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STATE OF MAINE
PUBLIC UTILITIES COMMISSION
242 STATE STREET
18 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0018

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CHAIRMAN

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COMMISSIONERS

September 1, 2009

Senator Barry J. Hobbins, Chair
Representative Jon Hinck, Chair
Utilities and Energy Committee
115 State House Station
Augusta, Maine 04333-0100

Subject: PUC Status Report On Use of ARRA Funds in Compliance with Resolves 2009, ch. 46 and Update on Other ARRA Related Funding Opportunities

Dear Senator Hobbins and Representative Hinck:

The Commission is pleased to submit this letter report in compliance with Resolve, Regarding Legislative Approval of the Public Utilities Commission's Plan for the Use of American Recovery and Reinvestment Act of 2009 Funds. Resolves 2009, ch. 46. The Resolve approved the Public Utilities Commission (PUC or Commission) Energy Program Division's plan for the use of federal American Recovery and Reinvestment Act (ARRA) funds and directed the Commission to report to the Utilities and Energy Committee (Committee) on the use of the 2009 funds on September 1, 2009.

The Commission has made considerable progress implementing the initial plan submitted to the Legislature on March 19, 2009 and updated on April 27, 2009 and May 11, 2009. In the weeks since final legislative action, the programs set forth in the approved plan have been fleshed out through additional program development. Some programs have already been launched, while the release of others is imminent.

The Commission has adhered closely to the plans as discussed with and approved by the Joint Select Committee on Maine's Energy Future (JSCMEF) in April and May. In light of new information obtained during the planning process, the Commission is planning to make adjustments to some of the programs to improve and refine them. Over the summer the Commission has also learned of other federally-funded initiatives, some of which have prompted the Commission to fine-tune various plans. The Commission wishes to emphasize, however, that any adjustments are minor and are fully consistent with the initial plans approved by the JSCMEF, and that the Commission's discussions with various stakeholder groups has not indicated any opposition.

The following paragraphs provide updates on each of the programs.

Non-Low-Income Residential Weatherization and Efficiency

The Commission has issued its Request for Proposals (RFP) for this program, which is now entitled the Home Efficiency and Weatherization Program (HEWP). Through this program aimed at the non-low-income sector, we will start Maine on the path toward achieving the goal established by the Governor and Legislature of weatherizing all Maine homes by 2030.

The RFP seeks a contractor to administer and deliver this program and to achieve a minimum of 25 percent energy efficiency improvement in a minimum of 2000 homes over each of the next two years. The RFP builds on the experience the Commission’s Energy Programs Division has in the development and implementation of the Maine Home Performance program in recent years. Proposals are due on October 14, 2009 and the program is scheduled to begin in November.

After the Legislature adjourned in June, the federal government awarded the State Energy Program (SEP) approximately \$1.26 million in funding to encourage the use of efficient Energy Star residential appliances. The Commission is merging this funding with \$1.5 million in Regional Greenhouse Gas Initiative (RGGI) program funding to amplify the overall impact of the residential program. The Commission is also working on a nationally-recognized refrigerator recycling program and other initiatives to build on its successful residential compact fluorescent lighting program. It is the Commission’s goal to ensure that all of these electricity efficiency programs (as well as federal tax credits for insulation and weatherization) will be delivered in coordination with the fuel-neutral HEWP so as to create the greatest possible benefit for homeowners in a single process.

Large Consumer All Fuels Program

As set forth in the Commission’s letter of May 11, 2009 to the JSCMEF, the Commission has been working very closely with the Energy and Carbon Savings Trust (ECST) to develop a single, unified, large industrial grant program this year. This program will combine \$6.3 million set aside for the “Impact Fund” and the “Demonstration Project” programs of Efficiency Maine, with additional funding to come from the ECST Large Custom Projects Fund.

This program is on track to issue a Request for Applications (RFA) during the week of September 14th. Harmonizing these two, somewhat divergent, programs has required significant discussions with the ECST on several complex issues over the past weeks. The ECST has also had several lengthy internal discussions regarding how best to implement their statutory requirements. Some of the issues relate to the weight to be given to job creation as opposed to energy savings; the treatment of cogeneration projects which reduce the burden on the grid but arguably do not reduce total electricity consumption; and the value to be assigned to green house gas reductions attributable to proposals using the combustion of biomass. The Commission believes it has worked through those issues to the greatest extent possible and is now prepared to issue the RFA. The Commission is also in the process of retaining technical expertise to assist it with analyzing the complex engineering and technical information we expect to obtain in the proposals, and in scoring those proposals.

These ARRA-funded grants will be awarded on a competitive, fuel-neutral basis. The grants will range from \$100,000 to \$1,000,000. For extraordinary proposals, the ECST and the Commission have

left open the possibility that funds from both sources may be awarded, for a total of \$2,000,000. The Commission intends to announce the first grant awards under this program by the end of November 2009.

Commercial All Fuels Program

An RFA for the Industrial Process Evaluations program has been drafted and is in the internal review and refinement stage. It is anticipated that this RFA will be issued during the week of September 28, 2009. The program design has been modified to increase the grant amount available from \$25,000 to \$50,000 per evaluation. The Commission believes this change will maximize the impact of this program and minimize the overhead expense of delivering and managing this funding.

Similarly, an RFA for the Retro-Commissioning of Control Systems program has been drafted and is on track to be issued during the week of September 28, 2009. As with the Commercial All Fuels program, the Commission has increased the grant cap from \$15,000 to \$30,000 per project. With \$500,000 in funding available, the Commission now believes this is an appropriate amount for some complex projects, and it does not want to be precluded from assisting worthwhile initiatives in that price range.

A key aspect of the small commercial energy efficiency programs is an expansion of the existing all-fuels energy audit services. By enhancing the professional and technical review of the energy use of small businesses in Maine, the Commission expects the small business community will be able to make fact-based decisions while receiving financial help to install the recommended measures. This program RFP will be released in September and an award is expected by November.

The Commercial Project Grants RFA has been drafted and is in the internal review and refinement stage with an expected release during the week of September 21, 2009. Following the input of grant managing experts, the Commission has opted to make one relatively minor change. Rather than a rolling, non-competitive application process, it believes the program is best served by a competitive program with established application deadlines. This will ensure the highest quality projects and also ensure that at least some of the funding is allocated quickly. The Commission plans to have two rounds of grants in order to accommodate those proposals which are not ready at this time.

Although the Commission previously left open the possibility of delivering these programs through an independent contractor, it has determined that the most cost-effective way to ensure that these projects meet their intended goals is to administer them in-house with existing staffing and the temporary staff positions previously approved for the duration of the ARRA funding. The Commission believes this will enable it to manage these programs effectively while stretching scarce resources to achieve the maximum benefit.

The New Commercial Construction Efficient Design program has been in existence since 2007, but was not fully funded due to budget limitations. The Efficiency Maine delivery team is currently delivering the program on a pilot basis. The ARRA funds will enable us to take this program to a full scale project during September and October of 2009, as set forth in our original contract with Energy Response Solutions (ERS) – the prime contractor for the energy efficiency programs funded through the system benefit charge.

Workforce Development

The JSCMEF instructed the Energy Programs Division, the Department of Labor (DOL), the Governor's Office of Energy Independence and Security (OEIS), and the Maine State Housing Authority (MSHA) to work together on a workforce development plan. A plan was presented to the JSCMEF in which the Commission committed \$1.3 million to underwrite curriculum development, and an additional \$500,000 to establish a scholarship fund to subsidize the training of workers for jobs in the green economy. This cooperative approach to workforce development was also a feature of LD 1485, P.L. 2009, ch. 372, enacted later in the session. (See Part G.)

The Commission has worked closely with DOL and the other offices to achieve these objectives. Meanwhile, the federal Department of Labor has announced a series of five additional grant programs to support green workforce development in the states. The workforce cabinet has met on several occasions to discuss these funding opportunities, and various agencies and entities in Maine are now poised to apply for millions of dollars of additional funding for analyzing workforce needs, up-training unemployed workers, and for training weatherization professionals and giving them practical experience as apprentices with seasoned contactors.

One consequence of these additional funding opportunities is that the Commission is able to re-deploy the \$1.8 million originally designated for transfer to the state DOL. The Commission is now in the process of soliciting Letters of Interest from Maine institutions of higher education, with the hope of quickly making that funding available to fulfill some of the needs of the community colleges and other institutions working on preparing Maine for jobs in the green economy.

Small Renewables

The Commission was pleased re-open the residential and small business solar rebate program as of July 1, 2009. This was made possible by the infusion of additional state funding pursuant to statute, as well as an allocation of \$1 million in ARRA funding over the next two years. In the first month after re-opening, the Commission received over 100 solar thermal and 54 photovoltaic applications, and it is processing and approving those as quickly as it receives them. To date, the Commission has awarded over \$600,000 in grants under this program.

The Commission is amending our existing Memorandum of Understanding (MOU) with the University of Maine to extend the end date of the anemometers loan program from October 2009 to October 2010, to continue this important effort in support of gathering crucial wind data for community wind projects.

The Commission has also infused an additional \$600,000 into the Renewable Resources Fund (RRF) – slightly less than the \$650,000 set forth in our initial plans. This adjustment allows the Commission to move \$50,000 to a joint energy efficiency and renewable energy education project with the University of Maine Cooperative Extension Service in no less than sixteen locations around Maine (described below). As of late August, the Commission re-opened the RRF program for applications from non-profits, municipalities and other eligible entities.

Other Activities

The Commission has held numerous meetings with the Cooperative Extension Service (CES) to plan and develop materials for regional workshops on low cost steps homeowners can take to avail themselves of energy efficiency and renewable energy. The Commission has an MOU in place with the CES to support this program with \$50,000 of ARRA funding, as contemplated by the approval of the JSCMEF and by LD 845, Resolves 2009, ch. 131.

Measurement and verification (M&V) of the energy savings in each of these programs is an important part of our planning and a requirement under federal law. Accordingly, the Commission intends to contract with independent M&V expertise in each area – residential, commercial and industrial. The Commission will be developing the RFP's for those contracts as soon as the other RFP's have final approval and are released to the public.

The Commission has also made progress toward executing a \$600,000 MOU with the Department of Transportation (traffic timing), \$100,000 for the Governor's OEIS (grants maximization), and \$500,000 for the State Planning Office and the Maine Department of Public Safety in support of Maine's new building codes and related training for code enforcement personnel in Maine.

EECBG Re-Grants to Municipalities

The Commission has heard input from a variety of stakeholders as it developed the Energy Efficiency and Conservation Block Grant (EECBG) re-grant program for municipalities, and the Commission is pleased with the program that has taken shape. The Commission is prepared to make this funding opportunity available to Maine municipalities beginning the week of September 8, 2009.

Under this program municipalities that did not receive direct grants from the federal Department of Energy (DOE) are eligible to apply for up to \$85,000 to fund renewable energy or energy conservation and efficiency programs of their own design. The Commission is also encouraging municipalities to work together to submit regional proposals for up to \$500,000 in grant funding.

This program is rather broad in scope and the criteria are flexible. The Commission is looking for a strong commitment from the municipality, but it does not intend to impose any strict parameters regarding what energy efficiency or renewable energy programs should be funded.

The Commission has learned that many municipalities would be challenged by the requirements of developing a grant proposal, and it has therefore supplemented the \$85,000 competitive grant with a "template option." Under this option a municipality would be eligible to apply for a smaller, standardized grant of \$10,000 for the purposes of undertaking municipal energy planning. The Commission is confident that this will generate interest in those municipalities that to date have not had resources to even begin the planning process but have a strong incentive to analyze their energy use and plan for ways to obtain energy savings. The Commission is planning a two-stage RFA process, with a second round of grants to municipalities in the spring of 2010.

Additional ARRA DOE Grant Opportunities

Finally, the Commission wants to make the Committee aware that since the Legislature approved the Commission's plan for use of the ARRA SEP Formula Grant and EECBG Program funds which were the subject of LD 1478; Resolves 2009, ch. 46, the Commission has become aware of three additional ARRA DOE grant opportunities which it is pursuing. The first is entitled the "State Energy Efficient Appliance Rebate Program" opportunity. Maine's portion of this formula grant is \$1,263,098. The Commission's preliminary application was submitted on July 31, 2009 and the comprehensive application, which will include the Commission's plan for using the funds, is due October 15, 2009. The Commission anticipates offering rebates for refrigerators, freezers, clothes washers and dehumidifiers to a significant number of household energy consumers and hopes to launch this program as early as October 2009.

The second is entitled the "Recovery Act – Enhancing State Government Energy Assurance Capabilities and Planning for Smart Grid Resiliency" opportunity. Under this opportunity, Maine is eligible for a \$320,789 formula grant. The Commission's application was submitted on July 30, 2009 and the Commission was recently notified that it has been awarded the funds which will allow Maine to position its in-house resources to make informed decisions about new technological developments especially in areas such as smart grid, cyber security, critical utility infrastructure, renewable energy and energy efficiency. The funds will be used to supplement existing critical energy infrastructure tracking and mapping and update energy assurance plans. The funds will also allow Maine to enhance its plans for response to and recovery from disruptions by conducting and participating in inter and intra state and international emergency planning exercises and implementing energy assurance exercises.

The third is entitled the "Recovery Act - State Electricity Regulators Assistance" opportunity. Maine is eligible for a formula grant of \$783,554. The Commission submitted its application on August 24, 2009. The funds will increase the capacity of the Commission to manage an anticipated significant increase in regulatory activity resulting from the goals of the ARRA, including:

- Smart Grid Implementation
- Dynamic Pricing/ Time-of-Use Rate Design
- Demand Response
- Renewable Energy
- Transmission
- Distribution
- Energy Efficiency Incentives

The funds will increase the capacity on Commission staff to oversee electricity system modernization (both transmission and distribution) and allow for regulatory support in the transformation of the electric grid. The funds will facilitate timely consideration by the Commission of adjudicatory dockets, investigation, inquiries, and other regulatory actions pertaining to the above listed electricity-related areas. In particular, the program will allow for the creation of two new staff positions within the Commission for electricity specialists in these areas for a period of three years, as well as training for up to 15 Commission staff members in key and emerging areas, to provide regulators with the information needed for timely and effective decisions related to modernizing and ensuring a reliable and affordable electricity system.

The Commission looks forward to any feedback from the Committee regarding this update, and would be happy to discuss this information in more detail when Utilities and Energy Committee meets again. The Commission has posted the supporting documents on our web page, including all materials submitted to the federal Department of Energy. If you have questions specific to the Energy Programs Division programs, please contact John Brautigam, Director of the Energy Programs Division at (207) 287-1594. As always, for all other questions, or if you would like any additional information including any of the documents referenced in this letter, please do not hesitate to contact me.

Sincerely,



Paulina McCarter Collins, Esq.
Legislative Liaison

cc: Utilities & Energy Committee Members
All Former Members of the Joint Select Committee On Maine's Energy Future
John Kerry, Director, OEIS
Karin Tilberg, Senior Policy Advisor, Governor's Office
Dale McCormick, Director, MSHA
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