

A Letter from the Director, Michael T. Richard

Governor Robert L. Ehrlich, Jr. remains committed to his campaign promise to bring fiscal responsibility and environmental stewardship to Annapolis. The Governor's Energy Office promotes energy efficiency by leveraging nearly two million federal dollars with private sector and State resources.

The Maryland Energy Administration (MEA) is particularly pleased with the success of the Maryland ENERGY STAR Program in 2004. In the early 1990s, Maryland was one of the federal government's first State partners in the Green Lights Program, a predecessor to the ENERGY STAR program, sponsored by the U. S. Environmental Protection Agency. January 2004 marked the formal launch of the Maryland ENERGY STAR program: a coordinated education and outreach campaign targeting Maryland consumers and retailers, promoting ENERGY STAR lighting, appliances and new homes. Governor Ehrlich serves as the campaign spokesperson and lends invaluable support to this important program. In 2004, sales of ENERGY STAR appliances in Maryland have increased in all product categories and are above the national average in three of the four categories tracked nationally. The airing of the new homes commercial resulted in an increase of hits to MEA's Web site by 43 percent on the first day it was aired. We credit this success to the participation of Governor Ehrlich in the campaign and are confident that his involvement has increased the visibility and credibility of the ENERGY STAR message in the State.

Governor Ehrlich has been very supportive of President Bush's Hydrogen Economy initiative. MEA co-sponsored a regional seminar with the U. S. Department of Energy (DOE) promoting this initiative, and the Governor accepted a hydrogen car from General Motors for State use in 2005, and participated in a hydrogen vehicle ride-and-drive. Maryland is committed to being a partner with DOE in advancing this important environmental and energy security program.

MEA will continue to work to promote the Governor's energy policies, including implementation of the Renewable Portfolio Standard. The Energy Office will also work to prudently use federal oil-overcharge dollars to promote energy efficiency programs throughout the State.

Michael T. Richard, Director
Maryland Energy Administration

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A Fiscal 2004 Progress Report

In 1991, the Maryland Energy Administration (MEA) was created to develop State energy policy and promote energy efficiency. Governor William Donald Schaefer and the Maryland General Assembly recognized that energy efficiency and conservation reduce costs to State government and businesses while also benefiting the environment. MEA leverages State, Federal, Special and private funds for the benefit of Maryland citizens, businesses and governments and works across all economic sectors and State agencies to maximize efficiency. MEA receives a large portion of its funding (42 percent or \$1.8 million in Fiscal 2004) from the Federal government. General Funds make up 9 percent (\$386,086) of MEA's operating budget.

Governor Robert L. Ehrlich Jr. entered office in January 2003 after serving on the U.S. House of Representative's Energy and Commerce Committee, giving him extensive knowledge of energy issues. Further, the Governor ran on a platform of economic development, government accountability and environmental responsibility, which are all intricately tied to energy policies.

The Governor has played an active role in championing energy efficiency throughout Maryland. Some of the highlights from this past year include donating ENERGY STAR® products to Habitat for Humanity, participating in a thorough education campaign for ENERGY STAR products and ENERGY STAR homes, and accepting the delivery of Maryland's first fuel cell vehicle.



The Governor takes a ride in Maryland's first fuel cell vehicle.

In addition to its State mandates and responsibilities, MEA is the U.S. Department of Energy's (DOE) state energy office and works closely with DOE to implement national energy efficiency and conservation programs at the State and local levels. MEA manages DOE programs in Maryland such as Clean Cities, Industries of the Future, ENERGY STAR, Rebuild America, Energy Smart Schools, Million Solar Roofs, and Zero Energy Homes.

MEA manages a number of State programs, including the Green Buildings Tax Credit, launched in November 2003, the Energy Efficiency Standards Act (EESA), which became law in January 2004, the State Agency Loan Program (SALP) and the Community Energy Loan Program (CELP). MEA plans to re-launch an Energy Efficiency and Economic Development Loan Program (EEEDLP) directed toward energy efficiency. Programs span State and local government as well as industrial, commercial and residential sectors. MEA also plays a role in energy emergency planning, deregulation and the development of a diverse energy supply.

In 2000, Marylanders spent more than \$7 billion on energy, and State government spends more than \$85 million a year on electricity alone. The end result of MEA's work is money saved and a decrease in the emissions associated with energy generation. MEA projects and programs have saved an estimated 250 million kilowatt hours, reduced emissions of sulfur dioxide by nearly 1,430 tons a year and nitrogen oxide by more than 615 tons a year. This is in addition to the positive economic impact associated with energy cost savings to government, business and each Maryland resident.

Statewide Energy Efficiency

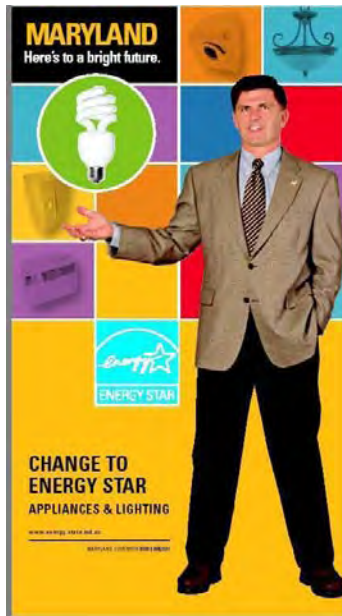
In addition to the energy savings initiatives managed by MEA for State operations, MEA participates in statewide efforts to promote energy efficiency in local governments, private businesses and residences.

The Maryland Energy Administration manages a number of programs and projects to increase energy efficiency and the development of clean energy sources through targeted training programs, projects with local governments, low-interest loans, demonstration projects and awareness campaigns.

Residential Programs

o **ENERGY STAR®**

MEA is working with DOE and the U. S. Environmental Protection Agency (EPA) to promote energy efficiency through ENERGY STAR products in Maryland. In January, MEA launched a comprehensive educational campaign featuring Governor Ehrlich as the spokesperson in print, television and radio spots promoting ENERGY STAR lighting, appliances and new homes. In conjunction with the new homes print and television ads, the Maryland ENERGY STAR Program website launched in September provided an online resource for energy efficiency in the State.



In February MEA partnered with the Arundel Habitat for Humanity to recognize the construction of ENERGY STAR homes in the Habitat program. MEA donated an advanced lighting package to one of the habitat families and donated compact fluorescent bulbs to Habitat for use in the homes constructed in 2004.

The funding made available through the settlement of the PEPCO/Conectiv merger has provided important resources for marketing ENERGY STAR homes and products. Since the Program's inception less than a year ago, the percentage of sales of

the percentage of sales of ENERGY STAR qualified appliances has risen in every category. In some cases the percentage of ENERGY STAR sales in the State is almost 10 percent greater than the national average.

o **Residential Building Programs**

MEA is conducting a series of 18 builder training sessions throughout Maryland on the new International Energy Conservation Code, ENERGY STAR labeled homebuilding techniques and best practices for building energy-efficient homes. Further, MEA received a grant from DOE to work with the National Association of Home Builders Research Center in Upper Marlboro to demonstrate advanced energy efficiency construction techniques and equipment to Maryland builders through the construction of a "Zero Energy Home."



o **Windows Retailer Training**

As a part of the Maryland ENERGY STAR Program, MEA offered two training courses on ENERGY STAR Windows. These trainings were offered to area window sales people in September to provide technical information on ENERGY STAR as well as valuable sales skills to help increase the sales of

ENERGY STAR windows. These trainings were funded in partnership with the Northeast Energy Efficiency Partnership and the Alliance to Save Energy.

Energy Efficiency Standards Act

The Energy Efficiency Standards Act (EESA) was passed in July 2004. It requires that certain new products sold in the State of Maryland (torchiere lighting fixtures, unit heaters, low-voltage dry-type distribution transformers, ceiling fans and ceiling fan light kits, red and green traffic signal modules, illuminated exit signs, commercial refrigeration units, large packaged air-conditioning equipment and commercial clothes washers) will have minimum efficiency standards. The provisions for the Act will become effective starting in March 2005 for most listed items.

MEA is responsible for implementing the requirements of the EESA and to date has: written a report on technical and market issues surrounding energy efficiency improvements for cable set-top boxes; written draft regulations; held public meetings and received public comments on the legislation and the draft regulations; adopted the regulations; and received petitions for delaying implementation for one year for several of the products. Things to be done include: establishing criteria for certification of products, establishing a database for certified products; establishing a labeling program for certified products; and developing a process for inspections and enforcement.

Local Governments

MEA provides assistance to local governments to help them use Energy Performance Contracts to finance energy efficiency improvements without making large up-front expenditures. As a result of MEA's assistance, six local governments have received or are pursuing EPCs, including the City of Rockville and Harford, Charles and Baltimore counties. MEA is also working to meet the needs of our smaller local governments by tailoring technical and financial assistance. For example, MEA offers guidance on how to look for energy-efficient improvements.

As a result of MEA's recent local grant solicitation, five jurisdictions submitted nine grant proposals, of which four will be partially funded, if acceptable to the organization.

MEA has assisted two local jurisdictions in their efforts to improve the energy efficiency and sustainability of their facilities. The City of Bowie is designing and building a new Parks and Grounds facility and will receive a \$90,000 grant to help pay for design, commissioning, and energy efficiency upgrade costs. The Town of Highland Beach was awarded \$55,000 in grant funds to help the Town design, construct, and commission their renovated town hall so that it achieves the Leadership in Energy and Environmental Design (LEED) highest rating, platinum.

Tax Credit Programs

The Energy Administration has administered the Green Building Tax Credit since November 2003. Over the course of the year the program has allocated six Initial Credit Certificates valued at just over \$6 million dollars. The projects demonstrate that new and rehabilitated buildings can be constructed to be energy-efficient without being cost prohibitive. The projects that have received the Initial Credit Certificate are

- Natty Boh, Baltimore City, mixed-use, rehabilitation
- Village Crest Retail, Ellicott City, retail, new construction
- Waverly Gardens, Woodstock, Howard County, multi-unit senior housing, new construction
- Century Engineering, Hunt Valley, office, new construction



- Eastern Village, Silver Spring, multi-unit residential, rehabilitation
- Bowie Corporate Center, Bowie, office, new construction

The tax credit, authorized in 2001 by the General Assembly, has a total of \$25 million to allocate through 2011. This program is an important mechanism that provides incentives to developers for energy efficiency and sustainable building practices.

Industries of the Future

Maryland Industries of the Future (MDIOF) is a U.S. Department of Energy program implemented by the Maryland Energy Administration and the Maryland Department of Business and Economic Development through partnerships with industry, universities, and nongovernmental organizations. The objective of MDIOF is to develop and deliver advanced energy efficiency, renewable energy and pollution prevention technologies for industrial applications. Specifically, MDIOF seeks to boost resource productivity in nine energy and resource intensive industries: agriculture, aluminum, chemicals, forest products, glass, mining, metal casting, petroleum refining, and steel.

MDIOF provides industry with numerous economic and informational resources to cut costs and improve competitiveness, such as the opportunity to work with universities and national labs to develop new technologies and improve efficiency; networking opportunities with industrial peers both on a state and national level; a forum to meet and work with state and local government representatives; and access to U.S. DOE system optimizing tools and training.



The program also partners with the University of Maryland's Center for Environmental Energy Engineering (CEEE) to provide Maryland industries with free energy assessments. In 2004, the MDIOF program conducted five industrial energy assessments in the State and found hundreds of thousands of dollars in potential energy savings. MEA and CEEE are currently working to extend and expand the energy assessment program to allow more firms to take advantage of this service.

Baltimore Clean Cities

The Baltimore Clean Cities program, a program administered in conjunction with the U.S. Department of Energy (DOE) seeks to increase the use of alternative fuels and advanced technologies in transportation applications. In 2004, through funding provided by DOE, MEA provided rebates for the purchase of dedicated compressed natural gas (CNG) vehicles to Priority One Services, Document Systems, the City of Greenbelt, and the City of Baltimore.



The Clean Cities program and MEA also help to support the alternative fuel infrastructure. This past year, MEA helped fund the installation of a CNG refueling station for the City of Greenbelt and the construction of an E-85 (85 percent ethanol, 15 percent gasoline) station for the Department of General Services in Baltimore.

MEA also has played an important role in the emerging field of hydrogen and fuel cells. MEA has been working closely with DOE to support their work on developing a technology that will allow vehicles to operate with zero emissions. MEA co-hosted a hydrogen workshop in Annapolis with DOE this past September. The State has also partnered with GM to lease a hydrogen vehicle for a year, demonstrating that this technology is safe and viable.

Mid-Atlantic Combined Heat & Power Application Center

MEA is a proud partner in the establishment of the Mid-Atlantic Combined Heat & Power Application Center, which opened in February 2004 and is located at the University of Maryland College Park. The Center serves as the regional education hub to increase awareness of combined heat and power (CHP) systems, which are highly efficient on-site generators.

Carbon Sequestration

In 2004 MEA officially joined the Midwest Regional Carbon Sequestration Partnership, with members from the research community, energy industry, nongovernmental organizations and government. Maryland members include the Maryland Geological Survey, the University of Maryland, and AES Warrior Run. The Partnership's mission is to assess the technical and economic potential as well as public acceptance of carbon sequestration through data collection and analysis. Maryland's participation will position the State to participate in cutting-edge research efforts, implement new environmentally-friendly technologies, and secure more federal funds.

Energy Efficiency within State Government

The Maryland Energy Administration promotes the efficient use of energy among State agencies. Through the use of Energy Performance Contracts, administering the State Agency Loan Program and the careful review of new construction and renovation plans, MEA helps save the State approximately \$10 million per year in energy costs. Most of the savings has been used to offset the cost of construction and renovation, providing a direct savings to the capital budget. By 2002, the State's use of energy dropped to 173,000 BTUs per square foot per year, a 3.8 percent decrease from 2000.

Energy Performance Contracts

Energy Performance Contracting (EPC) is a self-funding financing mechanism that provides infrastructure improvements, energy and water savings, monitoring and verification of effectiveness, training, maintenance and environmental benefits. The initial costs of an EPC can either be financed by the master lease associated with the contract or by funds available in the State Agency Loan Program described below. These are paid for through guaranteed

energy savings that do not

require capital dollars. Energy-related upgrades have become integral to the capital budget process, as a means of offsetting capital expenditures.

New projects since 2003 include: Baltimore City Community College, Salisbury State University, Department of Military, and St. Mary's College. Two newly completed projects include Hagerstown Correctional Facility and Rosewood Hospital. The total annual savings is estimated to be \$700,000.

Through the use of Energy Performance Contracts, administering the State Agency Loan Program and the careful review of new construction and renovation plans, MEA saves the state \$10 million per year in energy costs.



Hagerstown Correctional Facility: New windows versus old windows.

In addition, five potential Energy Performance Contracts are being considered, with a total potential project cost of \$11.5 million and total potential annual savings of \$1.2 million. Currently, 23 Energy

Performance Contracts are either underway or completed and continuing to earn savings. The 23 projects have a total project cost of \$84,107,148 and annual savings of \$9,979,753. The total annual savings for projects currently under development totals \$11,529,753.

MEA is currently working with the Department of General Services to research methods of restructuring the EPC program for greater efficiency and effectiveness.

Loan Programs

o *The State Agency Loan Program*

The State Agency Loan Program (SALP) was established in 1991 using funds from the Energy Overcharge Restitution Trust Fund. Through this revolving loan program, MEA provides loans to State agencies for cost-effective energy efficiency improvements in their facilities. In Fiscal 2005, MEA has budgeted \$1.5 million to continue offering SALP. In Fiscal 2004, SALP loaned State agencies \$1 million for energy savings projects, which MEA calculates will save more than 5.5 billion BTUs and \$105,208 annually. SALP loan agreements were signed in 2004 by:

In 13 years, SALP has funded more than \$9 million in conservation measures including energy-efficient lighting, motors, controls, variable drives, boilers

- *Department of Public Safety and Correctional Services- Hagerstown Complex.* The \$500,000 SALP loan covers a portion of the first phase of an Energy Performance Contract. Energy conservation measures include lighting retrofits, water conservation, control upgrades, and heating plant upgrades. The project was completed in the summer of 2004.
- *Department of Health and Mental Hygiene- Finan and Brandenburg Centers.* The \$500,000 SALP loan covers a portion of an Energy Performance Contract. Energy conservation measures include lighting upgrades, an energy management system, controls, and water conservation. The project will be completed early in calendar year 2005.

o *Community Energy Loan Program*

The Maryland General Assembly authorized the Community Energy Loan Program (CELP) for implementation in 1989. Originally funded with \$3.2 million in seed money, CELP provides local governments and nonprofit organizations in the State a unique opportunity to reduce their operating expenses by identifying and installing energy efficiency improvements. CELP allows borrowers to use the cost savings generated by the improvements as the primary source of revenue for repaying the loans. This neutral budget impact makes CELP an attractive financing opportunity. Loans can be made to eligible nonprofits, including hospitals and private schools, and local governmental entities, including public school systems and community colleges. Projects considered for funding include those that save energy and have a simple payback of seven years or less. The building must be owned or leased by the applicant and have an existing heating and/or cooling system.

By offering CELP as a revolving loan fund rather than a one-time grant, Maryland is able to maximize the use of the funds. Repayments and interest earned will allow the program to continue making loans for the foreseeable future. To date, 47 loans have been made, providing more than \$10.7 million for energy efficiency improvements.

In Fiscal 2004, three local government and nonprofit projects were initiated: City of Rockville, Baltimore Museum of Industry, and East Baltimore Community Corporation. These projects provide an annual

savings of \$180,201. This builds on the previous year, where three projects provided an annual savings of \$124,750.

o Energy Efficiency and Economic Development Loan Program

The Energy Efficiency and Economic Development Loan Program (EEEDLP) is funded with \$2 million in seed money. The program provides Maryland-based businesses a unique opportunity to reduce operating expenses by installing energy efficiency and conservation improvements. The program allows borrowers to use the cost savings generated by the improvements as the primary source of revenue for repaying the loans. This neutral budget impact makes the program an attractive financing opportunity. The program expects to fund approximately \$500,000 in new projects each fiscal year.

Diverse, Reliable and Clean Energy Supplies

MEA advocates for adequate state-based generation for Maryland customers, to ensure stable rates and reliable electric service. Maryland is currently a net importer of electricity from surrounding states. As such, MEA also advocates for economic development in the energy sector, which would bring jobs, tax revenues and enhanced grid reliability.

Wind Energy Projects

MEA is an active partner in the Department of Energy's Wind Powering America Program. The State has permitted two wind farms in Western Maryland, and interest in small wind projects is growing. In September, MEA released the "Maryland Consumer's Guide to Small Wind Electric Systems" with assistance from the National Renewable Energy Lab. Wind facilities of up to 80kw are now eligible for net metering, making the economics of small wind projects more attractive. A State Wind Working Group is being formed to guide the development of wind power within the State and to encourage the purchase of wind and renewable power.



Wind and Solar Energy at Eastern Neck Wildlife Refuge.

MEA has teamed with a local Federal facility in order to implement the development of a hybrid solar-wind system in the Easter Neck National Wildlife Refuge. This project is an example of a federal-state partnership funded through the Department of Energy's Federal Energy Management Program (FEMP). Together, the solar-wind systems provide enough energy to take the facility entirely off-grid, but the system has a grid interconnection which provides the opportunity to transfer power back to the utility grid.

Solar Program Activities

o Solar Schools

Funds are available through MEA's Maryland Solar Schools Program to partially supplement the costs of photovoltaic systems for Maryland schools. MEA provides \$4,000 toward the cost of a minimum 1 kW grid-tied photovoltaic system. The program introduces younger Marylanders to renewable solar energy.

- o Takoma Park Middle School:*** MEA granted \$4,000 to install a 1 kW PV system, which will be an awning-style system mounted on a wall of the school. The system will include a data acquisition system to enhance the educational value of the project.
- o Hard Bargain Farm Environmental Education Center:*** MEA granted \$35,000 to the Alice Ferguson Foundation to partially fund the installation of a 12 kilowatt (kW) photovoltaic (PV) solar energy system to power the majority of the electrical requirements at the Wareham Lodge.

- o *Maryland Science Center:* MEA granted \$100,000 to the Maryland Science Center to install at least 12 kW of PV on a roof and wall of the Science Center.

o **Maryland Solar Energy Grant Program.**

Governor Robert L. Ehrlich, Jr. signed Senate Bill 485, the Solar Energy Grant Program sponsored by Senator Robert Garagiola, into law on April 27, 2004. This program provides funding for a portion of the costs to install certain qualifying solar energy systems. The Maryland Energy Administration will begin taking applications in January of 2005. A total of \$103,500 in grants is available for individuals, businesses and local governments in the following categories:

- o Solar water heating property: 20 percent of system costs up to a total amount of \$2,000
- o Residential photovoltaic property: 20 percent of system costs up to a total amount of \$3,000
- o Nonresidential photovoltaic property: 20 percent of system costs up to a total amount of \$5,000

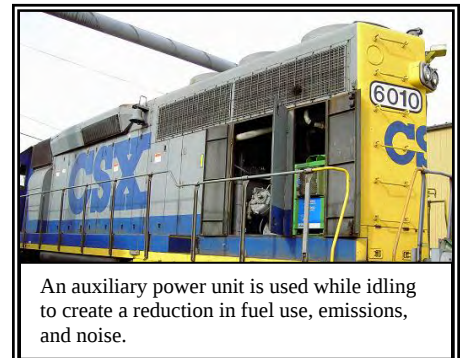


Biomass

MEA is leading a State government review of renewable biomass technologies for the Eastern Shore that would utilize poultry waste to fuel electric generation. Such a technology could potentially address the area's capacity constraint issue and reduce nutrient runoff into the Chesapeake Bay. In addition, MEA is working in collaboration with the Maryland Department of Agriculture on a project to assist farmers with anaerobic digestion. MEA also continues to explore possibilities for a landfill gas project.

Research and Development

MEA works closely with Maryland businesses to obtain Federal funding for research projects. Over the past three years, MEA's efforts have benefited Maryland businesses. Two highlights are CSX Transportation, which received nearly \$1 million, and Millennium Chemical, which will receive more than \$2 million in research grants. MEA is currently working with Maryland's coal industry so that it might participate in federally-funded research projects for carbon capture, storage and sequestration.



Policies for a Reliable and Affordable Energy Supply

Emergency Planning

MEA assists in planning the security efforts for Maryland's energy supplies and infrastructure, and has the authority for set-aside policies for petroleum fuels in an emergency. MEA participates in emergency preparedness training to mitigate supply shortages, whether caused by natural disaster or terrorist actions. Since the terrorist attacks of Sept. 11, 2001, MEA has been involved in planning efforts with Federal, regional and State authorities to increase protection of our critical energy infrastructure, including power plants, transmission lines, substations, pipelines (natural gas and petroleum) and storage facilities. During a state of emergency, MEA provides key staff to the designated Maryland Emergency Management Agency (MEMA) coordination site as well as critical information on our energy infrastructure and energy security issues.

When supply constraints occur, MEA coordinates efforts to extend fuel delivery truck driver hour restrictions to guarantee home delivery of home heating oil and propane. MEA also coordinates a weekly

survey for the U.S. Department of Energy to track prices and supplies of home heating oil and propane. MEA staff coordinates with representatives of the winter heating fuels industry (home heating oil, propane and natural gas) to review the supply situation. When a serious shortage occurs, MEA advises the Governor on implementing procedures to mitigate the shortfall.

Electricity Deregulation

MEA has been actively involved in deregulation since its inception, including activities related to the merger of electricity providers, electricity pricing under Standard Offer Service and new power plant sitings. The process of moving to a competitive electricity market began in 1999 with the passage of the Maryland Restructuring Act. Deregulation will continue to be a challenge for the State as we move from a regulated to a market-based system.

Because supply and demand, technological innovations and policy changes by Federal and State governments cause major shifts in market-sensitive energy sectors, State government must be positioned to respond to new opportunities, as well as to adjust to any potential dangers.

o Standard Offer Service Settlement

MEA has been an active participant in the Standard Offer Service litigation before the Maryland Public Service Commission (PSC). The standard offer service settlement, which was approved by the Commission, helps ensure that Maryland electricity consumers receive a stable-priced, reliable electric service during the transition to a competitive market. The settlement gives consumers who cannot or do not want to choose a competitive supplier the ability to rely on a default service provided through their utility. Additionally, the settlement grants consumers freedom of movement, by permitting customers to switch to competitive retail suppliers without restricting their ability to return to standard offer service.

MEA has led the "Other Services Workgroup," which is an offshoot of the standard offer service case. The purpose of the workgroup is to promote clean energy and demand-side management. The workgroup has completed a proposal which envisions a Maryland campaign to promote clean energy through the purchase of renewable energy credits or RECs. The campaign will target universities, municipalities, faith-based organizations and other large power purchasers, in addition to residential and small commercial customers. The proposal should promote clean energy, augment the market for renewable energy credits, and provide customers with additional choice.

MEA's position has long been that increased participation leads to robust competition and lower energy prices. MEA has also been active in the workgroup on procurement improvement. The purpose of this workgroup is to streamline the bidding process for standard offer service and ensure that wholesale bidders are encouraged to participate. As an example, changes are being considered to permit investment bankers to participate in the electric procurement process.

o Renewable Energy Portfolio Standard and Credit Trading Act

On May 26, 2004, Governor Ehrlich signed into law Senate Bill 869, the Renewable Energy Portfolio Standard and Credit Trading Act. This legislation requires a percentage of retail energy sales to be derived from renewable sources, such as solar, wind, biomass, certain waste-to-energy facilities, and poultry litter incineration. MEA has been actively participating in the regulatory promulgation process along with other state agencies, utilities, environmental groups, and private industry. MEA's goal is to assist in the development of regulations that will follow the intent of the law, minimize administrative costs for market participants, and encourage the development of new renewable energy facilities in Maryland.

Operating Budget

In Fiscal 2004, the General Assembly allocated \$386,086 in General Funds to the Energy Administration. The total budget for the Maryland Energy Administration was \$6.3 million. The operating budget was \$4.3 million and the capital budget, consisting of self-sustaining loan programs originally capitalized with Energy Overcharge Restitution Funds, was \$2 million. The \$4.3 million operating budget includes funds applied to grants and loans.

While the General Fund allocation comprises only a fraction of our budget, that amount is critical to our ability leverage other fund sources. As the chart below demonstrates, MEA uses the General Fund allocation to leverage over 16 times the funding. Approximately 9 percent of the operating budget comes from General Funds with 42 percent of MEA's funding coming from Federal Funds, and 47 percent coming from Special Funds, including Energy Overcharge Restitution Funds, the Community Energy Loan Program, the State Agency Loan Program and Environmental Trust Funds.

**MEA's Fiscal 2004 Operating Budget
Funding Sources**

