



**Maryland**  
Energy  
Administration

**Larry Hogan, Governor**  
**Boyd K. Rutherford, Lt. Governor**  
**Mary Beth Tung, Director**

**TO:** House Health and Government Operations Committee  
**FROM:** Mary Beth Tung – Director, MEA  
**SUBJECT:** HB0662 – Department of General Services - Energy Consumption Goals and Energy Performance Contracts  
**DATE:** February 25, 2020

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**MEA POSITION: FAV**

House Bill 662 will solidify in codified law the Governor’s Executive Order recommitting the State to energy efficiency goals in State owned buildings. Additionally, it requires the department of General Services to annually analyze and identify low-cost measures for energy efficiency that will result in energy cost savings. It is doing well while doing good, and it represents a continued collaborative effort among sister State agencies.

Last year, Senate Bill 53 transferred certain statutory requirements for the administration and the associated procurement of Energy Performance Contracts (EPCs) from the Maryland Energy Administration (MEA) to the Department of General Services (DGS). State agencies face increasing energy costs and need to replace or upgrade aging, inefficient, and obsolete energy equipment. EPCs allow agencies to implement energy and water saving projects that budget constraints would otherwise prevent.

Under an EPC, an Energy Services Company (ESCO) implements energy and water conservation projects using the avoided future utility and maintenance costs to pay for new equipment and financing costs. The ESCO provides guarantees that the energy savings will cover all project costs. This savings guarantee places the risk of performance on the ESCO, rather than the agency. MEA and DGS propose to legislatively assign the administration of these contracts to DGS, as it is the most appropriate agency to oversee EPCs.

House Bill 662 will reinvigorate the State EPC program, and do so in a smart, methodical, and economically responsible manner. For these reasons, MEA encourages a favorable report for Senate Bill 53.