SUBJECT
Supplemental Appropriation #23-7 to the County Government’s FY23 Capital Budget and Amendment to the FY23-28 Capital Improvements Program (CIP), Montgomery County Government, Department of General Services, Exelon-Pepco Merger Fund (No. P362105), $636,971 (Source of Funds: Utility Incentives)

EXPECTED ATTENDEES
None

COUNCIL DECISION POINTS
- Introduction on July 26, 2022.
- Public Hearing and Action is scheduled for September 13, 2022. A motion is required.

BACKGROUND/Description/Issue
The Exelon-Pepco Merger Fund CIP project provides revolving funds for the design and implementation of energy savings projects in various County facilities and locations using funds obtained through the merger of Exelon Corporation, Pepco Holdings Inc., Potomac Electric Power Company, and Delmarva Power & Light Company ("Exelon/PHI merger"), approved by the Maryland Public Service Commission (PSC) per Order No. 86990 on May 15, 2015. Projects include lighting retrofits, heating, ventilation, and cooling (HVAC) controls upgrades and equipment replacement including chillers, condensing units and air handling units.

This project was approved by the Council for the FY21 capital budget with $6.2 million programmed in FY21-23 using funds the County received in FY19 from the merger of Exelon and Pepco. As the initial projects were completed during the course of FY21, the County applied for and has received $636,971 of utility incentives from the Pepco C&I Energy Savings for Business Program. According to the terms and conditions of the merger, all incentives received are to be allocated back to the Exelon-Pepco Merger Fund and the funds are to be revolved in future energy saving projects.

This report contains:
1. Draft Resolution © 1-2
2. County Executive’s Transmittal Memo date July 19, 2022 and Project Description Form © 3-5

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SUBJECT: Amendment to the FY23-28 Capital Improvements Program and Supplemental Appropriation #23-7 to the FY23 Capital Budget
Montgomery County Government
Department of General Services
Exelon-Pepco Merger Fund (No. P362105), $636,971 (Source of Funds: Utility Incentives)

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 recommends the following capital project appropriation increases:

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Project Number</th>
<th>Cost Element</th>
<th>Amount</th>
<th>Source of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exelon-Pepco Merger Fund</td>
<td>P362105</td>
<td>Construction</td>
<td>$636,971</td>
<td>Utility Incentives</td>
</tr>
</tbody>
</table>
3. Due to the implementation of prior year energy saving projects, the County received incentives of $636,971 from the Pepco C&I Energy Savings for Business Program. According to the terms and conditions of the merger, all incentives received are to be allocated back to the Exelon-Pepco Merger Fund and the funds are to be revolved in future energy saving projects. The Department of General Services is requesting the supplemental to plan, design and implement additional energy saving projects in various County facilities and locations using the received incentives.

4. The County Executive recommends a supplemental appropriation in the amount of $636,971 for Exelon-Pepco Merger Fund (No. P362105) and specifies that the source of funds will be Utility Incentives.

5. Notice of public hearing was given and a public hearing was held.

**Action**

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

A supplemental appropriation to the FY23 Capital Budget is approved as follows:

<table>
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</table>

This is a correct copy of Council action.

______________________________
Judy Rupp  
Clerk of the Council
MEMORANDUM

July 19, 2022

TO: Gabe Albornoz, President
    Montgomery County Council

FROM: Marc Elrich, County Executive

SUBJECT: Amendment to the FY23-28 Capital Improvements Program and Supplemental Appropriation #23-7 to the FY23 Capital Budget

Montgomery County Government
Department of General Services
Exelon-Pepco Merger Fund (No. P362105), $636,971

I am recommending an amendment to the FY23-28 Capital Improvements Program and Supplemental Appropriation to the FY23 Capital Budget in the amount of $636,971 for the Exelon-Pepco Merger Fund (No. P362105) project. Appropriation for this project will fund additional improvements to support the County’s objective in reducing its carbon footprint.

Due to the implementation of prior year energy saving projects, the County received incentives of $636,971 from the Pepco C&I Energy Savings for Business Program. According to the terms and conditions of the merger, all incentives received are to be allocated back to the Exelon-Pepco Merger Fund and the funds are to be revolved in future energy saving projects. The Department of General Services is requesting the supplemental to plan, design, and implement additional energy saving projects in various County facilities and locations using the received incentives.

I recommend that the County Council approve this Amendment and Supplemental appropriation in the amount of $636,971 and specify the source of funds as Utility Incentives.

I appreciate your prompt consideration of this action.

ME:aaa

Enclosure: Amendment to the FY23-28 Capital Improvements Program and Supplemental Appropriation #23-7 to the FY23 Capital Budget

cc: Jennifer R. Bryant, Director, Office of Management and Budget
    David Dise, Director, Department of General Services
**PROJECT DESCRIPTION**

This project provides for the design and implementation of energy savings projects in various County facilities and locations using funds obtained through the merger of Exelon Corporation, Pepco Holdings Inc., Potomac Electric Power Company, and Delmarva Power & Light Company ("Exelon/PHI merger"), approved by the Maryland Public Service Commission (PSC) per Order No. 86990 on May 15, 2015. Projects include lighting retrofits, heating, ventilation, and cooling (HVAC) controls upgrades and equipment replacement including chillers, condensing units and air handling units.

**ESTIMATED SCHEDULE**

Projects are identified and scheduled based on energy savings potential, reduced maintenance costs, overall cost savings, and quantifiable environmental benefits. Schedule is subject to change based on project need. Currently planned projects include:

- **Completed in FY21:** Upper County Community Recreation Center and Pool; Bethesda Chevy Chase Center; Margaret Schweinhaut Senior Center; David F. Bone Equipment Maintenance and Transit Operations Center (EMTOC); Potomac Community Recreation Center; and Fire Station #10 (Cabin John Volunteer Fire Station)

- **FY22:** Scotland Neighborhood Recreation Center; Holiday Park Senior Center; Jane Lawton Community Recreation Center; Rothgeb Workers Center; Strathmore Hall; Bauer Drive Community Recreation Center; Plum Gar Community Recreation Center; HHA- Womens Shelter; Fire Arms Range; Public Safety Headquarters (PSHQ); Veteran's Plaza Civic Center; Gaithersburg Highway Maintenance Facility; Plum Gar Community Recreation Center; Fire and Rescue Maintenance Depot (Southlawn); Police Stations District #1 and 4; Fire station #1, 2, 22 and 34; and Alternate Emergency Communications Center

- **FY23:** Gwendolyn Coffield Community Recreation Center; Potomac Community Recreation Center; Jane Lawton Community Recreation Center; Detention Center (Seven Locks); Fire and Rescue Maintenance Depot (Southlawn)

**COST CHANGE**

Cost increase due to the addition of energy saving incentives received from the Pepco C&I Energy Savings for Business Program.

**PROJECT JUSTIFICATION**

The Exelon/PHI (PHI) merger, approved by the Maryland PSC per Order No. 86990 on May 15, 2015 and Order No. 88128 on April 12, 2017 regarding the Most Favored Nation Provision, resulted in the County receiving over $40 million, of which $8.4 million was designated to establish a Green Sustainability Fund. The County will use $6.7 million of these funds for this project to establish a revolving funding mechanism to implement energy savings projects in public facilities. Generally, projects will pay for themselves over several years. Significant reductions in energy consumption, greenhouse gas emissions, and maintenance are expected.

**OTHER**

Staff from the Department of General Services (DGS), Department of Finance (FIN), Office of Management and Budget (OMB), and County Attorney (OCA) are coordinating the development of processes and monitoring of energy savings in order to ensure funds are revolving as intended by the terms of the merger. Energy savings are not expected to be realized until the completion of the first round of projects in FY22 and FY23.
FISCAL NOTE

A total of $6.7 million was originally appropriated in the Restricted Donation Fund in FY19. Approximately $500,000 was spent in FY20 from the Restricted Donation Fund to fund the initial round of projects, including Potomac Library, Upper County Community Recreation Center and Pool, Bethesda-Chevy Chase Regional Services Center, and Margaret Schweinhaut Senior Center. The remaining funds of $6.2 million shifted to this new CIP project.

Projects are also expected to be eligible for utility incentives during and after implementation; utility incentives will offset the use of the merger funds. Merger funds cannot be used to supplant existing County funding for projects, including staff charges.

Additional revolving funds that are received will be appropriated through a Supplemental. FY23 supplemental in Utility Merger Funds for the amount of $636,971.

COORDINATION

Department of General Services, Department of Finance, Office of Management and Budget, County Attorney