

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 909 (Delegate Bronrott, *et al.*)
 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 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 \$26,100 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 reduced personnel costs and ongoing operating costs. General/special/federal fund expenditures could also increase, beginning in FY 2009, due to increased costs of products purchased by the State. Any increased costs, however, are expected to be recovered through energy savings and could result in a net decrease in expenditures (due to purchases of the affected new products) in the long run. 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	26,100	21,500	22,300	23,100	23,900
GF/SF/FF Exp.	0	-	-	-	-
Net Effect	(\$26,100)	(\$21,500)	(\$22,300)	(\$23,100)	(\$23,900)

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;
- compact audio products;
- digital versatile disc players and digital versatile disc recorders;
- metal halide lamp fixtures;
- residential furnaces;
- 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. The products generally may not be sold or offered for sale in the State on or after January 1, 2009 or March 1, 2009, depending on the product, without meeting the efficiency standards (separate provisions apply for some products). The products also 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 establish minimum efficiency standards for products not specifically listed under the Act and to increase the efficiency standards for listed products. MEA may apply for a waiver of federal preemption for any product regulated by the federal government.

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 and the 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 products also may not be installed in the State unless the product meets those standards. Efficiency standards for commercial clothes washers and ceiling fan light kits do not become effective until March 1, 2007; washers and ceiling fan light kits that do not meet the standards may be installed in Maryland until January 1, 2008. Current law provides for certain exceptions.

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 \$26,098 in fiscal 2008, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring a part-time contractual 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.

Salaries and Fringe Benefits	\$20,511
One-time Costs and Operating Expenses	<u>5,587</u>
Total FY 2008 State Expenditures	\$26,098

Future year expenditures include an expected decrease in the time required by the part-time contractual employee and reflect (1) a salary with 4.5% annual increases and 6.8% employee turnover; and (2) 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. This could result in an increase in general/special/federal fund expenditures beginning in fiscal 2009, reflecting any increased cost in products purchased by the State. The extent of any increase cannot be reliably estimated. Expenditures could also increase due to any efficiency standards adopted by MEA for additional products not listed in the bill. Any increased costs, however, are expected to be offset by reduced energy costs which could result in a net decrease in expenditures in the long run.

Local Fiscal Effect: The bill could result in an increase in local government expenditures beginning in fiscal 2009, 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: SB 674 (Senator Pinsky, *et al.*) – Education, Health, and Environmental Affairs and Finance.

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

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