



**Testimony of Environment Northeast  
On L.D. 1435  
Before the Utilities and Energy Committee  
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Environment Northeast is a non-profit organization that researches and promotes energy policies in the region of New England.

LD 1435, "An Act Establishing Minimum Energy Efficiency Standards for Certain Products Sold or Installed in the State" is a bill whose time has come.

In recent months, we have seen Standard Offer electricity prices jump 40%. This past winter, natural gas and home heating oil prices were up 25% from the prior year. Maine consumers are watching the money fly out of our bank accounts to pay the energy bills for the appliances, electronics, and heating systems we use in our homes and businesses.

Rising energy costs are an issue that state government can and should address. LD 1435 can help. LD 1435 will provide relief to Maine's energy consumers without adding charges to our energy bills or relying on public funding for conservation education or incentives. See attached Table, NEEP, "Consumer and Business Savings."

#### How It Works

The bill directs the Maine PUC to set minimum energy efficiency standards, through a rulemaking process, for 19 products. The 19 products were chosen based on the following criteria:

1. Models that satisfy the proposed minimum efficiency standard for each product are commercially available;
2. Avoided energy costs of buying the more efficient models are so large that the consumer will quickly pay back any higher "first cost" of buying these models.

Once the standards are set by the PUC, the bill phases out the most inefficient models from the marketplace of new product sales. The phase out would begin in 2007, after which time new products shipped to Maine and sold off the shelves of Maine stores would have to comply with the minimum efficiency standard. Vendors will have ample time after the passing of this bill to exhaust their existing inventory. (For certain products such as large commercial air conditioners, commercial refrigerators, and automatic commercial ice makers, the standards would take effect in later years.)



The standards would not apply to the sale of used appliances. The standards would not require people to get rid of existing products in their homes or businesses. The standards only apply to the sale (and installation) of new products.

When an earlier version of this bill was introduced more than two years ago, there was a concern that Maine would be the first and only state on the east coast using these standards. At that time, it was suggested that a trigger mechanism be included such that the standard for any given product would not take effect until a similar or more stringent standard had been adopted in other states.

In LD1435, that trigger concept is retained such that a product standard enumerated here will only take effect when at least three other states have adopted a standard that is at least as stringent as the one in Maine.

This bill also proposes a very modest, easy to achieve minimum efficiency standard for home heating boilers and furnaces. In fact, the vast majority of new boilers and furnaces sold in Maine already exceed the standards proposed here. However, a significant minority of very inefficient models are still being sold and no amount of education programs seems to work in phasing them out. In the case of oil boilers and furnaces, the incremental cost of the more efficient models is between \$16-\$30, while the energy savings at the end of the first year will save the consumer \$74-\$84. This dividend will be repeated to the consumer for every year of the 20-25 year life of the product, for a total savings of about \$1,500. There already is a federal standard, albeit badly outdated and inappropriate for cold-weather states like Maine, for boilers and furnaces. Thus, Section 4 of the proposed bill directs the PUC to determine if a “waiver” is necessary from the federal government, as provided for under 42 USC 6297(d) of the federal code, and if so, to apply for such a waiver. Either way, the bill requires the PUC to seek subsequent approval from the legislature to implement the furnace and boiler standards.

Implementation of the bill is designed to be very simple. First, almost all of the standards proposed are being copied from some other state jurisdiction or use the U.S. EPA Energy Star standard. Second, California has developed an extensive state standards system, including labeling, testing, and certification requirements and an exhaustive computer database of compliant models that can be used by other states. Third, history has shown that minimum efficiency standards are almost entirely self-enforcing. Manufacturers, wholesalers and vendors have a vested interest in keeping an eye on their competitors to ensure nobody is cutting corners. In 17 years of the program in California, there has been only one enforcement case.

#### Why this law is justified

Advocates of minimum efficiency standards do not recommend the imposition of this policy approach lightly. There must be good public policy reasons for taking this approach instead of relying on more education and more financial incentive programs.



First, the supply of incentive funds like Efficiency Maine will always be less than the total demand for those funds. Moreover, that funding has to come from somewhere, and for most efficiency programs that burden falls on ratepayers. By contrast, minimum efficiency standards use no public funds and require no charges on ratepayers.

Second, the free market, for all its genius, does not always deliver the most rational or cost-effective outcome in every situation. For example, where the customer who decides which model to buy has no financial stake in paying the energy bill, the cheapest model will be purchased. Thus, if a developer is building homes for immediate sale, he or she might purchase and install appliances that cost the least but have the highest long term operating costs for the ultimate homeowner. As another example, where the buyer is in a rush (*e.g.*, to replace a failed freezer for a restaurant or a boiler for an apartment), he or she may not have the time to gather all the information needed to make the most cost-effective choice. Using a minimum standards approach, these buyers will still have ample choices but will be assured of avoiding inefficient products.

On the supply side, equipment distributors generally have limited storage space and therefore only stock equipment that is in high demand. This creates a "Catch-22" situation. Before efficient models are introduced, customers can only choose inefficient models. Distributors keep stocking what customers have chosen at their last purchase. If the customer later seeks to purchase more efficient equipment, it may not be in stock and may require a special order, which takes more time and adds to costs. Phasing out the least efficient models over time gives consumers more choices of efficient models, and gets those products stocked in larger quantities, bringing the cost of those models down.

Third, as this Committee is keenly aware, the production, delivery and generation of power and heat have a wide variety of impacts on our society, some of which carry significant risks and costs. The policy tool of setting standards has been vetted by the PUC, the DEP, the Governor's energy advisors, the Maine Climate Change Stakeholder Advisory Group, national energy policy experts, and health advocates and applauded for its ability to reduce air pollution and greenhouse gases in a cost-effective manner. Estimates of year 2012 and 2020 benefits appear in the second Table, Energy Savings in Electricity and Natural Gas From Energy Efficiency Standards, attached.

Finally, a state like Maine benefits from having a variety of energy policy tools in its toolbox. As the example of furnaces and boilers demonstrates, we need not and should not wait for the federal government to take care of us. Proposals for new federal standards on furnaces and boilers has been delayed so many times that Sen. Collins recently wrote the Secretary of Energy demanding an explanation. At the current rate, the earliest that a new boiler/furnace standard could take effect would be the year 2015. Adding minimum efficiency standards as a mechanism will give greater flexibility to Maine policymakers as they continue to shape the most cost-effective energy policies for the state.

For these reasons, we urge you to vote Ought To Pass on LD 1435. Thank you.