

# MAINE STATE LEGISLATURE

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**Energy Resources Council  
2006 Work Plan  
and  
Report to the Legislature**

**Prepared by:**

**The Office of Energy Independence & Security  
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## I. OVERVIEW

This work plan and report to the Legislature has been prepared pursuant to 5 M.R.S.A. § 3327. It summarizes the Energy Resources Council's accomplishments during 2005 and outlines the Council's priorities for 2006. The Energy Resources Council was formed by legislation enacted in 2001 and was designed to be a Cabinet-level coordinating council to facilitate interagency cooperation and to provide advice on energy policy issues of statewide significance.

The genesis of the Council was the recognition by the Legislature and the public that, since the abolition of Maine's Energy Office in the late 1980's, energy planning and program functions were spread throughout State Government and lacked effective interagency coordination. In addition, there was no one entity within State Government responsible for energy policy development. In July, 2003 Governor Baldacci created the Office of Energy Independence and Security (OEIS), and the Director of that Office became the chair of the Council. The role and functions of the Council have changed somewhat since creation of the OEIS, with the Office taking lead responsibility for energy policy and program development, the advancement of energy legislation, and government lead by example efforts.

The ERC continues to meet regularly to ensure effective coordination among state agencies on energy issues. Council members include the Chair of the Public Utilities Commission (PUC), the Public Advocate (OPA), Commissioners from the Departments of Administration and Financial Services (DAFS), Conservation (DOC), Economic and Community Development (DECD), Environmental Protection (DEP) and Transportation (DOT), and the Directors of the Maine State Housing Authority (MSHA) and the State Planning Office (SPO). The Department of Agriculture has been invited to join ERC meetings as well. The Council is directed to meet at least quarterly, but in 2005 actually met 10 times. Council meetings are attended by anywhere from a few to a dozen members of the public.

Council priorities include State leadership by example with respect to energy purchases and use, energy information for consumers, energy assistance to Maine businesses, efficient and effective State energy programs and regulatory processes, energy related economic development opportunities, alternative energy and energy security. These priorities are reflected in a variety of interagency cooperative projects and policy development activities. The OEIS and the Council also serve in an advisory capacity to the Governor on statewide energy planning and policy matters, including proposed energy legislation, development of state energy programs, and comment on specific proposed energy related projects.

In 2003 the Council completed a substantial review of State energy policy and its implementation. Maine Energy Policy: Overview and Opportunities for Improvement, December 3, 2003. Energy Advisors, LLC, the Council's consultant on the study, identified many opportunities for action, many of which the Baldacci Administration has pursued over

the past two years. These opportunities include increased priority of government leadership by example with energy efficiency and renewable energy use, more comprehensive and updated energy standards for residential construction, minimum energy efficiency standards for selected appliances, promotion of Maine renewable energy, attention to the energy impacts of sprawl and increased attention to transportation energy efficiency and alternative transportation. This study continues to serve as a valuable resource for the OEIS and ERC.

In 2004 the Department of Environmental Protection completed a yearlong stakeholder process to draft a Climate Action Plan for Maine that meets the goals set forth in a 2003 law to reduce greenhouse gas emissions in Maine to 1990 levels by 2010, to 10% below those levels by 2020, and ultimately by a sufficient amount to avert the threat of global warming over the longer term. The Department's Plan contains 54 measures to meet these goals. Many of the measures identified involve energy usage, and this Plan is therefore also used to help the ERC and OEIS set their priorities.

## **II. COUNCIL ENERGY PRINCIPLES**

In November 2003, the Council adopted a revised statement of shared principles<sup>1</sup>:

1. Competitively-priced energy is vital to the state's economy and the well-being of its citizens. Maine should strive to provide energy to all its citizens at the lowest possible cost to promote economic development and retain jobs;
2. Maine should increase its energy, security, service quality and reliability through greater reliance on cost-effective energy efficiency, conservation, demand management and distributed resources in all energy-using sectors;
3. Maine's energy policy ultimately relies on the health of competitive markets;
4. When barriers prevent the effective operation of energy markets or when these markets do not take the long-term societal and environmental impacts of energy decisions into account, the State should look to other tools to achieve its goals, including: regulation, education, taxation policies, subsidies and leadership by example;
5. An adequate and reliable energy delivery infrastructure is critical to economic growth and to continued expansion of competitive energy markets;
6. Maine should continue to support indigenous renewable energy resources in all energy using sectors to ensure that Maine participates in an effective manner in national and international efforts to promote energy independence, diversity and long-term sustainability;
7. State policies should seek to minimize the unnecessary environmental and public health

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<sup>1</sup> These priorities were a product of Council discussions related to the Energy Advisors study and differ from those included in the Council's 2003 Work Plan and Report to the Legislature in that they include increased priority on indigenous rather than regional energy resources and suggest when government intervention in energy markets may be pursued.

impacts of energy production, distribution and use;

8. State Government should lead by example and action in its energy usage practices and policies;
9. Maine people should have access to adequate information on the costs, environmental, and other impacts of their own energy choices to ensure that they can make informed decisions; and
10. Active interagency coordination on state, regional and federal energy policy offers many opportunities to make more efficient and effective use of State resources.

Maine's energy choices are integrally linked to the health of Maine's economy and environment. The State must carefully and deliberately balance oftentimes competing interests when crafting State energy policies, programs and activities. While striking the appropriate balance may be a difficult exercise in specific situations, the Council will use the above principles to guide its work.

The Council plans to review and determine whether any modifications should be made to these Principles in the coming months.

### III. 2005 ACTIVITIES

The Office of Energy Independence & Security, in conjunction with members of the Energy Resources Council, and the Council collectively, undertook a number of activities in 2004.

1. **State Government "lead by example."** Numerous activities have been undertaken to improve government energy efficiency and share information on accomplishments so that State government can effectively lead by example.
  - **Brewster Hall.** This new academic building at the Governor Baxter School received a **LEED Silver** designation. This is the first state building to be built in accordance with LEED "green" building standards, under the requirements of the Governor's 2003 Executive Order. It is expected to use 30 percent less energy than a more conventional building.
  - **Bio-diesel.** The State continues to use a **bio-diesel blend** to heat the capital complex this year. The State has adjusted its blend from B-20 to B-5 due to some issues that arose during the 2004-05 winter season. The State is committed to continuing and expanding its bio-diesel program with due consideration given to economic and technical factors.
  - **Solar Panels at State Parks.** In a pilot program, the Department of Conservation is using solar panels to preheat water at some State Park shower facilities.
  - **Hybrid Vehicles.** The State has increased the number of hybrid vehicles over the last 5 years to over 50.

- **Solar Panel.** To increase the visibility of solar power and to demonstrate the State's commitment to renewable energy, we placed a solar panel that was donated to the State in the area between the Cross Office Building and the Capitol building. Recently, it has been relocated near the Maine State Museum.

**2. Energy Emergency Preparedness.** Shortly after the Hurricanes the Council and other state agencies met to discuss concerns about energy supply shortages and the risk of rolling blackouts this winter, and to design State responses should heating fuel or natural gas supplies become tight. The Council requested funding from Efficiency Maine to help increase preparedness for the winter: 1) the Council received funding so that a part time employee of the OEIS could become full time for six months; 2) the Council requested funds from Efficiency Maine to develop and design a campaign around energy conservation; and, 3) the Council requested funds from Efficiency Maine to produce and run ads for television urging energy conservation.

In addition, the OEIS explored the feasibility of creating a heating oil reserve to prepare for the possibility of heating oil shortages that appeared more likely because of concerns around natural gas supplies. Ultimately we determined that the costs would likely exceed the benefits of such a reserve. With the benefit of hindsight, that proved to be the correct decision.

**3. LIHEAP Funding.** As heating oil prices rose to record levels this past fall (in nominal dollars), and the outlook for an increase in federal funding for LIHEAP appeared uncertain at best, the OEIS worked with MSHA to develop a projection for additional funding that would be needed. This resulted in a bipartisan effort to appropriate \$5 million in state funds for the LIHEAP program. The OEIS also worked with the Housing Authority to accept a donation of discounted heating oil from CITGO, which donation was monetized into additional cash for the LIHEAP program.

**4. Operation Keep ME Warm.** For the second year, the Governor launched Operation Keep ME Warm. We began the program much earlier in the season this past year, allowing the CAP agencies to register eligible homeowners for the program when they did intake for LIHEAP. Operation Keep ME Warm is a program jointly run by MSHA, Efficiency Maine and the Commission for Community Service, with help from the private sector. This year weatherization kits costing \$60 were installed in approximately 2,500 homes of low income seniors, people with disabilities, and families with young children. Because of oil price increases, the saving estimates for the first year alone were between \$100 and \$250, depending on the work done in each home.

**5. Keep ME Warm Fuel Fund.** In October the Governor launched the Keep ME Warm fuel fund to encourage private donations to help supplement low income heating assistance efforts.

**6. Gasoline and Oil Price Surveys.** The OEIS issues weekly fuel price surveys during the heating season and periodic gasoline price surveys during the driving season.

**7. New Proposed Energy Projects.** The number of renewable and efficient energy proposals has increased. DECD and the OEIS continue to meet with a number of developers of proposed **biofuel** projects, **wind** power projects, and other energy proposals. The OEIS has brought together advocates of **community wind** with FAME to see if there are steps that can be taken to help those projects get off the ground. The EPRI study of Maine's **tidal**

**power** resource, funded in part by MTI, should be completed later this year. Early indications are that Maine has a world class tidal power resource.

**8. Wind Power Stakeholder Group.** The OEIS, along with IF&W, LURC, and DEP, are participating in a stakeholder group established by Maine Audubon Society. The goal of the group is to reach consensus on the type and extent of studies that would be required of wind power applicants.

**9. Whole House Energy Pilot Program.** The OEIS, with help from the MSHA and Efficiency Maine, designed a Whole House Energy Efficiency Pilot Program for the region from York to Lewiston-Auburn, along the I-95 corridor. Funding for the program will be from MSHA, Efficiency Maine, Northern Utilities, DOE PVE (oil overcharge) funds, and in-kind support from MODA. The goal of this program is to provide homeowners a one stop shopping experience for energy retrofits in existing homes. This will involve training energy auditors and independent contractors. An RFP has been issued for a program administrator, with proposals due at the end of February. Our goal is to have the program operational in time for the 2006-07 heating season.

**9. LNG.** In response to the three proposed LNG projects in Washington County, the Governor has formed an LNG Technical Working Group to coordinate state regulatory activities and ensure that the state effectively responds to the FERC permit process for these facilities. The LNG Technical Working Group is composed of state agencies that include the Bureau of Parks and Lands, Department of Environmental Protection, Maine State Planning Office, State Fire Marshal's Office, Maine Emergency Management Agency, Maine State Police, Department of Marine Resources, Department of Inland Fish and Wildlife. It is chaired by the Director of the Maine State Planning Office, and coordination staff is provided by the OEIS. The Group meets approximately once a month.

**10. Biodiesel working group.** In 2005, under the CONEG Northeast Regional Biomass Project Grant, a Biofuel Workshop was held in Augusta during mid-summer to provide information on the production, distribution, and use of biofuel for heating and transportation. The workshop was very well attended, and was followed by the formation of a Biofuel Working Group that held its first meeting in November. The purpose of the Biofuel Working Group is to address issues and share information to further the advancement of Biofuel production, distribution, and consumption in Maine.

**11. Growth Management Research Completed.** The State Planning Office recently completed six months of research into the comprehensive planning process and the status of land use planning in Maine. The research was done in response to Resolve 73, issued from the Joint Standing Committee on Natural Resources. To kick off the process, the Office conducted a two-day Planning Summit, which was a public forum for discussion of the issues. About 100 participants attended, representing a diversity of sectors including environmental groups, developers, local and regional officials, state agencies and interested citizens. The Office next hired Market Decisions to conduct five focus groups of local officials from differing size towns and regions to better understand local planning issues. Market Decisions also conducted in-depth telephone interviews with twenty professional planners from across the State. From the research, SPO has published Key Findings and Draft Recommendations, which are now posted on the web at [www.maine.gov/spo](http://www.maine.gov/spo). Final recommendations will be made to the Natural Resources Committee in March. Changes in

planning and land use regulation that better address sprawl are expected to result from this work.

**12. Legislation.** The OEIS and several Council members worked for passage of several pieces of energy legislation last session.

- **Renewable Power Legislation/Stakeholder Group.** Two bills were introduced last session to amend Maine's renewable portfolio standard. The Utilities and Energy Committee carried over one of these bills and charged the OEIS with establishing a stakeholder group to examine issues surrounding renewable energy and to report back to the committee with recommendations. The Renewable Stakeholder Group met over the summer and fall, and the report from the Group was submitted to the committee in early January.
- **Residential Energy Building Codes.** The council and OEIS supported the model residential energy building code adopted by the Legislature last session.
- **Solar Rebates.** The Governor introduced legislation to establish a solar rebate program. With passage of the Solar Rebate bill, Maine homeowners connected to the electric grid will receive a rebate equal to approximately 25% of the system cost for installation of qualifying solar electric and solar thermal systems.
- **Natural Gas Conservation Programs.** The Governor introduced legislation requiring Northern Utilities to offer its customers energy conservation and efficiency program. NU is now offering rebates on installation of higher efficiency natural gas furnaces and boilers, water heaters, programmable thermostats, and ENERGY STAR windows. The company is in the process of designing a home energy audit program.
- **Modernize Heating Oil Rules and Reporting Requirements.** This bill repealed the petroleum set-aside law and amended the requirement for reporting on statewide storage inventory for petroleum products.

**13. Energy Savings Tips Contest.** For the third year the OEIS and Efficiency Maine ran an energy savings tips contest for 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> grade students. The contest was expanded to two categories this year: energy savings tips for the home and for school. The Governor presented the six grade school winners their prizes in December.

**14. New England Governors Council Power Planning Committee.** The OEIS represents the Governor at the Power Planning Committee of the NEGC. The PPC has been actively working on regional energy supply and demand issues, with a strong focus on natural gas supply. Governor Baldacci has proposed a Resolution and Memorandum to reduce natural gas demand by 1% per year.

**15. Low Income Energy Assistance (Electric Consumers).** The Public Advocate reached an agreement with Central Maine Power to increase energy assistance (ELP) for Central Maine Power Company's low-income electricity customers. An additional \$2.2 million in ELP benefits was approved by the commission in Docket No. 2006-18. This approval means that an additional 5,000 CMP customers will now qualify for a discount on

their electric bill. The ELP benefit amount had not been revised since 1990 even though Standard Offer costs have increased by 50% over the same period. Bangor Hydro Electric Company's benefit amount is a percent discount on the tariff rate, so as prices rise the benefit rises as well.

#### **IV. 2006 Initiatives**

The OEIS and the Council plan to continue work on many of the above issues and activities during 2006, as well as focus on many additional activities. The following list is a sampling of these activities, but is not intended to be an exhaustive list of all of the OEIS's or Council's activities.

- 1. Whole House Energy Efficiency Pilot Program.** The OEIS will oversee the implementation of this Pilot Program, and will work with Efficiency Maine, the MSHA, MODA, and Northern Utilities to ensure that it is a success.
- 2. NEPOOL Issues.** Late last year the Governor requested the commission to explore the advantages and disadvantages of continued membership in NEPOOL. The commission's reply indicates that further analysis is warranted given changes in the market since the last time this issue was studied, and the adoption of LICAP. The Governor will issue an Executive Order establishing a Task Force to look at this issue further.
- 3. LNG.** In 2006, the State's Technical Working Group will be reviewing and responding to two LNG projects, Quoddy Bay LNG and Downeast LNG. These two projects have been accepted for pre-filing by FERC. There is also a third project (Calais LNG) that may pre-file in 2006.
- 4. Biofuel Working Group.** Three meetings of this Group are planned for 2006.
- 5. Stretching LIHEAP Funds.** Council members, including the OEIS and MSHA, will work on proposals to ensure that federal and any state low income home energy assistance dollars are spent in a manner that maximizes their purchasing power.
- 6. Legislation.** Council members and the OEIS will be involved in discussions surrounding several pieces of energy-related legislation this session, including at a minimum the Governor's Energy Bill, L.D. 1987, and L.D. 1931.

#### **V. Council Effectiveness**

The Council is an effective tool to assure interagency coordination on energy-related issues. The Council allows for cross-fertilization of ideas among agency representatives. It also offers state agency representatives a forum to discuss and offer diverse perspectives on issues relating to energy policies and programs.