

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 955

(Senator Klausmeier)

Finance

Economic Matters

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Public Utility Companies - Energy Efficiency, Conservation, and Demand  
Response Programs - Selection of HVAC Service Providers

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This bill requires that if an energy efficiency plan of an electric company seeks to provide heating, ventilation, air conditioning (HVAC), or refrigeration services for its customers, the plan must include procedures for the competitive selection for the service provider. The Public Service Commission (PSC) may waive this requirement on request by the electric company and for good cause shown, provided that the energy efficiency plan and any update to the plan includes certification that customers of the electric company's regulated services will not subsidize the operations of the affiliate. An electric company that enters into a contract with an affiliate to provide HVAC or refrigeration services in connection with an energy efficiency program or service must notify PSC within 30 days of entering into the contract. The bill may not impair any obligation or contract in existence prior to enactment of the bill.

The bill takes effect June 1, 2009.

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**Fiscal Summary**

**State Effect:** PSC can implement the bill with existing resources.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Current Law:** The EmPOWER Maryland Energy Efficiency Act of 2008 (Chapter 131) requires electric companies to procure and provide customers with energy conservation and energy efficiency programs and services that are designed to achieve targeted electricity savings and demand reductions for specified years through 2015. Electric company plans must include program descriptions, anticipated costs, projected electricity savings, and other information PSC requests. Electric companies must consult with Maryland Energy Administration regarding cost recovery, program design, and adequacy to meet the target reductions. PSC must review the plans for adequacy and cost effectiveness in achieving the electricity savings and demand reduction targets.

**Background:** Pursuant to the EmPOWER Maryland Act, five electric companies (Allegheny Power, BGE, Delmarva Power & Light, PEPCO, and Southern Maryland Electric Cooperative) have submitted proposed energy efficiency and demand response plans to PSC. Each plan specifies specific measures that will be taken to meet the goals of EmPOWER Maryland and the proposed surcharges necessary to obtain those goals.

PSC has accepted a revised retail electric tariff and gas efficiency tariff for BGE which includes a one-year cost recovery surcharge for energy efficiency and conservation programs for 2009, as approved by PSC in Case Number 9154. Prior to submitting its plan for energy efficiency and demand response, BGE conducted a competitive request for proposals (RFP) for each component of the plan. The number of services that will be awarded to an affiliated company was not provided in the plan.

PSC directed all other electric companies to issue competitive RFPs for each of the services necessary to carry out energy efficiency programs and to submit updated cost and cost-effectiveness analyses and projected energy and demand savings for each of the approved programs to PSC for approval before implementation.

There are two companies that provide HVAC services and are affiliated with an electric company in the State. Constellation Energy, the holding company that owns BGE also owns BGE Home, an unregulated subsidiary that provides HVAC services. PEPCO Holdings, Inc., the company that owns PEPCO and Delmarva Power also owns PEPCO Energy Services, an unregulated subsidiary that provides HVAC services.

**Small Business Effect:** Small businesses that provide HVAC or refrigeration services benefit to the extent that the bill provides small businesses increased opportunities to provide services in coordination with an electric company's energy efficiency plan.

**Additional Comments:** PSC is required to ensure that services provided are cost-effective for ratepayers and cross-subsidization does not occur; however, it is unclear to what extent electric companies will use an affiliate to provide specified services.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Public Service Commission; Department of Legislative Services

**Fiscal Note History:** First Reader - March 16, 2009  
mcp/rhh Revised - Senate Third Reader - April 8, 2009

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