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Bill No.: House Bill 410 – Economic Development – Maryland
Innovation Institute

Committee: Economic Matters

Sponsor: The Speaker (By Request – Administration) et al.

Date: February 14, 2017

Position: Support

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House Bill 410 establishes the Maryland Energy Innovation Institute (Institute) at the A. James Clark School of Engineering at the University of Maryland, College Park (UMCP) campus. In addition, the Bill establishes a Maryland Energy Innovation Fund (MEIF) as a special fund in the University System of Maryland (USM). Of particular interest is that the MEIF is to be used not only by the Institute, but also by the Maryland Clean Energy Center (MCEC) for its administrative and operating costs. Further, the MCEC may use the MEIF for specified financial assistance, including making grants or loans (page 12, lines 7-9).

This testimony of the Office of People’s Counsel (OPC) addresses only those features of the Bill related to the MCEC. OPC supports this Bill so that at a minimum a stable funding source for the operational and administrative expenses of MCEC is established, enabling its continuation. As the Fiscal Note states, MCEC was established by Chapter 137 in 2008 to promote economic development and jobs in the clean energy

sector and the deployment of clean energy technology, among other purposes. However, MCEC was established without a funding mechanism for start-up costs, and consequently has not been able to build a financial model to sustain its operations.

The People's Counsel is an *ex officio* member of the MCEC Advisory Council, as well as an *ex officio* member of the Strategic Energy Investment Advisory Board. OPC also is an active party in all Public Service Commission (Commission) dockets established to develop and implement the EmPOWER Maryland programs. OPC's focus is on the residential energy efficiency and demand response programs, including the utilities' Home Performance with ENERGY STAR® (HPwES or home retrofit) programs. The HPwES programs provides incentives for the comprehensive retrofit of houses.

Increasing household participation in those retrofit programs has been a challenge due to the upfront costs associated with making energy efficiency improvements, despite the availability of EmPOWER incentives. The Commission has referred to the lack of residential financing options as a "missing link" in those programs.¹ For the past several years, OPC has supported the pursuit of financing options to increase access to these residential programs.² Despite its financial limitations, MCEC's Maryland Home Energy Loan Program (MHELP), which has provided unsecured loans to residential customers since 2011, has played an important role in addressing the financing challenge by providing loans to over 3000 residential households.³

¹ PSC Cases 9153-0157, Order No. 84569, issued December 22, 2011, p. 2, fn. 4.

² OPC had supported the establishment of a "Green Bank, as proposed in the MCEC's "Green Bank Study Final Report," submitted to the General Assembly on December 1, 2015, as well as Senate Bill 726 in the 2016 General Assembly session.

³ "Green Bank Study Report and Implementation: Briefing for House Economic Matters Committee," January 20, 2016, p. 18.

The concept of clean energy, with a focus on economic development, jobs and technology, extends to energy efficiency (often referred to as the “first fuel”) as well as renewable energy. From the customer perspective, energy efficiency programs consistently have been found to provide cost benefits to both the participating households and customers as a whole. Despite funding limitations, MCEC stepped up to address a barrier to participation in energy efficiency programs – a barrier that particularly affects moderate income households.

This is an example of the value that MCEC has provided on behalf of residential households in Maryland. Whether it is financing barriers for energy efficiency or in the future, for renewable energy programs for residential consumers, OPC believes that MCEC can play a valuable role in linking consumers to private sector financing or other programs. This can both benefit the consumers we represent and help to meet the State’s policy goals regarding clean energy. The Bill’s establishment of a fixed funding source for five (5) years would reduce the uncertainty around its continuation as a resource and enable MCEC to continue and expand its programs to assist consumers

OPC does note that the Fiscal Note identifies a number of fiscal details that are left unanswered by the original Bill.⁴ OPC expects that those details will be addressed prior to any action on the Bill..

For the above reasons, OPC supports House Bill 410.

⁴ *Fiscal Note*, p. 8. The Fiscal Note also indicates that the Task Force on the MCEC has not submitted its Report to the legislature as of February 8, 2017, but that the Task Force members “unanimously indicated support for the general concept” set forth in the Bill. *Fiscal Note*, p. 6.