

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 674

(Senator Pinsky, *et al.*)

Education, Health, and Environmental Affairs and Finance

Environmental Matters

Maryland Energy Efficiency Standards Act of 2007

This bill adds several new products to the Maryland Energy Efficiency Standards Act. The Maryland Energy Administration (MEA) must set minimum efficiency standards for the new products by regulation by January 1, 2008. After specified dates, the new products may not be sold or offered for sale in the State unless they meet or exceed the efficiency standards. Also, the Public Service Commission (PSC) must adopt specified regulations by July 1, 2008, governing the purchase of liquid-immersed distribution transformers by electric companies.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: General fund expenditures could increase by an estimated \$32,000 in FY 2008 due to personnel and operating costs associated with incorporating the additional new products into the efficiency standards regulatory program. Future years reflect ongoing personnel and operating costs. Any impact on general fund revenues due to existing penalty provisions is expected to be minimal.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	32,000	40,800	42,700	44,700	46,800
Net Effect	(\$32,000)	(\$40,800)	(\$42,700)	(\$44,700)	(\$46,800)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local government expenditures could increase due to increased costs of products purchased by local governments. Any increased costs, however, are expected to

be recovered through energy savings and could result in a net decrease in expenditures in the long run.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The new products which are to be subject to minimum efficiency standards under the Maryland Energy Efficiency Standards Act include:

- bottle-type water dispensers;
- commercial hot food holding cabinets;
- metal halide lamp fixtures;
- residential furnaces (except natural gas or propane furnaces installed as a replacement of a previous furnace);
- single-voltage external AC to DC power supplies;
- State-regulated incandescent reflector lamps; and
- walk-in refrigerators and freezers.

The bill sets forth minimum efficiency standards for each product, and MEA must adopt regulations establishing the standards by January 1, 2008. Most of the added products generally may not be sold or offered for sale in the State on or after January 1, 2009 without meeting the efficiency standards (separate provisions apply for some products). Single-voltage external AC to DC power supplies may not be sold or offered for sale in the State on or after March 1, 2012 without meeting the efficiency standards, though power supplies made available by a manufacturer as spare or service parts are not required to meet the standards before January 1, 2013. Separate provisions also apply to standards for residential furnaces to account for federal preemption and conflicts with local ordinances or codes.

The products may not be installed for compensation without meeting the efficiency standards beginning one year after the product was required to meet the standards to be sold or offered for sale. MEA is authorized under the bill to adopt regulations to increase the efficiency standards for the added products. In addition, every two years MEA must consider and propose to the General Assembly standards for products not already subject to efficiency standards as well as revised, more stringent standards for the products subject to efficiency standards after making specified determinations. MEA may also adopt updated methods for testing the energy efficiency of the products when new test

methods become available or when an alternative method is adopted by another state or the federal government.

MEA may apply for a waiver of federal preemption for any product regulated by the federal government upon providing specified notice in the *Maryland Register* and to the presiding officers of the General Assembly and after providing notice of and holding a public hearing.

The regulations adopted by PSC governing the purchase of liquid-immersed distribution transformers by electric companies may not apply to electric cooperatives that supply electricity to less than 60,000 electric meters in the State.

Current Law/Background: Chapters 2 and 5 of 2004 (SB 394/HB 747 of 2003) provided for the establishment of minimum energy efficiency standards for specified new products. Regulations adopted by MEA established the standards for nine household and commercial products: (1) torchiere lighting fixtures; (2) unit heaters; (3) certain types of low-voltage dry-type distribution transformers; (4) ceiling fans (no longer subject to efficiency standards pursuant to Chapter 411 of 2005) and ceiling fan light kits; (5) traffic signal modules; (6) illuminated exit signs; (7) commercial refrigeration cabinets (excluding walk-in refrigerators or freezers); (8) large packaged air-conditioning equipment; and (9) commercial clothes washers.

The standards have been implemented yet MEA has determined the standards for a number of the products have been preempted by the federal Energy Policy Act of 2005 and others will be in the future. Currently, pursuant to MEA regulations, unit heaters, commercial refrigeration cabinets, and large packaged air-conditioning equipment remain subject to the standards in State law and any such new products generally may not be sold or offered for sale in the State unless the energy efficiency of a new product meets or exceeds those standards. New such products also may not be installed in the State unless the product meets those standards.

MEA is authorized, under specified conditions, to delay the effective date of any standard by up to one year if it determines that products conforming to the standard will not be widely available in Maryland by that date. Current law provides for labeling, certification, testing, and inspection of affected products.

Existing penalty provisions allow for civil penalties of up to \$250 for repeated violations of the Act by a manufacturer, distributor, or retailer of the affected products. MEA advises that no such penalties have been assessed.

In a March 2006 report, the American Council for an Energy-Efficient Economy and the Appliance Standards Awareness Project recommended that efficiency standards for the new products incorporated by the bill (including liquid-immersed distribution transformers) be adopted by federal or state governments, in addition to current standards, to achieve energy savings, economic benefits, and pollution reductions. The report advises that the new products meeting the recommended efficiency standards would generally recoup any increased cost due to the standards within one or two years, after which net savings would be realized.

State Fiscal Effect: General fund expenditures could increase by an estimated \$32,038 in fiscal 2008, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring a part-time regular employee by MEA to perform duties associated with adoption of regulations and operation of the efficiency standards program. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	0.5
Salaries and Fringe Benefits	\$25,872
One-time Costs and Operating Expenses	<u>6,166</u>
Total FY 2008 State Expenditures	\$32,038

Future year expenditures reflect • an annualized salary with 4.5% annual increases and 3.0% employee turnover; and • 1% annual increases in ongoing operating expenses.

New products which meet the efficiency standards required by the bill are expected to have a higher initial cost overall than less efficient products. The Department of General Services (DGS) advises that there would be a minimal effect on State expenditures to the extent the affected types of products are purchased by the State. DGS advises that products that meet the energy efficiency standards likely would be purchased by the State in the absence of the bill as energy efficiency and life-cycle costs would already be taken into account in purchasing the products.

Local Fiscal Effect: The bill could result in an increase in local government expenditures in future years, reflecting any increased cost in products purchased by local governments. The extent of any increase cannot be reliably estimated. Any increased costs are expected to be offset by reduced energy costs which could result in a net decrease in expenditures in the long run.

Small Business Effect: Increased costs of new products could affect small businesses purchasing the products; however, the increased costs are expected to be recovered

through energy savings and could result in net energy savings in the long run. New product dealers are expected to pass on any increased costs to customers.

Additional Information

Prior Introductions: None.

Cross File: HB 909 (Delegate Bronrott, *et al.*) – Environmental Matters.

Information Source(s): Department of General Services, Department of Housing and Community Development, Maryland Energy Administration, Public Service Commission, Office of the Attorney General, American Council for an Energy-Efficient Economy, Appliance Standards Awareness Project, Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2007
ncs/ljm Revised - Senate Third Reader - April 4, 2007
Revised - Correction - April 9, 2007
Revised - Enrolled Bill - May 7, 2007

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