

MAINE STATE LEGISLATURE

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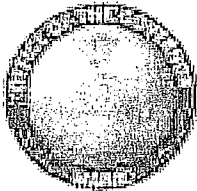
L.U.O.

**GOVERNOR'S OFFICE OF ENERGY INDEPENDENCE
AND SECURITY (OEIS)**

MAINE ENERGY POLICY, PROGRAMS AND PROJECTS

Prepared for

**JOINT STANDING COMMITTEE ON ENERGY, UTILITIES
AND TECHNOLOGY**



**GOVERNOR'S OFFICE OF
ENERGY INDEPENDENCE AND SECURITY**

JOHN M. KERRY - DIRECTOR

January 20, 2011



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GOVERNOR

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JOHN M. KERRY
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OFFICE OF ENERGY
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January 18th, 2011

Senator Michael Thibodeau, Senate Chair
Representative Stacey Fitts, House Chair
Joint Standing Committee on Utilities, Energy and Technology
115 State House Station
Augusta, ME 04333

Dear Senator Thibodeau and Representative Fitts:

I am writing to provide an update on a number of reports the Governor's Office of Energy Independence and Security (OEIS) was asked to undertake by this Committee in the 124th Legislature. The following reports were due to the Committee on January 15th, 2011. However, we just learned that the Governor's office would like to review all reports from state agencies prior to their distribution.

Following is a list of the reports we have completed and hope to submit to you shortly. We are asking for an extension on these reports and will keep you apprised of their status.

- Examine Policy Options to Promote and Provide Incentives for the Installation of Residential Geothermal Heating and Cooling Systems Report
- Tracking Progress Toward Meeting Maine's Wind Energy Goals Including an Examination of Current Wind Energy Noise Guidelines and the Opportunity for Public Hearing Report
- Update of the State's Comprehensive Energy Plan

In addition, the following reports are due to the Committee on February 1, 2011. We would also ask that the Committee grant OEIS an extension and we will submit the reports as soon as they are reviewed by the Governor's office.

- Collocation of Energy Infrastructure Report
- OEIS' Annual Report
- Transmission and Distribution Annual Report

Thank you for your consideration. We look forward to working with you in the 125th Legislature.

Sincerely,

John Kerry

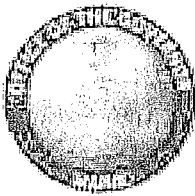
John Kerry, Director
Governor's Office of Energy Independence and Security

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Governor's Office of Energy Independence and Security (OEIS)

Overview of OEIS

Governor John E. Baldacci created the Governor's Office of Energy Independence and Security (OEIS) in 2003. Recognizing at the time the increasing challenges and opportunities related to energy issues, the Governor created the OEIS to work on state energy policy, serve as a policy advisor to the Governor and other special assignments.

In 2007, the OEIS was codified into Maine statute outlining the role of the Director and the duties of the office. In 2009, additional duties were added in statute. In 2010, the Governor named the OEIS, Maine's "State Energy Office" and the official contact with the Federal Department of Energy (DOE) in relation to the American Recovery and Reinvestment Act (ARRA) and other State Energy Program (SEP) grants.

The vision of the OEIS is to provide leadership in the development of public and private partnerships that aspire to achieve the State of Maine's goals of energy independence and security with clean, reliable, affordable, sustainable, indigenous and renewable resources.

The mission of the OEIS is, in conjunction with other departments of state government, the Legislature, and private and nonprofit sectors, to provide an open and collaborative decision-making environment to create effective public and private partnerships that advance the achievement of energy independence while optimizing Maine's energy security, economic development, and environmental health.

The State Comprehensive Energy Plan developed by the OEIS in 2008-2009 is based on the following six overarching and interconnected strategies in pursuing energy independence and security for Maine:

- 1) Strengthening Energy Efficiency, Conservation and Weatherization
- 2) Fostering Renewable Energy
- 3) Improving Transportation and Fuel Efficiencies
- 4) Upgrading Electricity and Natural Gas Services, Transmission Systems and Transmission Infrastructures
- 5) State of Maine Leading by Example
- 6) Energy Emergency Preparedness and Response

Department Mission and Statutory Authority

§8§51

Title 2: EXECUTIVE

Chapter 1: GOVERNOR

§9. Governor's Office of Energy Independence and Security

1. Office established. The Governor's Office of Energy Independence and Security, referred to in this section as "the office," is established in the Executive Department to carry out responsibilities of the State relating to energy resources, planning and development. The office is directly responsible to the Governor.
[2007, c. 656, Pt. C, §1 (NEW) .]

2. Director. The office is under the control and supervision of the Director of the Governor's Office of Energy Independence and Security, referred to in this section as "the director." The director is appointed by the Governor and serves at the pleasure of the Governor.
[2007, c. 656, Pt. C, §1 (NEW) .]

2-A. Powers. The director may request from the Efficiency Maine Trust, established in Title 35-A, chapter 97, and the trust may provide from funds available to it funding sufficient to carry out the duties of the office under section 3 and any other applicable law.
[2009, c. 372, Pt. H, §1 (NEW) .]

3. Duties. The director is responsible for the execution of the duties of the office. The director shall:

A. Serve as a member of the Efficiency Maine Trust Board, established under Title 5, section 12004-G, subsection 10-C; [2009, c. 372, Pt. H, §2 (AMD).]

B. In collaboration with the relevant state agencies, coordinate state energy policy and actively foster cooperation with the Efficiency Maine Trust, established in Title 35-A, chapter 97; [2009, c. 372, Pt. H, §2 (AMD).]

C. In consultation with the Efficiency Maine Trust Board, established in Title 5, section 12004-G, subsection 10-C, prepare and submit a comprehensive state energy plan to the Governor and the Legislature by January 15, 2009 and submit an updated plan every 2 years thereafter. Within the comprehensive state energy plan, the director shall identify transmission capacity and infrastructure needs and recommend appropriate actions to facilitate the development and integration of new renewable energy generation within the State and support the State's renewable resource portfolio requirements specified in Title 35-A, section 3210 and wind energy development goals specified in Title 35-A, section 3404; [2009, c. 655, Pt. C, §1 (AMD).]

C-1. By February 1st of each year, prepare and submit to the joint standing committee of the Legislature having jurisdiction over utilities and energy matters an annual report that describes the activities of the office during the previous calendar year in carrying out its duties under this subsection and describes the State's progress in implementation of the state energy plan prepared pursuant to paragraph C. After receipt and review of the annual report required under this paragraph, the joint standing committee of the Legislature having jurisdiction over

utilities and energy matters may submit legislation relating to energy policy; [2009, c. 372, Pt. H, §2 (NEW).]

D. In collaboration with other relevant state agencies, private industry and nonprofit organizations, collect and analyze energy data, including, but not limited to, data on energy supply, demand and costs in this State with consideration of all available energy sources; [2007, c. 656, Pt. C, §1 (NEW).]

E. Coordinate the dissemination of energy information to the public and the media; [2007, c. 656, Pt. C, §1 (NEW).]

F. Provide technical assistance and information to the Governor and the Legislature regarding the State's short-range and long-range energy needs and the resources to meet those needs; [2007, c. 656, Pt. C, §1 (NEW).]

G. Seek funds and partnerships with public and private sources to support the goals of the office, including, but not limited to, promoting energy efficiency, demand-side management and distributed generation; [2007, c. 656, Pt. C, §1 (NEW).]

H. Work with transmission and distribution utilities, state agencies involved in the permitting of energy generation facilities and other relevant entities to negotiate agreements that create value for electricity consumers with developers of renewable generation who are interested in building energy generation facilities or developing or utilizing energy transmission infrastructure in this State. This paragraph does not authorize the director to be a signatory to any such agreement unless that authority is otherwise granted by law. The director shall report on activities undertaken pursuant to this paragraph by February 1, 2009, and annually thereafter, to the joint standing committee of the Legislature having jurisdiction over utilities and energy matters; [2007, c. 656, Pt. C, §1 (NEW).]

I. Monitor energy transmission capacity planning and policy affecting this State and the regulatory approval process for the development of energy infrastructure pursuant to Title 35-A, section 122 and make recommendations to the Governor and the Legislature as necessary for changes to the relevant laws and rules to facilitate energy infrastructure planning and development; and [2007, c. 656, Pt. C, §1 (NEW).]

J. Take action as necessary to carry out the goals and objectives of the state energy plan prepared pursuant to paragraph C. [2007, c. 656, Pt. C, §1 (NEW).]
[2009, c. 655, Pt. C, §1 (AMD) .]

4. Advice to state agencies. The director shall advise state agencies regarding energy-related principles for agencies to consider, along with the laws and policies governing those agencies, in conjunction with the sale, lease or other allowance for use of state-owned land or assets for the purpose of development of energy infrastructure. For the purposes of this subsection, "state-owned" and "energy infrastructure corridor" have the same meanings as in Title 35-A, section 122, subsection 1. At a minimum, the director shall consider the following principles in advising state agencies under this subsection:

A. The principles for the determination of the long-term public interest of the State as specified in Title 35-A, section 122, subsection 1-D, paragraph B; [2009, c. 655, Pt. C, §2 (NEW).]

B. Avoiding wherever possible the use of lands subject to the provisions of the Constitution of Maine, Article IX, Section 23; [2009, c. 655, Pt. C, §2 (NEW).]

C. Maximizing the benefit realized from the State's strategic location within New England and the northeastern region; and [2009, c. 655, Pt. C, §2 (NEW).]

D. Complying with the provisions of the memorandum of agreement between the Maine Turnpike Authority and the Department of Transportation under Title 35-A, section 122, subsection 1C, when applicable. [2009, c. 655, Pt. C, §2 (NEW).]

Nothing in this subsection alters any of the responsibilities or limits any of the authority of the Department of Administrative and Financial Services, Bureau of General Services pursuant to Title 5. Nothing in this subsection alters or limits the ability of departments or agencies of the State, along with the Bureau of General Services pursuant to Title 5, to generate or cogenerate energy at state facilities for use on site and elsewhere.

[2009, c. 655, Pt. C, §2 (NEW) .]

SECTION HISTORY

2007, c. 656, Pt. C, §1 (NEW). 2009, c. 372, Pt. H, §§1, 2 (AMD). 2009, c. 655, Pt. C, §§1, 2 (AMD).

Duties and Responsibilities

- Developing a State Comprehensive Energy Plan and updating it every two years;
- Collaborating with relevant state agencies, coordinating state energy policy and actively fostering cooperation with the Efficiency Maine Trust;
- Reporting annually on the activities of the office for the previous year and progress made on the implementation of the State Comprehensive Energy Plan;
- Working with transmission and distribution utilities, state agencies and other relevant parties to negotiate agreements on renewable energy generation and transmission infrastructure and reporting on progress;
- Reporting and tracking progress of the state's wind energy development goals and tangible benefits of wind development projects including an examination of sound and the potential for opportunity for public hearing;
- Reporting on the comprehensive review of wind power permitting and providing recommendations on improving the state's wind power development policies;
- Reporting on the issue of qualifying certain waste-to-energy power for renewable energy credits and renewable resource portfolio requirements (due February 15, 2011);

- Reporting on and recommendations related to the energy, environmental and economic feasibility of setting a requirement for the percentage of biofuel to be used in number 2 heating oil (Due February 15, 2011);
- Reporting on and make recommendations related to terms and conditions for long-term contracts for installed capacity and associated renewable energy and renewable energy credits produced by renewable ocean energy projects;
- Reporting on issues affecting collocation of electric transmission and distribution facilities, natural gas transmission lines, carbon dioxide pipe lines and other energy infrastructure;
- Reporting on the policy options and developing recommendations to promote and provide incentives for the installation of residential geothermal heating and cooling systems, particularly in multifamily residences;
- Coordinating work groups to examine and make recommendations regarding transportation efficiency initiatives and alternative energy resources initiatives funded by the revenues collected in the energy infrastructure benefits fund (by March 1, 2011);
- Mediating an agreement and proposed legislation regarding the Maine Turnpike Authority's (MTA) use of revenues generated from energy infrastructure corridors on MTA land;
- Developing information resources to assist local governments and electrical co-operatives to develop, design, construct, install and finance wind and other renewable electricity generation projects;
- Overseeing the administration of the Federal DOE's State Energy Program (SEP) that includes all ARRA funding and annual SEP funding and other grants;
- Overseeing the implementation of the State's Computer Power Management Program that reduces energy costs for the state;
- Seeking funds and partnerships with public and private sources to support the goals of the office;
- Providing technical assistance and information to the Governor and the Legislature regarding the State's short-range and long-range energy needs and the resources to meet those needs;

- Coordinating the dissemination of energy information to the public and media;
- Collecting and analyzing energy data on energy supply, demand and costs;
- Monitoring energy transmission capacity planning and policy affecting the state and the regulatory approval process for the development of energy infrastructure and making recommendations to the Governor and Legislature as necessary to facilitate energy infrastructure planning;
- Chairing the State Energy Information Collaboration ;
- Chairing the Interagency Review Panel related to the development of energy infrastructure on state corridors;
- Serving on the Board of Directors of the Efficiency Maine Trust Board; and
- Taking action as necessary to carry out the goals and objectives of the State Comprehensive Energy Plan.

Other duties include:

- Advising the Governor on energy policy matters;
- Assisting with the Governor's legislative agenda;
- Promoting a natural gas "dialogue" in Maine to promote natural gas as a transitional fuel;
- Representing the Governor at National Governors Association events and conferences;
- Participating in the ISO-NE's Power Planning Committee (PPC);
- Participating in the ISO-NE Power Advisory Committee (PAC);
- Co-chairing the New England Governors' Conference (NEGC) Northeast International Committee on Energy (NICE);
- Coordinating with the Governor's office on New England Governors' Conference and Eastern Canadian Premiers meetings;
- Conducting a seasonal Maine weekly oil price survey and distributing it to the press and public;
- Conducting presentations to the public on the State's Comprehensive Energy Plan and other energy policies;
- Coordinating with the Governor's Office and other state agencies on outreach to Maine businesses to identify potential energy savings through energy conservation, efficiency and renewable energy projects;
- Developing and updating a State Energy Emergency Management Plan;
- Chairing the Governor's Pre-Emergency Energy Task Force;
- Overseeing the state's Wind Working Group;

- Participating in the Maine Tidal Power Initiative;
- Serving as a member of the Governor's Ocean Energy Task Force;
- Participating in the Eastern Interconnection Planning Collaborative;
- Working collaboratively with a host of public officials, private individuals and energy experts to advance the Governor's energy, economic development and environmental agendas; and
- Participating in the Nuclear Waste Strategy Coalition.

OEIS Staff

John Kerry, Director
(207) 287-3292 – John.Kerry@maine.gov

Jennifer Puser, Deputy Director, Research and Legislation
(207) 287-6250 – Jennifer.Puser@maine.gov

Jeff Marks, Deputy Director, Policy and Planning
(207) 287-8927 – Jeffrey.Marks@maine.gov

(Finance responsibilities are performed under agreement by State Planning Office.)

Current and On-Going Key Initiatives

Grants Connector

The Grants Connector project is providing financing and technical support for businesses, non-profits, government entities and other interested parties to pursue federal, state and private energy efficiency, conservation and renewable energy project grants and financial incentives.

The Grants Connector Project strives to assist Maine entities to achieve goals for state energy efficiency and renewable energy programs, including the following objectives:

- Reduce peak electric energy consumption by 100 MW by 2020.
- Reduce the State's consumption of liquid fossil fuels by at least 30 percent by 2030.
- Build private sector jobs in clean energy businesses, providing a much needed boost to our economy and putting our people to work in good jobs.
- Reduce greenhouse gas emissions and improve the quality of our environment and the health of our people.
- Achieve significant reductions in electricity and natural gas consumption by 2020.
- Reduce energy use from 1990 figures by 25 percent by the year 2012.

The Grants Connector Project identifies existing energy efficiency and renewable energy programs and funding by maintaining a master database of state, federal and private sector grants, loans and other funding mechanisms. The OEIS is also monitoring federal and state legislative, regulatory, budgetary and appropriations, and programmatic activities that may promote investment in stakeholder projects and cost-effective, energy efficient and flexible means to operate their facilities. These initiatives may include various mechanisms to address the barriers of first costs, including:

- Tax credits
- Rebates
- Low-interest loans
- Deductions for energy efficiency production and purchases
- Research and development
- Demonstration projects and pilot programs
- Market transition and deployment programs
- Greenhouse gas emission reduction program revenues and allocations

The OEIS is advising businesses, non-profits, institutions and government entities to evaluate all relevant, potential financing options for energy efficiency, renewable energy and fuel-switching projects and secure appropriate public and/or private financing. Suitable projects may include, but are not limited to the following:

- Increased energy efficiency or enhanced conservation of energy for electric, heating and cooling systems.
- Increased energy efficiency, enhanced conservation and weatherization in building or facility envelope, appliances, lighting, industrial equipment, systems and other components.
- Increased use of renewable, indigenous energy sources like biomass, biofuels, on-and off-shore wind, solar, tidal power and geothermal energy.
- Installation or expansion of combined cooling, heat and power systems and waste-heat recovery systems.
- Fuel-switching from oil to a lower-carbon, transitional fuel, like natural gas.

OEIS is working with its partners to provide:

- Information outreach to stakeholders and ongoing discussion regarding needs and opportunities.
- Assistance in applying for grants or loans.
- Identification of financing incentives, including investment and production tax credits, and advice on access to incentives.
- Identification, leverage of and access to private credit and funding sources to create needed capital formation for particular project.
- Leverage of federal and state funding and grant resources for projects.

- Information and assistance on specific financing mechanisms, such as Property Assessed Clean Energy (PACE), SBA 504 programs, rural development business and industry guaranteed loans, recovery zone bonds, new market tax credits, renewable energy leasing and equipment loans, etc.
- Evaluation of the technical, economic, management and resources adequacy or feasibility of proposed projects.
- Evaluation of the economic, environmental and energy security impacts of proposed projects.

Maine Energy Independence Fund

The OEIS is working with its private and public partners on a proposed Maine Energy Independence Fund (MEIF) to leverage public funding to secure private investment in projects that increase energy efficiency, advance renewable energy, reduce greenhouse gas emissions, promote economic development and create jobs in Maine. The MEIF, with funding from federal grant or loan programs and private money will provide access to capital in a revolving loan fund for clean energy projects and companies.

The objective of the MEIF is to create a partnership between the Federal Government and the State of Maine to:

- Coordinate national and state energy, environmental and economic development objectives to make Maine a replicable model for clean energy programs.
- Invest in projects in Maine that increase energy efficiency, advance renewable energy, reduce greenhouse gas emissions and promote economic development and jobs.
- Strengthen energy efficiency, conservation and weatherization programs and policies to meet Maine's aggressive goals.
- Develop and advance use of wind, biomass, ocean tidal and other renewable resources in Maine.

Maine is a national leader in innovative energy programs and policies, but its dependence on foreign sources of energy lend urgency to the transition to energy efficiency and renewable energy resources. Programs like the MEIF will strengthen energy efficiency programs, advance the development and use of renewable energy resources, reduce greenhouse gases and promote economic development and jobs. Maine needs significant financial help to harness its energy efficiency and renewable energy potential through Federal programs, grants, loans and other public and private funding mechanisms. In conjunction with the Department of Energy, legislators, private industry and public and nonprofit institutions, we need a collaborative partnership that optimizes Maine's, and the nation's, energy security, economic vitality and environment.

For example, the MEIF, with approximately \$100 million in potential federal funding, would be matched 1:1 with \$100 million from private investors. With nearly \$1 billion in economically-viable projects already identified, Maine has a large pipeline of state and local governments, businesses, factories, buildings and residences ready to invest in energy efficiency, conservation, weatherization and renewable and clean energy technologies and workers.

Senior federal officials are supportive of the concept of a pooled, diverse financing structure for small- and medium-sized renewable energy projects. The OEIS will need to work with the Maine Congressional Delegation and the DOE in 2011 to support authorization and appropriations bills for the MEIF model and loan guarantees and other credit enhancements to deploy clean energy technologies.

Energy Assurance and Emergency Management Plan

The OEIS is developing and revising the State of Maine Energy Assurance and Emergency Management Plan. The Plan will provide the Governor, the Legislature, the Executive Departments, the energy industry and the general public with a clear, concise and comprehensive blueprint and strategy to address a potential or actual energy emergency caused by a supply disruption, a rapid and unsustainable increase in energy prices or other energy emergency situation.

The Maine Public Utilities Commission has developed a Project Management Plan (PMP) through American Recovery and Reinvestment Act (ARRA) funding to enhance the State's energy assurance capabilities through training, tracking and emergency exercises activities. A core task of the PMP is to revise and enhance Maine's Energy Assurance Plan. The OEIS is developing a Plan that enhances Maine's ability to anticipate, respond to and recover from energy emergencies. The development of the Plan recognizes a clear need to expand and enhance Maine's expertise in energy planning and to improve the State's ability to track Maine's critical energy infrastructure for energy assurance and emergency purposes. The OEIS provide a Plan committed to advancing the principles, programs, processes, priorities, timetables and the comprehensive and integrated steps necessary in the ARRA grant requirements.

The OEIS will revise appropriate State policies, procedures and practices to reflect the State's Energy Assurance Plan.

The deadline for completion of the Plan is February 2011.

Eastern Interconnection States' Planning Council (EISPC)

The Eastern Interconnection Planning Collaborative (EIPC) was created to develop analyses of transmission requirements under a broad range of

alternative futures and develop long-term expansion plans. 39 states and District of Columbia are in the Eastern Interconnect. Two broad topics:

- Interconnection Level Analysis and Planning – the transmission engineering piece.
- Cooperation among states on electric resource planning and priorities – the policy piece.

John Kerry is the Maine representative on the Eastern Interconnection States' Planning Council (EISPC) and is actively engaged with its working groups.

With a \$14 million grant from the Department of Energy, planning has started for rolling up planning authorities' existing 10-year plans into one interconnection-wide case. The EISPC will review and offer input. Macroeconomic future scenarios will be determined. Full transmission scenario build-outs including cost modeling will be put together. Studies on non-renewable, low- and no-carbon resources and renewables; demand-side management; distributed generation; storage; waste-to-energy; and other issues will be examined. White papers to help policymakers understand the implications of different scenarios, including renewable energy credits, market structures, power purchase agreements for renewables, state, regional and federal policy analysis, smart grid, plug-in vehicles, natural gas, prices and costs, etc.

The OEIS is participating in working groups to make recommendations on potential futures and sensitivities with a wide range of forecasts and factors such as public policy objectives, reliability mandates and economic considerations.

Natural Gas Pipeline Infrastructure and Service

The demand for natural gas in the United States has been exceeding supply for most of the decade. In fact, natural gas usage is increasing while US production is falling. The New England natural gas supply infrastructure is comprised of interstate pipelines that transport natural gas from sources of supply to the point of use or storage, storage facilities that augment local natural gas supplies, local distribution networks that provide service to individual customers, and the Everett terminal, which serves as a source of supply for Boston and the surrounding region.

Significant additions to New England's gas-fired electrical generating capacity have been made since 1998 – many of which have not been fully utilized due to power transmission limitations. In New England, 42% of electricity is generated in plants that burn gas, or a combination of gas and oil; in Maine, 32% of the generating capacity is gas-fired, but 60% of the state's electricity is generated by these plants. (sources: ISO-New England; U.S. Department of Energy, Energy Information Agency).

Natural gas is currently offered through:

- Northern Utilities (Unitil) currently serves customers in the greater Portland area, Lewiston, Auburn, and Kittery.
- Bangor Gas serves customers in Bangor, Brewer, Old Town, Orono and Veazie.
- Maine Natural Gas currently serves customers in Windham, Gorham, Bowdoin Topsham and Brunswick.

Each of these companies may expand to serve additional municipalities as new customers request service. Companies typically choose to expand when the revenues from new customers cover the costs to provide service. Often a utility will expand its mains to a large, "anchor" customer and then seek to add small customers located along the main.

The Northeast and New England market will see a continuing demand for natural gas, according to several studies. Estimates are that by 2015 there may be a total peak supply/demand deficit of up to 1.25 billion cubic feet per day (bcfd). Because of the forecasted demand and limited alternative supply options, failure to provide additional gas supply may inevitably result in fewer and more expensive gas supply options for consumers, as well as supply shortages in the near term and serious supply shortages and higher costs in the long term. Although there are other fossil fuel options for meeting the projected growth in energy demand, the reliance on oil-based petroleum products for home heating and power generation will have negative environmental consequences. Increased use of fuels such as oil or coal would likely result in higher emission rates of nitrogen oxides (NO_x), sulfur dioxide (SO₂) and greenhouse gases, creating substantial cumulative impacts.

Moreover, in the past decade New England and Maine have built over 10,000 MWs of gas fired power plants to meet electricity demand growth. Additional natural gas in the region can provide a safe, reliable, cost-effective, and environmentally beneficial baseload supply of natural gas to customers in New England during normal and peak usage times. While nearly 80% of Maine homes are still heated by oil, many of Maine's larger cities and town have access to natural gas. With the high cost of heating oil, the state's gas utilities are reporting that they cannot keep up with increased inquiries from consumers who are looking to covert their homes to natural gas.

On the commercial and industrial side, many of the state's larger companies want to convert to natural gas. Also, access to natural gas in business parks and commercial zones is a major incentive for new or expanding businesses. Local governments are also making the switch to natural gas.

The State of Maine Comprehensive Energy Plan identifies the goals of: (1) promoting natural gas as a "transitional fuel" by expanding the natural gas infrastructure to all sectors in Maine and (2) identifying development of liquefied natural gas (LNG) where economically, socially and environmentally feasible.

We refer to natural gas as “transitional,” as it will remain and grow as a primary source of fuel in utility and industrial sectors while we aggressively pursue increased use of energy efficiency and renewable energy technologies and reduced consumption of foreign sources of oil. Development and use of this energy resource may not only create jobs and bring needed economic development to struggling parts of the State, we believe that natural gas projects could also enhance Maine’s energy security and reliability.

Although natural gas itself is a fossil fuel, it is cleaner-burning and more efficient per Btu than fuel oil and coal and will provide a more environmentally-friendly bridge between Maine’s current consumption of fossil fuels and harnessing the State’s abundant renewable energy resources. Its development and use must conform to Maine’s social, economic and environmental goals. Projects proposing to increase natural gas availability in Maine must pass the rigorous regulatory and statutory environmental review process exercised by the Department of Environmental Protection. In addition, the support of the community in which such development is proposed is of critical importance. The OEIS is working with natural gas stakeholders to explore expansion of service to residential, commercial and industrial customers.

Liquefied Natural Gas

The OEIS has supported the development of liquefied natural gas (LNG) projects in Maine that meets the goals of energy security, economic development and environmental quality. The OEIS is required to work with “state agencies involved in the permitting of energy generation facilities and other relevant entities to negotiate agreements that create value for electricity consumers with developers of renewable generation who are interested in building energy generation facilities, or developing or utilizing energy transmission infrastructure in the State.” The Director monitors “energy transmission capacity planning and policy affecting this State and the regulatory approval process for the development of energy infrastructure” and “take[s] action as necessary to carry out the goals and objectives of the state energy plan.”

While we must focus on cultivating indigenous, renewable resources such as on- and off-shore wind, solar, biomass and biofuels, geothermal and tidal energy, we must also carefully examine the role of LNG, including its safe and efficient storage and transportation, in Maine’s immediate and future energy plans. Individual LNG projects offer opportunities to analyze the environmental, infrastructure and economic benefits and potential burdens presented by this fuel source while fostering energy security and economic development needs throughout the State.

In order to successfully and cost-effectively upgrade natural gas services, transmission systems and infrastructures, we must continue to work with natural gas companies, regulators, potential customers, communities, neighbors and

other stakeholders to explore the development of LNG facilities. With the critical need to create jobs, reduce our dependence on oil, promote economic development and enhance Maine's energy security and long-term economic viability, the OEIS supports the development of the proposed Calais and Downeast LNG facilities.

Federal Energy Coalitions and Advocacy

The OEIS was invited to become one of the few state associate members of the **Alliance to Save Energy** due to Maine's contributions to energy efficiency policy and programs. The Alliance is one of the leading energy groups in Washington advocating energy efficiency, climate change and conservation policies. The Alliance is very influential and respected among policy, corporate, government, non-profit and media officials. Senator Collins is currently a vice chair of the Board of Directors. The OEIS sits on the Policy and Program Committee to steer federal policy.

John Kerry is a Board member of the **National Association of State Energy Officials (NASEO)**, the only national non-profit organization whose membership includes the governor-designated energy officials from each state and territory. The organization was created to improve the effectiveness and quality of state energy programs and policies, provide policy input and analysis, share successes among the states, and to be a repository of information on issues of particular concern to the states and their citizens. The OEIS participates in various NASEO working groups, including its financing task force and works on an extremely wide range of energy programs and policies, including:

- Energy efficiency in homes, commercial/public buildings, industry and agriculture;
- Renewable energy, such as solar, wind, geothermal and biomass;
- Residential, commercial and institutional energy building codes;
- Transportation and heating fuel supplies, pricing and distribution;
- Oil, natural gas, electricity and other forms of energy production and distribution;
- Energy-environment integration (such as using conservation to reduce air emissions);
- New and emerging high efficiency transportation fuels and technologies; and
- Energy security and emergency preparedness, and many other energy matters.

The OEIS is a member of the Energy Efficiency Coalition which seeks to:

- **Create good jobs** in the U.S. across the economic spectrum, including manufacturing and installing complying products.

- **Enable home and business owners** to invest in energy-saving technologies
- **Provide performance-based tax credits** for whole home retrofits that will save them money and energy.
- **Encourage investment** in the manufacture of green technologies that harness clean renewable energy and enhance energy efficiency and establish a \$1 billion tax credit program to enable American manufacturers to undertake energy-saving measures that also advance their global competitiveness.
- **Empower businesses** to reduce petroleum use and increase vehicle efficiency measures.

Nuclear Energy and Nuclear Waste

The OEIS works to support the development and use of energy resources in Maine that meets the goals of energy security, economic development and environmental quality. The consideration of nuclear energy and the safe storage, processing, transportation and disposal of nuclear fuel, waste and materials derived from nuclear activities is imperative to a sound energy security policy.

The Maine Yankee site, and its Independent Spent Fuel Storage Installation (ISFSI), is one of nine spent fuel storage sites which no longer have operating nuclear power plants affiliated with the ISFSIs. The State of Maine and OEIS are members of the Nuclear Waste Strategy Coalition (NWSC), a group whose goals include the “timely, safe, and cost-effective storage and disposal of spent nuclear fuel and high-level radioactive waste in a permanent repository” and “reform (of) the distribution of the Nuclear Waste Fund such that ratepayer contributions are used for their intended purpose.” In testimony before the President’s Blue Ribbon Commission on America’s Nuclear Future, the OEIS advocated for federal government responsibility in taking possession and responsibility for spent nuclear fuel and high-level radioactive waste at decommissioned reactor sites like Maine Yankee and urged the Commission to recommend the expedited removal of these nuclear materials from decommissioned sites.

The OEIS believes that good economic, national security and energy policy warrants removal of the waste from these “stand-alone” ISFSIs to a consolidation site which can be operated at a lower cost per unit of stored waste, be better protected from terrorist actions or other risks and relieve Maine ratepayers of a cost that could be better spent on other energy resource and cost measures.

From an economic policy perspective, prompt removal of spent nuclear fuel from decommissioned sites like Maine Yankee and consolidating the nuclear spent fuel will not only reduce the number of sites, it will likely result in cost efficiencies that flow through to ratepayers by relieving them of the cost burden of maintaining sites that no longer generate electricity. Billions of dollars have been spent examining interim and permanent storage options for nuclear spent fuel

and waste. Despite decades of research and development activities associated with Yucca Mountain, that project has been terminated with no clear direction for an alternate repository. Meanwhile, Maine Yankee is responsible for storing spent nuclear fuel in accordance with Nuclear Regulatory Commission (NRC) regulations regarding security, emergency planning, radiological monitoring and oversight, quality assurance, inspections and reporting. It was permanently shut down in 1997 when it was no longer economically viable to operate and completed plant decommissioning in 2005. Removing the spent fuel could make sites available for other useful, productive purposes.

From a national security policy perspective, centralized interim storage facilities would provide a safe option for managing spent nuclear fuel and high-level radioactive waste from decommissioned power plants. The OEIS recognizes that Maine Yankee is safely and securely storing the more than 550 metric tons of spent nuclear fuel at the ISFSI site and can likely continue to do so while private or government-owned candidate sites for consolidation of used nuclear fuel are identified. However, a comprehensive spent nuclear fuel management program with centralized facilities and rigorous transportation and storage requirements is necessary. It is likely safer to collect materials from these multiple sites and put them in a central location that is designed, managed and operated for that purpose.

From an energy policy perspective, Maine would rather invest in clean, reliable, indigenous, affordable, sustainable and renewable resources to help achieve the goals of energy independence and security while examining the role of nuclear energy, natural gas and other resources. Ratepayers in Maine and others states continue to pay millions of dollars each year in storage fees, taxes, security and insurance to support the operation of spent fuel storage installations at shutdown reactor sites. Continued storage of spent nuclear fuel at decommissioned plants imposes additional costs on ratepayers and, as mentioned above, prevents economic reuse of the site. This type of system levies an opportunity cost on Maine and its communities.

The OEIS has supported reducing the number of sites storing spent nuclear fuel, relieve electric ratepayers of the burden of paying for the storage at sites no longer generating electricity and make these sites available for other useful purposes.

State Energy Program

The OEIS was designated Maine's State Energy Office effective July 1, 2010. The DOE State Energy Program (SEP) provides financial and technical assistance to states through formula and competitive grants. States use their formula grants to develop state strategies and goals to address their energy priorities. The state energy offices in each state and territory are a vital resource for delivering energy benefits, addressing national energy goals, and

coordinating energy-related emergency preparedness across the nation. State energy offices propagate the financial leverage of SEP funds by partnering with public, non-profit, private and other organizations to identify and pursue opportunities for renewable energy and energy efficiency technologies, programs and projects.

The OEIS, as the State's Energy Office, is the grant recipient for Maine's SEP funds. The OEIS has oversight of the funding, sub-awarding the funding required for program implementation. For example, \$27,305,000 in ARRA funding has been designated for the SEP in Maine. Most of the ARRA funding has already been spent and/or committed and programs are underway in the residential, commercial and industrial sectors receiving ARRA grants and funding. OEIS oversees the funds and assumes the responsibilities as the prime grant recipient for SEP reporting requirements for both the federal and state government.

As the designated State Energy Office, the OEIS:

- Monitors and collects information, metrics, budgets and reports compiled by the Trust, including tracking and following up on reported deficiencies and ensuring timely corrective action is taken.
- Verifies data submitted by the Efficiency Maine Trust, MPUC, DOT and other state agencies and reports information to the DOE, Recovery Board, and DAFS as required by state policy and federal statute;
- Advises Efficiency Maine Trust on energy and SEP policy issues;
- Coordinates state energy policy as it pertains to energy programs;
- Adheres to best practices and financial, reporting and legal requirements;
- Fulfills other duties required under the SEP.

Heating Fuels and Petroleum Reporting Programs

The OEIS participates in the State Heating Oil and Propane Program (SHOPP) to obtain and evaluate heating oil, kerosene and propane price information on a weekly basis. The OEIS provides the current delivered sales price of No. 2 fuel oil and/or propane to residential customers who use these products to heat their homes. Data collected is forwarded to the U.S. Department of Energy. Participation is mandatory under the Federal Energy Administration Act of 1974 (Public Law 93-275). The data collected through SHOPP is used by the U.S. Energy Information Administration and States in responding to Congressional and consumer inquiries and as a valuable means of communication between Federal and State governments and industry in the event of sudden market changes. (See <http://www.maine.gov/oeis/heatingoil.htm>)

As mandated in ME Rev. Stat. Title 5, Part 8, Chpt. 311, owners of petroleum storage facilities are required to submit a report to the OEIS with total inventories of petroleum product stored and imported in Maine. In addition, primary suppliers of petroleum products are required to submit a report each month with

actual deliveries of all petroleum products in the State and anticipated deliveries. According to the statute, "petroleum products" include propane, gasoline, unleaded gasoline, gasohol, kerosene, #2 heating oil, diesel fuel, jet fuel, aviation gasoline, and #'s 4, 5 and 6 residual oil for utility and non-utility use.

Clean Energy and Efficiency Partnership

To accelerate the transformative process from a state dependent on oil to one that develops and uses energy efficiency and clean, renewable technologies, the OEIS has proposed the development of a Memorandum of Understanding (MOU) to create a Clean Energy and Efficiency Partnership between the DOE and the State of Maine. The MOU would strive to achieve all cost-effective energy efficiency in the State of Maine; provide resources to invest in renewable energy projects; support investment in improving transportation and fuel efficiencies; and make available the financial, regulatory and policy support to upgrade electricity and natural gas services, transmission systems and infrastructures. A strong partnership between the federal government and Maine would integrate national and state energy, environmental and economic policies into a cohesive and sustainable energy strategy.

Transmission and Distribution

The OEIS is working to oppose FERC and Congressional efforts to subsidize distant terrestrial wind resources to the detriment of Northeast, harm regional efforts to promote local renewable generation, require Northeast ratepayers to bear unfair economic burden, usurp states' authority on resource planning and transmission line certification and siting and hamper clean energy jobs in Maine. The OEIS is working with its New England counterparts, including ISO New England, CONEG, NESCOE and others to support transmission policies that encourage coordination and collaboration in eastern interconnection and provide sufficient incentives for transmission infrastructure without federal integrated resource planning or transmission subsidization.

The OEIS is a point of contact with Hydro Quebec and other Eastern Canadian companies to explore acquiring capacity and energy to reduce electricity costs for Maine consumers and/or to obtain a beneficial hedge against price volatility, including by: (1) long-term contracts that provide capacity and energy at favorable prices; (2) contracts that provide a hedge against market costs and volatility and/or; (3) contracts that enable resources to offset transmission-related costs. Proposals that are most likely to reduce electricity rates, enhance grid reliability, provide tangible economic benefits to Maine businesses and residents, enhance the environment, provide long-term, sustainable and reliable electricity to Maine consumers will be evaluated very favorably. The OEIS has been a strong proponent of regional collaboration and cooperation on energy, economic development and environmental issues.

Biomass

The OEIS supports development and use of biofuels and biomass from indigenous, renewable resources to reduce Maine's dependence on foreign sources of fossil fuels. The Maine Comprehensive Energy Plan encourages development of biofuel energy plants and the use of biofuels in state, commercial, industrial and residential buildings. The OEIS is working with the USDA to advance Maine's mission to develop and use clean, sustainable biofuels produced in the State while increasing and maintaining energy security, environmental quality and economic development. For example, based on current and potential heating oil consumption and market conditions, and the federal government's focus on producing and using 36 billion gallons of renewable transportation fuel per year by 2022, we feel that the federal government does not go far enough in providing incentives to produce and use biomass and biofuels for heating purposes.

While the Maine biofuel industry is still small, it is growing due to increased awareness and support for research and development programs, tax incentives and "lead by example" initiatives to increase biofuel production and use.

Maine is dependent on unreliable and expensive foreign oil to heat homes and businesses. More than half of Maine's energy consumption is through the use of foreign sources of petroleum, with approximately 1.6 billion gallons of petroleum consumed in 2008, including distillate fuels, motor gasoline and other petroleum products. Maine residences and businesses are nearly 80% dependent on oil, one of the highest capita in the nation. The high percentage of households that use #2 heating oil and the total reliance on petroleum for transportation needs drain dollars out of the State and essentially institute an estimated \$5 billion "Petro-Dependence Tax" on ALL Maine citizens, business and industries (in 2008).

Maine has the highest percentage of forest land in the country, nearly 90 percent, equating to over 17 million acres. Wood already provides 20% of electricity needs and 25% energy in Maine. The forest is the single largest contributor to Maine's economy with 5.7 billion dollars of direct annual product value employing nearly 32,000 people and providing the largest source of exports for the state economy. However, production of wood pellets and biofuels for residential and commercial heating needs to increase significantly over the coming decades to reduce our dependence on foreign sources of oil and help us achieve energy independence and security.

Energy Infrastructure Development

The OEIS was the lead on the passage of *An Act Regarding Energy Infrastructure Development* in 2010, which designated three statutory corridors that include I-295, I-95 and the Searsport Loring natural gas pipeline. The bill

also established the Energy Infrastructure Benefits Fund. Any and all revenues derived from the sale and/or lease of state lands or assets for the purpose of energy infrastructure, such as transmission lines, natural gas pipelines or others, are to be deposited into the fund and transferred to the Efficiency Maine Trust for administering energy efficiency and renewable energy programs and to the Maine Department of Transportation for alternative transportation programs.

Since the bill's passage, OEIS has been working on a number of tasks included in the legislation. These include:

- 1) mediating an unresolved issue as to whether the Maine Turnpike Authority (MTA) should receive revenue derived from an energy infrastructure project located on the MTA's land. The interested parties, OEIS, MTA and the Maine Department of Transportation have been meeting and OEIS will provide recommendations to the Standing Committee on Utilities and Energy on December 1, 2010.
- 2) creating two working groups of stakeholders to provide recommendations on specific uses for the alternative energy funds that will be administered by the Efficiency Maine Trust and the transportation funds that will be administered by the Department of Transportation. The Transportation Working Group has been formed and are currently meeting and working on recommendations. The alternative energy working group will be assembled in January, 2011. Recommendations of both working groups will be provided by OEIS to the Standing Committee on Utilities and Energy by March 1, 2011.
- 3) researching and performing an analysis of the safety, health, engineering, environmental, geotechnical, land use and other factors that restrict or otherwise affect collocation of (energy infrastructure) facilities. Findings are to include practices in other jurisdictions as well as any industry or governmental recommendations regarding collocation of such facilities and how they apply to Maine's new energy infrastructure law. OEIS is currently working on this study. This study will be presented to the Standing Committee on Utilities and Energy on February 1, 2011.
- 4) convening the Interagency Review Panel, a seven member-board comprised of four public representatives and three state agency representatives that is responsible for establishing and implementing a process for soliciting, accepting, and evaluating energy infrastructure proposals. The Panel is also responsible for negotiating terms and compensation for energy infrastructure projects based on criteria that is in the long-term public interest of the state, reduces electricity rates and/or costs, and materially enhances or does not harm transmission opportunities for energy generation within the State, among others. The Chair of the Panel is John Kerry, Director of OEIS. The Panel will continue to meet monthly and OEIS and DOT staff will provide information, and technical

assistance as the Panel establishes its policies and procedures for reviewing energy infrastructure proposals.

Solar Energy

On July 12, 2010 the New England Governors, attending the New England Governors' Conference (NEGC)/Eastern Canadian Premiers' (ECP) annual meeting passed a resolution "Concerning the Promotion of a Regional Solar Photovoltaic Market." Since then, OEIS has participated in an NEGC working group focused on considering areas of policy coordination to create a regional market for solar PV development and to establish a New England goal for installed solar by 2020. A report will be presented to the Governors at their February meeting in Washington, D.C.

Wind Energy

Maine's statutory goals for wind power development include the following:

- At least 2,000 Megawatts (MW) of installed capacity by 2015;
- At least 3,000 MW of installed capacity by 2020, with potential to produce 300 MW or more of offshore wind power. At least 8,000 MW by 2030 including 5,000 MW located in coastal waters.

Currently, Maine has 265.9 Megawatts (MW) of installed capacity of operational wind power, with 60 MW under construction, 124 MW permitted, and about 600 MW in varying stages of development. (See attached.)

Wind power development creates jobs. For every 1,000 MW of new wind development in Maine the following economic impacts and jobs are created:

Direct Impacts

Payments to Landowners: • \$2.7 million/year

Local Property Tax Revenue: • \$14.5 million/year

Construction Phase: • 2,042 new jobs • \$226 million to local economies

Operational Phase: • 254 new long-term jobs • \$21.2 million/year to local economies

Indirect and Induced Impacts

Construction Phase: • 1,854 new jobs • \$155.7 million to local economies

Operational Phase: • 286 local jobs • \$25.1 million/year to local economies

Totals (construction + 20 years)

Total Economic Benefit: \$1.3 billion

New Local Jobs During Construction: 3,896

New Local Long-term Jobs: 540

For locally-owned wind, or “community wind” the economic impacts are even greater. For example, as a result of 101 MW of wind 522 new jobs would be created and the economic contributions to local economies would be \$53,220,000. Over a twenty year period, the total economic benefit to local economies would be \$132,220,000.

(Source: U.S. Department of Energy, Energy Efficiency and Renewable Energy, using the JEDI model for Maine)

In 2008, *LD 2283 An Act To Implement Recommendations of the Governor's Task Force on Wind Power Development* was signed into law requiring OEIS to track progress toward achievement of state wind energy goals.

In 2010, *LD 1504 An Act To Provide Predictable Benefits to Maine Communities That Host Wind Energy Developments* was signed into law making changes to the reporting requirement as related to tangible benefits. The new changes are incorporated below.

OEIS is required, on an annual basis, to monitor and make an assessment of tangible benefits provided by expedited wind energy developments and the State's progress toward meeting the wind energy development goals and, by December 2013, in consultation with other state agencies as appropriate, conduct a full review of the status of meeting the goals for 2015 and the likelihood of achieving the goals for 2020.

The assessment must include:

- A. Examination of experiences from the permitting process;
- B. Identified successes, including tangible benefits realized from wind energy development, in implementing the recommendations contained in the February 2008 final report of the Governor's Task Force on Wind Power Development in Maine pursuant to Executive Order issued May 8, 2007;
 - B-1. A summary of tangible benefits provided by expedited wind energy developments including, but not limited to, documentation of community benefits packages and community benefit agreement payments provided. The assessment must also include a review of the community benefits package requirement under Title 35A, section 3454, subsection 2 and the actual amount of negotiated community benefits packages relative to the statutorily required minimum amount;
- C. Projections of wind energy developers' plans, as well as technology trends and their state policy implications;
- D. The status of Maine and each of the other New England states in making

progress toward reducing greenhouse gas emissions; and

E. Recommendations, including, but not limited to, any changes regarding:

- (1) The wind energy development goals established in Title 35-A, section 3404, subsection 2;
- (2) Permitting processes for wind energy development;
- (3) Identification of places within the State's unorganized and deorganized areas for inclusion in the expedited permitting area established pursuant to Title 35-A, chapter 34-A;
- (4) Creation of an independent siting authority to consider wind energy development applications; and
- (5) The community benefits package requirement under Title 35A, section 3454, subsection 2

In 2010, the Chairs of the Standing Committee on Utilities and Energy wrote Director Kerry to request that an examination and recommendations be included in this year's report as to whether the state's sound regulations are adequate and to comments on the state's policy of public hearings as related to the state's wind power development application process.

OEIS is currently working on the annual wind report and will present the report to the Standing Committee on Utilities and Energy Committee on January 15, 2011.

In 2008, *LD 2266 An Act to Promote Municipal Wind Generation Development* was signed into law requiring OEIS to undertake the following:

- 1) monitor developments in technology and in state and federal law to determine whether opportunities are available for the development of wind energy resources by the State's agencies, political subdivisions, rural electrification cooperatives and other municipal or quasi-municipal entities or municipally owned corporations that provide electric transmission, distribution or generation services.
- 2) develop information resources to assist the State's political subdivisions, rural electrification cooperatives and other municipal or quasi-municipal entities or municipally owned corporations that provide electric transmission, distribution or generation services to develop, design, construct, install and finance wind and other renewable electricity generation projects to the extent possible using available financing incentives under federal and state law.
- 3) form one or more advisory groups of persons with relevant expertise and experience to advise the office in undertaking its responsibilities under this section.

OEIS has formed an advisory group and started compiling information on the opportunities that are available for the development of wind by the above named entities.

Because there was no funding attached to the legislation, it has been difficult to complete these tasks in a timely manner. However, OEIS recently secured a \$100,000 grant from the United States Department of Agriculture to work with rural small businesses and farmers to develop wind projects and we will use the same materials developed for that project for the municipalities and other entities. In addition, OEIS' grants connector project is also helping identify resources for renewable energy projects to help satisfy this requirement in the law.

In 2010, OEIS was given responsibility by the Efficiency Maine Trust for coordination of the State's Wind Working Group, a federal designation under the Federal Department of Energy's Wind Powering America (WPA) program. Although OEIS has not received funds directly, OEIS works with the official State of Maine Wind Working Group Coordinator, funded by the WPA program.

WPA is a commitment by the Federal government to dramatically increase the use of wind energy in the United States. Through its state Wind Working Groups, programs at the National Renewable Energy Laboratory, and partnerships, this initiative helps establish new sources of income for American farmers, Native Americans, and other rural landowners and meet the growing demand for clean sources of electricity. This program also helps the nation meet its 20% wind energy by 2030.

The Wind Working Group in Maine is intended to help grow the entire wind business sector in Maine, by educating stakeholder groups on wind energy technology and products, economics, policies, prospects and challenges. Wind Working Group activities include general public education and technical outreach, targeted stakeholder outreach, hosting wind workshops, and developing state specific literature.

Ocean Energy

In June of 2010, Governor Baldacci requested that the Federal Minerals Management Service (since renamed the Bureau of Ocean Energy Management, Regulation, and Enforcement, or BOEMRE) as part of efforts of the Atlantic States Consortium, form a Maine Task Force to facilitate consultation and cooperation among federal, tribal, state, and local governments regarding opportunities for advanced, deep-water wind energy development on Outer Continental Shelf areas seaward of Maine's coastal waters.

BOEMRE has formed similar task forces in other East Coast states to explore offshore wind energy development opportunities. The focus of the task force is

to investigate options for streamlining and closely coordinating federal and state environmental review and approval requirements.

The Maine BOEMRE Renewable Energy Task Force met in September and November of 2010. OEIS is a state participant in this process.

The Governor signed an MOU with the Premier of Nova Scotia at the July, 2010 meeting of the New England Governor's Conference/Eastern Canadian Premiers to cooperatively advance development of tidal energy projects. The OEIS plans to work with the government of Nova Scotia to explore potential opportunities and areas within which to cooperate on furthering offshore-wind and tidal energy technology and application and to cooperate on tidal energy research and development.

The Maine Tidal Initiative undertaken by the University of Maine, Orono and Ocean Renewable Power Company has been awarded about \$4 million to study the environmental impact protocols at the site of ORPS's tidal-power turbine near Eastport and two other sites in Maine. OEIS is the state representative involved in this initiative.

Ongoing reports, filings, statutory required deadlines

- Update of the Comprehensive Energy Plan – (Updated every two years)
- State's Progress on Meeting Wind Power Development Goals report including recommendations on sound and opportunity for public hearing and new tangible benefits requirements
- OEIS Annual Report
- Transmission and Distribution Report

Major Accomplishments

- Developed the State's first State Comprehensive Energy Plan (completed in 2009-see <http://www.maine.gov/oeis/docs/OEIS%20Comp%20Energy%20Plan.pdf>)
- Developed the State's first Energy Emergency Plan (completed in 2008) (see http://www.maine.gov/oeis/docs/2008_6_2_EnergyEmergencyPlan.pdf)
- Reported on and examined opportunities for combined heat and power projects along with policy recommendations for such projects; (completed in 2010-see attached report and http://www.maine.gov/oeis/docs/CHP_Report_Only.pdf and <http://www.maine.gov/oeis/publications.html>)

- Reported on and coordinated a stakeholder group on cogeneration and cogeneration zones for sawmills to investigate the barriers and potential incentives to implementing cogeneration in the state; (completed in 2010)
- Implemented a successful pilot Computer Power Management Program for State government (on-going);
- Implemented the Governor's Pre-Emergency Energy Task Force Measures (completed in 2009 – see <http://www.maine.gov/oeis/docs/Pre-EmergencyEnergyTaskForceReport.pdf>)

Legislative Accomplishments:

OEIS was the lead for the Governor on the following successfully adopted bills.

2007-2008 123rd Maine Legislature Second Regular Session

LD 2255 An Act to Protect Maine's Energy Sovereignty through the Designation of Energy Infrastructure Corridors and Energy Plan Development

This legislation established the OEIS in statute and established a process for designating energy infrastructure corridors in order to fend off concerns of Nationally designated transmission corridors.

LD 2222 Resolve, to Assist Maine's Forest Products Industry

This legislation accelerated the Business Exemption Tax Reimbursement (BETR) program reimbursements to February 1st through July 31st, 2008 for persons engaged in the forestry and logging industry on eligible property paid in 2007.

2008-2009 124th Maine Legislature First Regular Session

LD 1485 An Act Regarding Maine's Energy Future. This groundbreaking law established the Efficiency Maine Trust, an independent state entity to administer and coordinate all-fuels energy efficiency and renewable energy programs for all consumers. The law also established a new heating fuels weatherization and efficiency program and created a fund for energy improvements for multi-family rental and manufactured housing units. The Act also specified that a green workforce development plan be developed and established an executive task force to examine ways of advancing energy self-sufficiency at state facilities.

2009-2010 124th Maine Legislature Second Regular Session

LD 1786 An Act Regarding Energy Infrastructure Development

This legislation amended Maine's laws governing energy infrastructure corridors to designate several state-owned energy transportation and pipeline corridors as "statutory corridors." It established a process for the State to use when entering into agreements to construct and develop energy infrastructure (such as

electrical transmission lines, pipelines, etc.) within the “statutory” corridors. It established an Interagency Review Panel to oversee the use of the statutory corridors including soliciting, accepting and evaluating proposals for the use of the statutory corridors to ensure that their use is in the long-term best interests of the State.

It also directed that other transportation corridors be reviewed and considered for possible designation as statutory corridors in the future and amends provisions relating to the opportunity for “petitioned” corridors. It added a provision to designate certain transmission lines (not proposed for statutory or petitioned corridors) as “high-impact electric transmission lines” and to require the Public Utilities Commission to review petitions for those lines using the same criteria that govern approval of energy infrastructure proposals in statutory corridors and petitioned corridors.

The legislation also requires that revenues generated from the use of state-owned land and assets within energy infrastructure corridors be deposited in an energy infrastructure benefits fund and specifies the disposition of those revenues for transportation, energy efficiency and alternative energy purposes.

LD 1222 Resolve to Promote Geothermal Energy

This legislation called for an examination of policy options and the development of recommendations to promote and provide incentives for the installation of residential geothermal heating and cooling systems, particularly in multi-family residences. The OEIS is to submit a report to the Joint Standing Committee on Utilities and Energy on these issues by January 15, 2011.

LD 1720 Resolve, Regarding Waste-to-energy Power

This bill proposed to amend current law to adapt the State's energy policy and laws as they relate to the Passamaquoddy Tribe to accommodate federal waste-to-energy developments currently before the United States Congress in the American Clean Energy and Security Act of 2009.

LD 1717 An Act To Increase the Affordability of Clean Energy for Homeowners and Businesses

OEIS created and managed the public/private stakeholder group (including legislators, banks, credit unions, energy efficiency advocates and municipalities) responsible for ensuring passage of L.D. 1717 (PACE). The PACE (Property Assessed Clean Energy) program authorizes municipalities and the Efficiency Maine Trust to provide low-interest loans to residential and business property owners to pay for cost-effective energy efficiency and clean energy improvements like insulation, air sealing, heating system upgrades, renewable energy system installations and other projects.

The U.S. Department of Energy awarded a \$30 million Weatherization Retro-fit Ramp-up grant to the State of Maine to be used to create a revolving fund for the PACE program. Efficiency Maine is setting the program design, including

administering the funding mechanism for PACE programs, drafting regulations and model ordinances and providing technical assistance. Repayment of PACE loans will generate a continuing revenue stream to keep interest rates low and ensure the loan fund is replenished at no cost to Maine taxpayers. The goal is to make the program sustainable and available for future participants to lower their energy bills.

The OEIS is working with groups like the Alliance to Save Energy and the National Association of State Energy Officials to hold Maine up as a model for other states without similar financing programs.

John Kerry is a Member of the Efficiency Maine Trust Board and PACE working group

Appendix

Interagency Review Panel

- LD 1786 “An Act Regarding Energy Infrastructure”, enacted as Public Law 2010, Chapter 655.
- Result of recommendations from the “Commission to Study Energy Infrastructure”.
- The Panel was created to oversee the use of the three statutory corridors for energy infrastructure development.
- Energy infrastructure includes electric transmission lines and distribution facilities, oil, natural gas and carbon dioxide pipelines and other energy pipelines or conduits.
- The three statutory corridors include: Interstate 95, Interstate 295 and the Searsport-Loring pipeline.
- The panel is made up of four public members, the Director of OEIS, Commissioner of DAFS, and the Commissioner or Director of any department that owns or controls land within a statutory corridor under consideration (DOT).
- The Panel is in place and has met three times in 2010. Their next meeting is February 7, 2011.
- Background information about the Panel’s meetings including agendas and minutes are on the OEIS website at:
www.maine.gov/oeis
- The Panel’s specific responsibilities include:
 - Identifying an initial range of value for the use of state-owned land or assets within a statutory corridor. The initial range of value must be determined by a professional appraiser.
 - Establishing and implementing a regular process for soliciting, accepting and evaluating energy infrastructure proposals for use of a statutory corridor. (The Panel is currently working on establishing this process and drafting a Letter of Intent to potential developers.)

- Evaluating and rendering decisions on energy infrastructure proposals for use of a statutory corridor.
- May enter into negotiations with potential developers for a long-term occupancy agreement for the use of the statutory corridor including compensation and the length of the agreement.
- Annual report to the Utilities, Energy and Technology Committee by February 1st of each year including any revenue transferred to the Efficiency Maine Trust.