016**

**SPONSORS:** **Delegates Jameson and Gaines**

**POSITION:** **Support**

---

House Bill 1281 would make certain administrative changes to the Strategic Energy Investment Program (Program) and the Strategic Energy Investment Fund (SEIF). The Program was established with the purpose of decreasing energy demand and increasing energy supply “to promote affordable, reliable, and clean energy to fuel Maryland’s future prosperity.”<sup>1</sup> That same year, the General Assembly passed the EmPOWER Maryland law, which set energy usage and peak demand reduction goals for the State, and for the electric utilities in Maryland.<sup>2</sup>

As part of the bill that established the Program and SEIF,<sup>3</sup> the General Assembly required that proceeds from the sale of Maryland allowances under the Regional Greenhouse Gas Initiative (RGGI) be deposited in the SEIF. While the specific percentage allocations have changed over time, the Maryland Energy Administration (MEA) has been required to use the SEIF funds to support

---

<sup>1</sup> State Gov’t Art. § 9-20B-03.

<sup>2</sup> PUA Sec. 7-211

<sup>3</sup> Acts 2008 Ch. 127 (Senate Bill 268).

energy assistance, energy efficiency, renewable energy and other clean energy programs and objectives in Maryland.

The SEIF receives significant funds from the auction proceeds of the Regional Greenhouse Gas Initiative (RGGI). Of the RGGI states, Maryland receives 22% of the proceeds from the auction allowances. These allowances have grown significantly in the past two years, and in Fiscal Year 2015 amounted to X. Since the RGGI auction process has an impact on the wholesale market prices in the RTO markets, it is important to understand how those impacts affect customers in Maryland and other states. RGGI's most recent analysis of the economic impacts, for the period 2012-2014, shows that there are net benefits, and state specific net benefits, from the operation of the RGGI program.<sup>4</sup> As the Report states:

[The] recent positive economic outcome from the RGGI program results in large part from the states' decision to sell CO2 allowances via a centralized auction and then use the proceeds from the auction in various ways that address state policy objectives, primarily by returning funds to electric ratepayers and funding local investment in energy efficiency ("EE") and renewable energy ("RE") resources.<sup>5</sup>

State level reinvestment of RGGI dollars in energy efficiency and renewable energy programs are particularly beneficial, since they offset in a positive way the impact of increased electricity prices resulting from the cost of RGGI allowances.<sup>6</sup> This is particularly important for the future, as the RGGI states continue to engage in a program review, including possible modification of the RGGI cap after 2020.

OPC agrees that the Program and SEIF, primarily through the allocation of RGGI auction proceeds, have provided significant benefits to customers, including residential customers.

---

<sup>4</sup> "The Economic Impacts of the Regional Greenhouse Gas Initiative on Nine Northeast and Mid-Atlantic States," (The Analysis Group, July 14, 2015).

<sup>5</sup> Id., p. 6.

<sup>6</sup> Id., p. 7.

However, it is important that SEIF resources continue to be used to support well-designed energy efficiency and renewable energy programs, and maintain that beneficial offset to wholesale market price increases. OPC therefore has had a strong interest in the Program and SEIF, and the use of funds for energy assistance, and renewable energy and energy efficiency programs for customers.

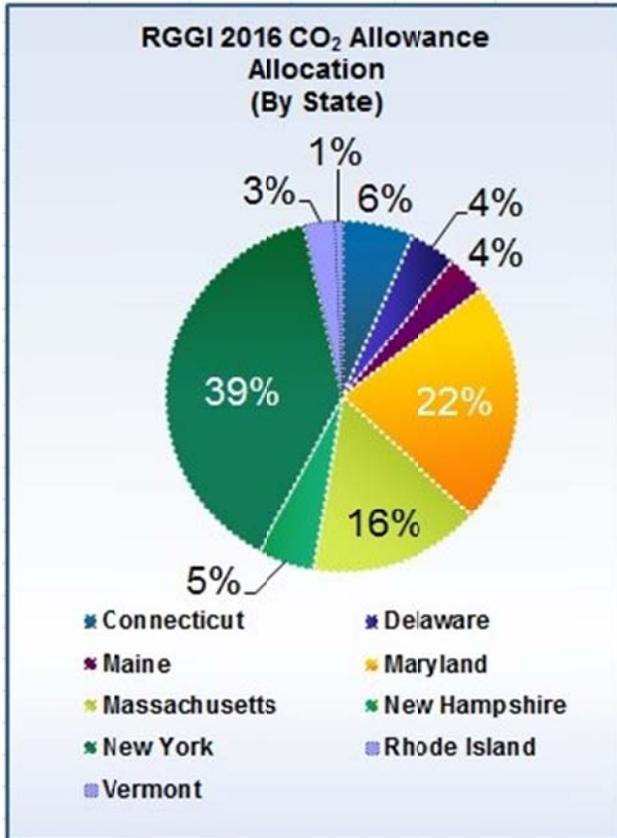
OPC is a non-voting *ex officio* member of the SEIF Advisory Board, whose purpose is to review the Program and the Administration's proposed use of and expenditures from the SEIF and make recommendations to the Administration about them. OPC has found the meetings useful in the past (although the Board did not meet in 2015). However, OPC agrees that the Board could function more effectively if the additional requirements contained in House Bill 1281 were adopted. These include the following:

- An express requirement that the Administration submit the required 3 year plan to the Board for review in a Plan Development year, and a report to the implementation of the Plan in each other year.
- The election of a Chair of the Board, who may call Board meetings at his or her discretion
- The submission of reports by MEA to the members of the Senate Finance Committee and the House Economic Matters Committee on the use and expenditures of the Fund
- An accounting by MEA of all amounts received or disbursed by the Fund from all sources.

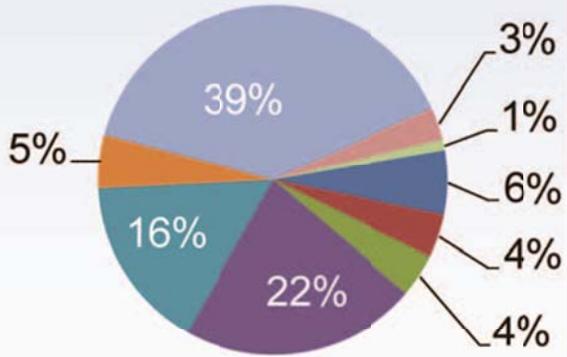
These additions would help the Board to become a more effective advisor to MEA on the effective use of SEIF funds to benefit consumers and the promotion of energy efficiency and clean energy in Maryland.

OPC therefore requests a FAVORABLE report on House Bill 1281

RGGI Chart on Allocation of RGGI Auction Proceeds: [www.rggi.org](http://www.rggi.org)

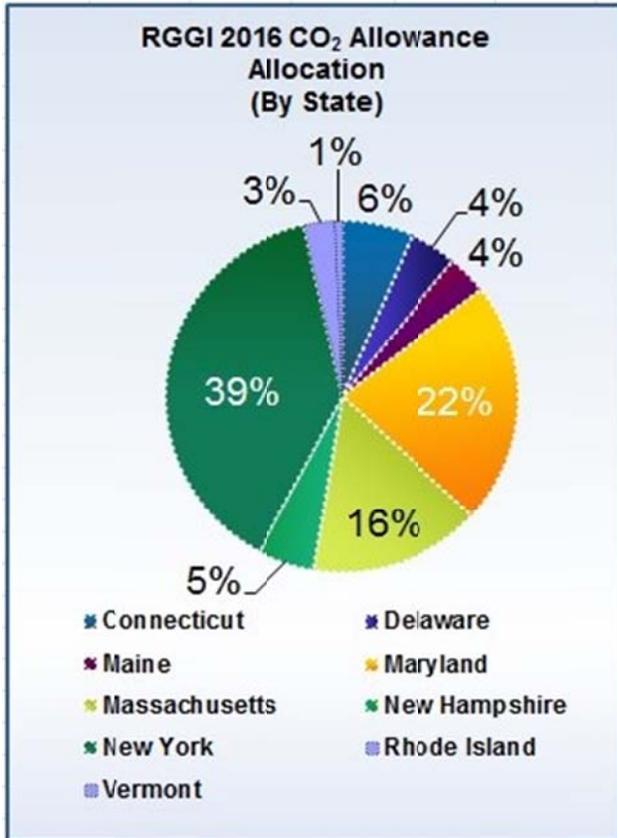


**RGGI 2015 CO<sub>2</sub> Allowance Allocation (By State)**

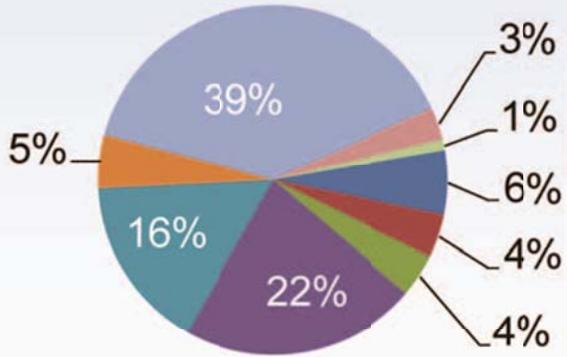


- |                 |                 |
|-----------------|-----------------|
| ■ Connecticut   | ■ Delaware      |
| ■ Maine         | ■ Maryland      |
| ■ Massachusetts | ■ New Hampshire |
| ■ New York      | ■ Rhode Island  |
| ■ Vermont       |                 |

RGGI Chart on Allocation of RGGI Auction Proceeds: [www.rggi.org](http://www.rggi.org)

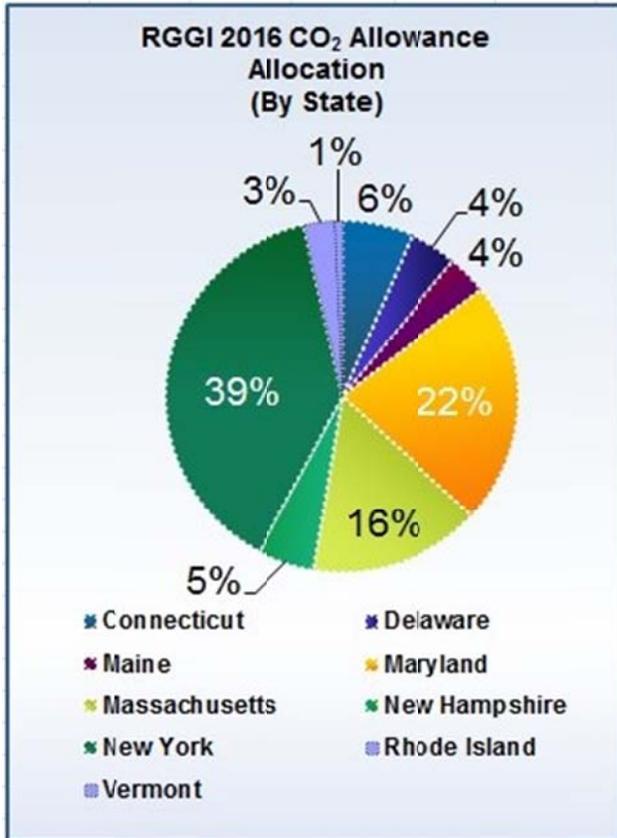


**RGGI 2015 CO<sub>2</sub> Allowance Allocation (By State)**

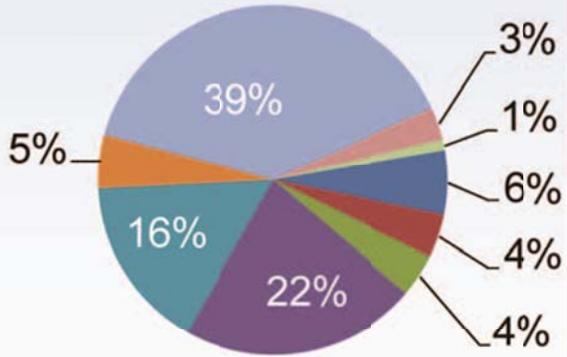


- |   |   |
|---|---|
| <span style="color: blue;">■</span> Connecticut   | <span style="color: red;">■</span> Delaware         |
| <span style="color: green;">■</span> Maine        | <span style="color: purple;">■</span> Maryland      |
| <span style="color: teal;">■</span> Massachusetts | <span style="color: orange;">■</span> New Hampshire |
| <span style="color: lightblue;">■</span> New York | <span style="color: pink;">■</span> Rhode Island    |
| <span style="color: lightgreen;">■</span> Vermont |   |

RGGI Chart on Allocation of RGGI Auction Proceeds: [www.rggi.org](http://www.rggi.org)



**RGGI 2015 CO<sub>2</sub> Allowance Allocation (By State)**



- |   |   |
|---|---|
| <span style="color: blue;">■</span> Connecticut   | <span style="color: red;">■</span> Delaware         |
| <span style="color: green;">■</span> Maine        | <span style="color: purple;">■</span> Maryland      |
| <span style="color: teal;">■</span> Massachusetts | <span style="color: orange;">■</span> New Hampshire |
| <span style="color: lightblue;">■</span> New York | <span style="color: pink;">■</span> Rhode Island    |
| <span style="color: lightgreen;">■</span> Vermont |   |