



Committee: GO
Committee Review: N/A
Staff: Naeem M. Mia, Legislative Analyst
Purpose: To receive testimony/final action - vote expected
Keywords: energy conservation, utility incentives

AGENDA ITEM #11
September 13, 2022
Public Hearing/Action

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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Resolution No: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the 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 (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:

<u>Project Name</u>	<u>Project Number</u>	<u>Cost Element</u>	<u>Amount</u>	<u>Source of Funds</u>
Exelon-Pepco Merger Fund	P362105	Construction	\$636,971	Utility Incentives

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:

<u>Project Name</u>	<u>Project Number</u>	<u>Cost Element</u>	<u>Amount</u>	<u>Source of Funds</u>
Exelon-Pepco Merger Fund	P362105	Construction	\$636,971	Utility Incentives

This is a correct copy of Council action.

Judy Rupp
Clerk of the Council




OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

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



Exelon-Pepco Merger Fund (P362105)

Category	General Government	Date Last Modified	01/07/22
SubCategory	County Offices and Other Improvements	Administering Agency	General Services
Planning Area	Countywide	Status	Ongoing

Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
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EXPENDITURE SCHEDULE (\$000s)

	Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
Planning, Design and Supervision	56	13	43	-	-	-	-	-	-	-	-
Construction	6,781	1,241	2,616	2,924	2,924	-	-	-	-	-	-
TOTAL EXPENDITURES	6,837	1,254	2,659	2,924	2,924	-	-	-	-	-	-

FUNDING SCHEDULE (\$000s)

	Total	Thru FY21	Est FY22	Total 6 Years	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	Beyond 6 Years
Utility Merger Funds	6,837	1,254	2,659	2,924	2,924	-	-	-	-	-	-
TOTAL FUNDING SOURCES	6,837	1,254	2,659	2,924	2,924	-	-	-	-	-	-

APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 23 Request	2,287	Year First Appropriation	FY21
Appropriation FY 24 Request	-	Last FY's Cost Estimate	6,200
Supplemental Appropriation Request	637		
Cumulative Appropriation	3,913		
Expenditure / Encumbrances	2,000		
Unencumbered Balance	1,913		

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