

Resolution No.: 18-763
Introduced: March 7, 2017
Adopted: April 4, 2017

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: Council President at the Request of the County Executive

SUBJECT: Supplemental Appropriation #17-408 to the FY17 Operating Budget
Montgomery County Government
Restricted Donations Special Revenue Fund
Pepco/Exelon Merger Proceeds, \$3,450,000

Background

1. Section 307 of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of five Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of six Councilmembers. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may reapprove the appropriation, as if it were an item in the annual budget.
2. The County Executive has requested the following FY17 Operating Budget appropriation to the Restricted Donations Special Revenue Fund:

Personnel	Operating		Source
<u>Services</u>	<u>Expenses</u>	<u>Total</u>	<u>of Funds</u>
\$0	\$3,450,000	\$3,450,000	Pepco/Exelon Merger Proceeds

3. This supplemental will distribute a portion of the Pepco/Exelon Merger proceeds to the Montgomery County Green Bank (Green Bank) and Home Energy Coach Network

Program. The funding will support the start-up of the Green Bank and provide financing for a comprehensive package of programs to leverage investment in clean energy and energy-efficiency technology. The Energy Coach Network will provide customized, community-level education on the benefits of energy efficiency, availability of programs, and opportunities for assistance. The details of both programs are guided by the conditions set forth in Order 86990 of the Maryland Public Services Commission (MD-PSC).

4. The County Executive recommends a supplemental appropriation to the FY17 Operating Budget of the Montgomery County Government Restricted Donations Special Revenue Fund in the amount of \$3,050,000 to support the Green Bank and \$400,000 to support the Home Energy Coach Network for a total of \$3,450,000 specifies that the source of funds will be Pepco/Exelon Merger Proceeds.
5. Notice of public hearing was given, and a public hearing was held.
6. Section 11B-14 (a) (4) of the Montgomery County Code states that “a contract may be awarded without competition if the Chief Administrative Officer makes a written determination that the contract award serves a public purpose and proposed contractor has been identified in a grant or appropriation resolution approved by the Council.” The result of this action is to amend the Fiscal Year (FY) 2017 Designation of Entities for Non-Competitive Contract Award status resolution to include the entity listed below.
7. The Chief Administrative Officer has determined that funding for the contract with the entity below serves a public purpose and that such an expense would be in the public interest.
8. The Department of Environmental Protection (DEP) will fund the contract with the Provider listed below from Pepco/Exelon Merger Proceeds for FY17.
9. The DEP will establish a new contract with the Montgomery County Green Bank for provision of services as stated in the amended FY17 Designation of Entities for Non-Competitive Contract Award.

Action

The County Council for Montgomery County, Maryland, approves the following action:

A supplemental appropriation to the a FY17 Operating Budget of the Montgomery County Government Restricted Donations Special Revenue Fund is approved as follows:

<u>Personnel</u> <u>Services</u>	<u>Operating</u> <u>Expenses</u>	<u>Total</u>	<u>Source</u> <u>of Funds</u>
\$0	\$3,450,000	\$3,450,000	Pepco/Exelon Merger Proceeds – Restricted Donations Special Revenue Fund

The Council approves an amendment to the Designation of Entities for Non-Competitive Contract Award and thereby amends Resolution 18-506, Section G, FY17 Designation of Entities for Non-Competitive Contract Award. The Chief Administrative Officer has recommended this action and stated that establishing a contract with this vendor serves a public purpose and is in the public interest.

The FY17 Designation of Entities for Non-Competitive Contract Award Status resolution is amended to:

Establish a new contract with the Montgomery County Green Bank in the amount of \$3,050,000 to read, “Provides for programs to leverage investment in clean energy and energy-efficiency technology.”

This is a correct copy of Council action.


 Linda M. Lauer, Clerk of the Council

Appendix A
Case No. 9361
May 15, 2015

Condition 2: Customer Investment Fund

Exelon shall provide funding for energy efficiency programs through a Customer Investment Fund ("CIF") of \$43.2 million for the benefit of Delmarva and Pepco customers in each utility's service territory in the State of Maryland. Delmarva and Pepco shall not seek recovery in rates for the CIF. The CIF shall be distributed in the following manner:

- i. Exelon shall provide \$31.5 million in funding for energy-efficiency program support, including approximately 20% for limited-income customers, in the Pepco Maryland service territory (derived from prorating on a per customer basis of \$13.2 million for Prince George's County and \$18.3 million for Montgomery County) for programs to be directed and administered by Prince George's County and Montgomery County as set forth in Condition 3 below.
- ii. Exelon shall provide Delmarva \$11.7 million in funding for incremental energy-efficiency program support in the Delmarva Maryland service territory. Delmarva shall use this funding to implement new, innovative energy efficiency programs – including programs benefitting limited-income customers – that are incremental to existing EmPOWER Maryland programs. The program(s) design will be determined through a subsequent Commission hearing, but may involve an on-bill financing program for small businesses and initiatives designed to facilitate energy efficiency upgrades in multifamily dwellings.

Condition 3: CIF-Funded Energy Efficiency Program Support

A. Pepco shall cooperate with Prince George's County on the development and implementation of energy-efficiency programs for Pepco customers within Prince George's County to be administered by Prince George's County or agencies designated by Prince George's County. Prince George's County shall endeavor to direct at least 20% of the funds to benefit limited- and moderate-income residents. The programs will entail:

- i. **ENERGY STAR Certification & Green Leasing Program.** This program is designed to provide funding to make existing commercial buildings in Prince George's County more energy efficient, enough so that the building itself can be certified by ENERGY STAR developed by the United States Environmental Protection Agency. Funds would be provided to assist commercial buildings in applying for the ENERGY STAR certification process itself. In addition, funds would be used towards various energy-efficiency, water efficiency, and retrofitting measures performed to achieve ENERGY STAR Certification. To receive funding from this program, commercial buildings must first apply to one of Pepco's applicable EmPOWER Maryland programs. Funds from this program would be used to supplement the costs of those measures. In addition, the buildings would be required to adopt various best practices in Green Leasing to align the interests of landlords and tenants so that they are both financially motivated to engage in energy efficient tactics in buildings to achieve energy savings in both decreased energy usage and cost.
- ii. **Transforming Neighborhoods Initiative Comprehensive Energy Audit, Retrofit and Clean-Energy Program.** This program joins ongoing efforts and programs by Prince George's County to uplift six of its neighborhoods that face significant economic, health, public safety and educational challenges. This program consists of providing assistance to residents in funding energy-efficiency and water efficiency measures, and installation of rooftop solar upon the successful implementation of those efficiency measures. In addition, this program provides residents of these communities with additional financial incentives, and education via an "Energy Coach" in order to combat some of the challenges facing the neighborhoods. To receive funding from this program, residents must first apply to one of Pepco's applicable EmPOWER Maryland programs. Funds from this program would be used to supplement the costs of those measures.

Pursuant to Condition 2, Exelon shall provide, in equal installments over 3 years, a total of \$13.2 million in CIF funding directly to Prince George's County for such programs. Energy efficiency programs implemented by Prince George's County do not require review and approval by the Commission. Pepco shall not seek recovery in rates of the CIF funds, nor will Pepco attribute any energy efficiency savings derived from the

CIF-funded energy efficiency programs implemented by Prince George's County toward its Commission-established EmPOWER goal.

B. Pepco shall cooperate with Montgomery County on the development and implementation of energy-efficiency programs for Pepco customers within Montgomery County to be administered by Montgomery County Government, Montgomery County agencies, or organizations designated by the County. Montgomery County shall endeavor to direct at least 20% of the funds to benefit limited- and moderate-income residents in both single- and multifamily communities. Montgomery County shall work with low and affordable housing stakeholders (including NCLC and NHT and others) to develop multifamily specific programming. Montgomery County shall target a minimum of 10% of incentives and financing to benefit multifamily communities; if funding cannot be effectively used it may be allocated to other sectors. The programs will entail:

- i. **Montgomery County Green Bank** – In addition to the Green Sustainability Fund described in Condition 6 below, Montgomery County will administer and capitalize a Green Bank using CIF funds to implement a comprehensive package of programs to leverage investment in clean energy and energy-efficiency technologies (as described in the initial brief filed by Montgomery County). The Montgomery County Green Bank will be designed to complement the EmPOWER Maryland Programs and other state initiatives. The Montgomery County Green Bank will provide additional CIF funds at the local level to supplement the initiative described in Condition 6.
- ii. **Energy Coach Network** – Montgomery County will build an Energy Coach Network to ensure community awareness and access to energy efficiency programs. Montgomery County's Energy Coach Network will provide customized, community-level education on the benefits of energy efficiency, availability of programs, and opportunities for assistance. A central manager will ensure consistent messaging about the Network's mission. Coaches located at regional service centers, local green groups, or other areas

of community interaction will provide direct services at the neighborhood level. The network will raise overall community awareness of program offerings from state, local, and federal programs, including existing EmPOWER programs. Specialized staff will work within the network to facilitate limited-income consumer access to subsidies and assistance programs.

- iii. Expanded Weatherization Programs – Montgomery County will reduce the energy-related expenses of limited-income consumers through expanded weatherization programs. These programs augment existing EmPOWER and federal funding for limited-income customer retrofits to provide deeper, more extensive improvements to limited-income housing stock. This may include more comprehensive remediation of the building envelope, electrical system, and space-conditioning systems. Montgomery County anticipates this program to expand the scope of individual retrofits by remediating conditions that need to be resolved before a retrofit can proceed, and to serve additional limited-income residents.

Pursuant to Condition 2, Exelon shall provide, in equal installments over 3 years, a total of \$18.3 million in CIF funding directly to Montgomery County for such programs. Energy efficiency programs implemented by Montgomery County do not require review and approval by the Commission. Pepco shall not seek recovery in rates of the CIF funds, nor will Pepco attribute any energy efficiency savings derived from the CIF-funded energy efficiency programs implemented by Montgomery County toward its Commission-established EmPOWER goal.

C. Pursuant to Condition 2, Exelon shall provide Delmarva, in equal installments over 3 years, a total of \$11.7 million in CIF funding to fund additional energy efficiency programs to benefit customers in the Delmarva Maryland service territory. Delmarva shall use this funding to implement new, innovative energy

efficiency programs – including programs benefitting limited-income customers – that are incremental to existing EmPOWER Maryland programs. The program(s) design shall be determined through a subsequent Commission hearing. Per the settlement agreement with NCLC, NHT, and others, Delmarva shall direct at least 20% of the funds into programs dedicated to energy efficiency investments in affordable multifamily housing. Other program offerings may involve on-bill financing programs for small businesses. Delmarva, after consultation with Commission Staff and other interested stakeholders, is directed to file a proposal regarding energy efficiency program(s) targeted at multifamily affordable housing no later than March 1, 2016.

D. Energy-Performance Benchmarking: Montgomery County Bill 2-14 (Environmental Sustainability – Buildings – Benchmarking) requires building owners to benchmark building energy performance. To benchmark, building owners must have access to utility data including, where separately metered, that of tenants. Pepco actively participates in the County's working groups established to implement and refine the benchmarking program. In addition, Pepco has developed tools and processes to facilitate access to energy data by building owners, particularly in situations where the building owner may not have access to tenant data. Pepco shall continue its collaboration to support Montgomery County's energy-performance benchmarking efforts. Pepco shall also continue to make available tools and processes to provide building owners accessible, useful and accurate energy-performance data in Prince George's County and Montgomery County.

In addition, throughout Delmarva's and Pepco's service territories, Delmarva and Pepco shall provide building owners and managers of multifamily buildings (defined as buildings with five or more residential units) in Delmarva's or Pepco's service territories with timely whole-building and unit type (if available) energy usage data (at no additional cost) that will allow owners to benchmark energy usage of their buildings and set utility allowances, upon request, in a format reasonably acceptable to the parties to preserve the privacy of individual customer consumption data. Representatives of Delmarva and Pepco with appropriate authority regarding the sharing of this data shall meet with representatives of the Maryland Affordable Housing Coalition ("MAHC"), Housing Association of Non-profit Developers ("HAND"), and other interested stakeholders, to work out the necessary data sharing protocols to support development of acceptable utility allowances, with the good faith goal of implementing agreed-upon protocols within one year of the closing of the merger.

Condition 4: Energy Efficiency

Delmarva and Pepco shall maintain and promote existing energy efficiency and demand response programs consistent with the direction and approval of the Commission.

Condition 5: Enhanced Energy Efficiency Plans

The Joint Applicants shall cooperate with Staff and other stakeholders to develop and file a distinct set of milestones as to how they will accelerate and enhance BGE's, Delmarva's, and Pepco's EmPOWER Maryland plans, including proposed penalties for