

STATE OF MARYLAND
Maryland Energy Administration

CATEGORY III SMALL PROCUREMENT (Equal to or Under \$50,000)

Assessment of EmPOWER Debt

PART I - PURPOSE

The Maryland Energy Administration (MEA) is an agency of the State of Maryland. MEA is authorized by State law to maximize energy efficiency, increase the use of renewable and clean energy sources, and improve the environment. MEA is also engaged in the broader issues of sustainability, climate change and alternative transportation fuels and technologies. EmPOWER Maryland is the State's main energy efficiency program and proceedings are scheduled in the future to assess the future of the program and management of its existing debt. MEA is seeking proposals from Contractors to provide an assessment of the EmPOWER related debt that has been accumulated throughout the program's existence and to provide options and recommendations for the best way to approach and finance the debt from this point forward.

PART II – GENERAL INFORMATION

A. Incurred Expenses

The State of Maryland will not be responsible for any costs incurred by any Contractor in preparing and submitting a quotation in response to this solicitation.

B. Contractor Responsibilities

The State of Maryland will enter into a contractual agreement with the selected Contractor only. The selected Contractor shall be responsible for all products and services required by this solicitation.

C. General Contract Conditions

Any contract resulting from this solicitation shall include at a minimum the following contractual terms and conditions. (See generally, Code of Maryland Regulations (COMAR) 21.05.07.06 (F) and (G)).

1. Parties to the Contract (including taxpayer identification numbers)
2. Scope of the Contract
3. Length of the Contract
4. Compensation and Method of Payment
5. Contract Modification Clause
6. Disputes Clause
7. Maryland Law Prevails Clause
8. Compliance with Maryland State Finance and Procurement Law Clause
9. Nondiscrimination in Employment Clause
10. Termination for Default Clause

11. Termination for Convenience Clause
12. Delays and Extension of Time Clause
13. Changes Clause
14. Anti-Bribery Clause
15. Identification of Procurement Officers

D. Compensation

The Contractor may submit a monthly invoice for progress payment based on a pro rata portion of the total hours anticipated for the contract. A proper original invoice shall be submitted on official letterhead to the Procurement Officer identified in Part VII below. Included with the invoice shall be a description of actual work performed and the hours associated with the work. The Contractor shall sign a statement on the detail that certifies the information is true and correct. The invoice for final payment shall be clearly marked as “FINAL” and submitted when all work requirements and deliverables have been completed and accepted. In no event shall any invoice be submitted later than 90 calendar days from the contract termination date.

Payments to the Contractor pursuant to any resulting contract shall be made no later than thirty (30) days after the State’s receipt of a proper original invoice from the Contractor. Each invoice must reflect the Contractor’s Federal Tax Identification Number, or Social Security Number (as applicable).

E. Protest

The State of Maryland provides avenues for any vendor to protest against the award or the proposed award of a contract. All protests should be filed in accordance with the provisions of COMAR Title 21, State Procurement Regulations, Subtitle 10, Administrative and Civil Remedies.

F. Minority Business Enterprise Notice

No Minority Business Enterprise Subcontracting goal has been established for this published solicitation. However, Minority Business Enterprises are encouraged to respond to this published solicitation and/or to obtain certification. Questions relevant to certification should be directed to the Maryland Governor’s Office of Small, Minority and Women Business Affairs at (410) 697-0998.

G. Compliance with Law/Arrearages

By submitting an offer in response to this solicitation, the Contractor, if selected for award, agrees that it will comply with all federal, state, and local laws, rules, regulations and ordinances applicable to its activities and obligations under the contract.

By submitting an offer in response to this solicitation, the Contractor represents and warrants that it is not in arrears with respect to the payment of monies due and owing the State of Maryland, or any department or unit thereof, including but not limited to, the payment of taxes and employee benefits, and if selected for award, that it shall not become so in arrears during the term of the contract.

H. Insurance

The Contractor shall maintain an adequate amount of general liability insurance coverage and provide evidence of such coverage to the Administration upon request.

I. Rights to Records and Exclusive Use

The Contractor agrees that all documents and materials prepared by the Contractor for purposes of this Contract, including but not limited to software, reports, drawings, studies, specifications, estimates, tests, maps, photographs, designs, graphics, mechanical, artwork, computations and data, for purposes of this Contract shall be the sole property of the State and shall be available to the State at any time. The State shall have the right to use the same without restriction and without compensation to the Contractor other than that specifically provided by this Contract.

The Contractor agrees that at all times during the term of this Contract and thereafter, works created as a deliverable under this Contract, and services performed under this Contract shall be “works made for hire” as that term is interpreted under U.S. copyright law. To the extent that any products created as a deliverable under this Contract are not works for hire for the State, the Contractor hereby relinquishes, transfers, and assigns to the State all of its rights, title, and interest (including all intellectual property rights) to all such products created under this Contract, and will cooperate reasonably with the State in effectuating and registering any necessary assignments.

The State shall have the exclusive right to use, duplicate, and disclose any data, information, documents, records, or results, in whole or in part, in any manner for any purpose whatsoever, that may be created or generated by the Contractor in connection with this Contract. If any material, including software, is capable of being copyrighted, the State shall be the copyright owner and Contractor may copyright material connected with this project only with the express written approval of the State.

J. Acknowledgment of Amendments

Although no amendments to this solicitation are anticipated, this solicitation requires the acknowledgment of the receipt of all amendments, addenda, and changes issues. Acknowledgement is to be documented in the Letter Transmittal addressed in Section Part IV.A.

K. Communications

It the intent of MEA to establish a collaborative relationship with the selected Contractor to forward the best interest of State and of Maryland rate payers. To that end, frequent engagement between the Contractors project manager and the MEA policy team is envisioned during the course of this contract term. However, a formal status update will be conducted midway through the contract term.

Prior to award, Contractor communication on this solicitation is to be directed through the Procurement Officer identified in Part VII below.

PART III - SCOPE OF WORK

Background on the EmPOWER Act

The EmPOWER Maryland Energy Efficiency Act of 2008 established a goal to reduce per capita electricity consumption and peak demand 15 percent by 2015. The Maryland Public Service Commission (“Commission”) oversees the EmPOWER related energy efficiency and energy conservation programs in the state. In 2015, the Commission extended the energy efficiency goals until 2023 and directed the utilities to implement programs to achieve energy savings of 2% per year with incremental saving increases of 0.2% per year based on 2016 baseline usage. The Commission establishes the utilities revenue requirements for their programs on a three-year program cycle. The expenses incurred by the utilities to provide energy efficiency and energy conservation programs are being amortized over five years and the utilities approved rate of return is applied to uncollected expenses. The utilities are required to file semi-annual reports to the Commission detailing program operations and progress towards the program goals. The utility programs include lighting and appliance rebates, HVAC, Home Performance with Energy Star, Energy Star New Homes, combined heat and power, and other efficiency services and/or measures for homes, businesses and industrial facilities.

Summary of Proposals by Work Group

In December 2017, the Commission encouraged MEA, among other things, to make specific recommendations to the Commission in preparation for the 2021-2023 program cycle regarding cost-recovery, best practices in other states, and new incentives models and mechanisms to maximize returns on energy efficiency investments.¹ In April 2019, the EmPOWER Cost Recovery Work Group issued a report providing two proposed reforms to EmPOWER cost recovery.² According to the report, “EmPOWER Utilities have spent over \$2.5 billion on EmPOWER programs.”³ The two proposals address the interest rate on the unamortized EmPOWER costs, adjustments to the number of years allowed for amortization, and offered transition plans to alternative EmPOWER cost expensing methodologies.

The Office of People’s Counsel (“OPC”) proposed “reducing the interest rate paid by customers to the utilities’ actual cost of debt while transitioning to a yearly recovery over a five year period in a manner that assures all the balance as well as accrued interest is paid at the end of the five year period.”⁴ OPC’s proposal was accompanied by an example using a 4% interest rate and an accelerated pay down schedule for the outstanding balance. The example achieved total savings of \$107,416,419 to ratepayers

The Commission Staff (“Staff”) recommended “a more gradual progression to the expensing methodology over the next several program years”.⁵ Staff’s proposal “would reduce the amortization of program costs by one-year until program costs are expensed in 2023, the last

¹ Maryland Public Service Commission Case No. 9494, Order 88514, December 2, 2017.

² Maryland Public Service Commission Case No. 9494, EmPOWER Cost Recovery Work Group Report, April 15, 2019.

³ Id at 10.

⁴ Id at 12.

⁵ Id at 15.

year of next EmPOWER program cycle.”⁶ Staff’s proposal included surcharge and bill impacts of a Declining Amortization Schedule and a 5-Year Amortization Schedule.⁷ An important thing to note in Staff’s proposal is that the EmPOWER programs end in 2023; however, “surcharge collection will continue beyond 2023 to 2028 with the utilities continuing to earn a return on the prior years’ uncollected expenses.”⁸

Tasks

- Review of current debt.

Utilizing publicly available information—including utility filings, Commission reports, etc.—Contractor is to determine the revenue requirements, surcharges collected, and the unamortized balance for the EmPOWER programs.

- Review utility EmPOWER program costs and incentive structure.

Utilizing publicly available information—including utility filings, Commission reports, etc.—Contractor is to review the program costs and incentives to the different rate classes in each utility service area to opportunities to reallocate funds/make changes to incentive structures to increase effectiveness.

- Review of Work Group proposals.

Contractor is to provide an overview of applicable refinancing options for energy efficiency debt or energy contracts that have been successfully implemented around the country. In addition, Contractor is to evaluate the proposals by OPC & Staff to adjustments to interest rates and years of amortization.

- Analysis of financing options.

Contractor is to perform a detailed analysis, showing calculations and using appropriate techniques, to examine the optimal combination of interest rate and number of years of amortization that balances the short term bill impacts with the long term cost savings for each rate class in each utility service area. The analysis should identify the appropriate discount rate and justification/explanation of how the discount rate was determined.

Deliverables:

A. Report of Analysis and Recommendations. Formal report shall consist of the following:

- Executive Summary.
- Identification of the unamortized EmPOWER cost. — including detailed calculations and supporting documentation.
- Current Program Effectiveness Evaluation. Evaluation of the effectiveness of current program incentive structures in each utility service area at achieving program measures, energy savings, and peak reduction.

⁶ Id at 15.

⁷ Id at 16

⁸ Id at 22.

- Cost Recovery Work Group Examination. Examination of the proposals made in the EmPOWER Cost Recovery Work Group Report.
- Options. Provide at least three (3) options for achieving least costly refinancing of the EmPOWER costs that allows the utility to earn the prescribed return or time-value equivalent return in a shorter period. The recommendation should include the justification for the discount rate and comparison of program costs—including returns to the utilities under the business-as-usual scenario and each recommended option.
- Alternatives Ranking. In table format, rank the recommended alternatives and describe the criteria used to compare the options.
- Recommended Optimal Solution. Prescribe an optimal solution and show validation of how the optimal solution ensures the utilities receive their rate of return or time-value equivalent return.

B. Oral Presentation of Report at MEA. MEA will host meeting with interested stake holders where the Contractor will provide their evaluations, findings and recommendations.

C. Testimony before the Maryland Public Service Commission.

In coordination with MEA, Contractor will attend the EmPOWER Maryland hearing before the Public Service Commission to represent and/or present the findings of their analysis.

Timeline/Expectations: (dates are preliminary, pending contract award and Commission scheduling)

February 24, 2020	Proposal Deadline at 3:00PM EST
Week of March 2, 2020	Contract Award
March 19, 2020	Status Report Session with MEA
March 27, 2020	Deliverable A, Report, due at MEA
Week of April 6, 2020	Deliverable B, Presentation to MEA
April 15, 2020	EmPOWER filing due date
Week of April 23, 2020	Deliverable C, PSC EmPOWER Hearing Testimony

PART IV – PROPOSAL FORMAT

All proposals shall be prepared in a straightforward and concise manner, delineating the Contractor’s qualifications, experience and capabilities to satisfy the requirements of the published solicitation and, specifically, the requirements for the tasks listed in Part III, Scope of Work. **While there are no specific page limitations, please be concise.** Proposals shall contain the following information:

A. Letter of Transmittal – A Letter of Transmittal on the Contractor’s business stationery shall accompany the Technical Proposal. The sole purpose of this letter is to provide a record of transmittal of the proposal in addition to acknowledging the receipt of all amendments, addenda,

and changes issued. The letter should be brief and signed by an individual who is authorized to commit the Contractor to the services and requirements stated within the published solicitation.

B. Technical Proposal

1. Title Page - Contact information for the organization and all personnel who will perform contract work; phone; fax, email or web addresses, and Federal ID numbers.

2. Demonstration that the Contractor’s identified personnel have the capacity to perform certain tasks listed in the Scope of Work and within the time set in the Scope of Work. Examples of previous similar work should be presented.

C. Price Proposal – The Contractor shall prepare and sign a price proposal which shall be separate from the Technical Proposal. The price proposal shall be in the form of a total deliverable price that includes all direct and indirect costs for the full term of the Contract and encompasses all costs necessary to complete the Scope of Work identified in Part III requested as part of this small procurement. Travel expenses outside this deliverable price will not be reimbursed. In order to facilitate pro-rata billing (see PART II – D), an estimate of the number of hours anticipated to be required in accomplishing the scope of work is to be provided with the price proposal. Financial information submitted shall be irrevocable for a period of ninety (90) days after the due date of the proposal.

PART V – EVALUATION CRITERIA

A review panel consisting of MEA staff will review proposals and may interview Contractors. All proposals that are in compliance with requirements and qualifications will be evaluated based on the following criteria. Technical factors will receive equal weight with financial factors.

1. Contractor’s Experience
2. Demonstration of Qualifications
3. Ability to meet demands in Scope of Work
4. Ability to maintain Deliverable Schedule requested
5. Price

If, upon review of the proposals, the review panel has further questions, Contractors may be invited to make oral presentations to MEA.

PART VI – BASIS OF AWARD

MEA may, at its sole option, enter into discussions with each responsible Contractor and ask the Contractors to submit “best and final offers” before making an award. Thereafter, the award of the contract will be made to the responsible Contractor whose proposal is determined to be most advantageous to the State.

PART VII – PROPOSAL DEADLINE: FEBRUARY 24, 2020 3:00 PM EST

Proposals are to be submitted electronically via email to the Procurement Officer identified below. The Technical and Price Proposals should be in separate files in portable document format (PDF, must be compatible with Adobe Acrobat Reader). A return e-mail will acknowledge receipt of the proposal.

Procurement Officer:

Ralph Scherini, Director of Finance and Administration

ralph.scherini@maryland.gov

Phone: (410) 537-4082