



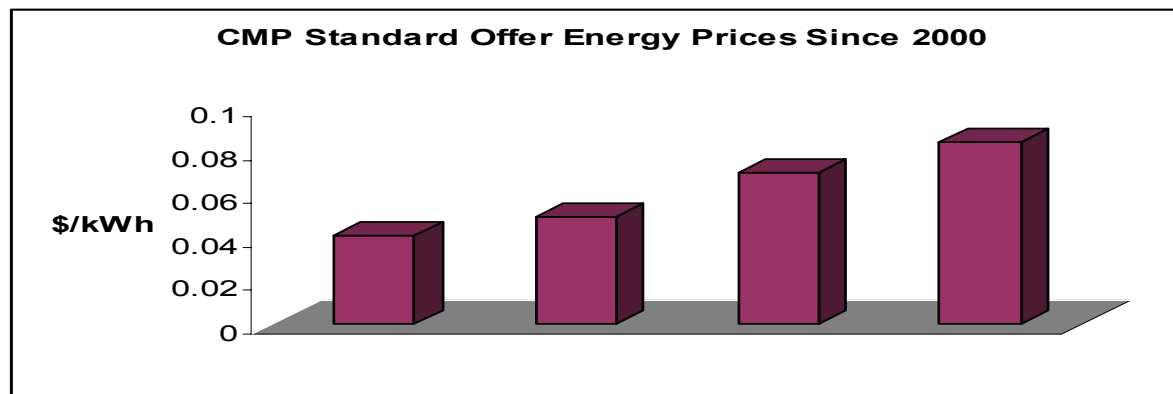
## Testimony of Environment Northeast on L.D. 2041 Before the Utilities and Energy Committee

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Environment Northeast (ENE) is a Maine non-profit organization that researches and promotes sustainable energy policies in New England and the Eastern Canadian Provinces. ENE has offices in Rockport and Portland, Maine.

Maine continues to face the impacts of increasing prices for energy. Standard Offer energy prices today are double what they were in the period from 2000-2002.



Many forces that drive energy prices higher, such as international political unrest and domestic weather events like Hurricane Katrina, are largely out of our control. However, ***Maine can take steps to help local businesses and homeowners deal with increasing, volatile energy costs by focusing on what we can control: how efficiently we use energy.***

LD 2041, An Act To Enhance Maine's Energy Independence and Security, incorporates key provisions to help Maine control its energy destiny by capturing more energy efficiency, the most underutilized resource we have.

Energy efficiency offers many benefits to the state's business, government and residential consumers. Energy efficiency investments lower consumer bills and reinvest energy dollars here at home where they help create jobs, rather than simply sending more and more dollars to other states and countries. Efficiency investments lower peak demand. Significant quantities of efficiency potential can be captured cost-effectively and at lower costs than traditional supply. Studies of energy efficiency opportunities in Maine show the potential to cost-effectively reduce electricity consumption by more than 1.5 million MWh each year (up to 297,723 MWh per year



in the residential sector and 1.3 million MWh per year in the commercial and industrial sector).<sup>1</sup>

Traditionally, the states have used system benefit charges (SBC) to achieve energy efficiency and have done so with success. But we also need to use other tools to capture efficiency that supplements existing state programs.

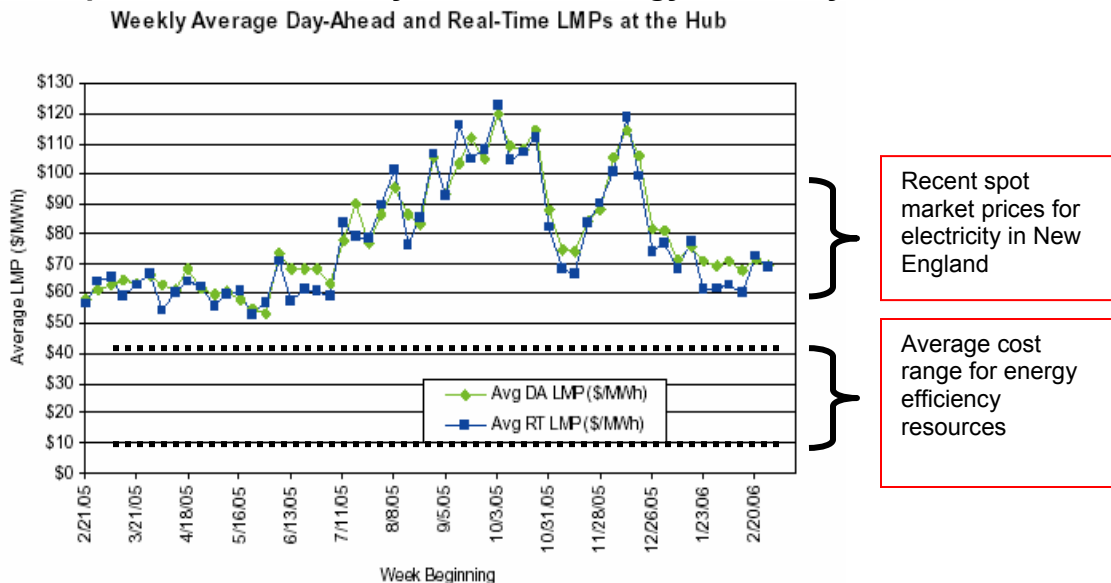
In the provisions of LD 2041 are three energy efficiency tools that do not rely on the use of SBC funds, yet have been shown to deliver significant energy cost savings and reduce the need for imported energy.

### Least-Cost Procurement for Standard Offer: Part B

The first such tool gives the Maine PUC the flexibility to purchase least cost resources to meet the needs of Standard Offer consumers. Traditionally, RFPs for supply have only entertained offers of electric power generation. Part B of LD 2041 would make it possible for the PUC to **put all energy resources on a level playing field**. This means that energy efficiency, which can meet consumers' needs at a fraction of the cost of electric generation, could be used to satisfy RFPs for Standard Offer if and when it is found to be cost-effective.

We know, from studying the results of energy efficiency programs throughout the region, that **energy efficiency resources can be bought at a cost of between \$10 and \$40 per MWh**. By comparison, costs for wholesale power at ISO-NE for the last 12 months have been in the \$60 to \$80 range (not including the 3-month spike up to \$120/MWh after Hurricane Katrina). This demonstrates that some amount of load could be met far more cost-effectively by purchasing energy efficiency resources than spot market generation supply.

### ISO-NE Spot Market Electricity Prices vs. Energy Efficiency Prices



<sup>1</sup> "The Achievable Potential For Electric Efficiency Savings In Maine," prepared for the Maine Public Advocate by Optimal Energy and Vermont Energy Investment Corporation, October 22, 2002, p. 2.



## Appliance Standards: Part D

The second tool is setting minimum energy efficiency standards for various consumer products sold in the marketplace. States have used this tool with great success since Ronald Reagan first adopted it in the 1970s. Ten states in the U.S., as well as all the provinces in Canada, employ some form of minimum efficiency standards for appliances. The impact of this tool is to reduce overall energy consumption on the system, especially during peak demand periods, without any reliance on SBC charges and in a way that is cost-effective for consumers.

Part D of LD 2041 includes numerous protections for the benefit of Maine businesses and consumers. First, it requires a determination that any efficiency standard adopted by the PUC will promote energy conservation. Second, it requires a determination that standards do not unreasonably affect the cost to consumers for the products. Third, it requires a determination that the standards can be met with commercially available models. Fourth, it requires a rulemaking process that is a major substantive rule. Fifth, it excludes products covered in Energy Policy Act of 2005, passed by the U.S. Congress last year. Sixth, it requires that standards, if and when they are adopted, must be substantively the same as standards adopted in three other New England states.

Environment Northeast supports the addition of these protections on the standard-setting tool, with two caveats. First, the requirement of a three-state trigger is unnecessarily limiting once all the other protections are met. If a product promotes energy conservation, is reasonably priced and commercially available, then Maine consumers should have improved access to it regardless of whether other states have adopted a standard for that product. Second, we note that the Energy Policy Act of 2005 is 550 pages long and covers issues from Ethanol to Nuclear Licenses to Hydrogen to Federal Coal Leases. We think the limitation proposed in LD 2041 should be more narrowly tailored by amending the language so that it reads (proposed additional underlined):

The Public Utilities Commission shall adopt rules establishing minimum energy efficiency standards for commercial and consumer products sold or offered for sale in this State and not covered by Section 135, Energy Conservation Standards for Additional Products, of the federal Energy Policy Act of 2005, Public Law 109-58, 119 Stat. 594 (2005).

## Long Term Contracting: Part C

The third tool in this bill is the use of long-term contracts. As with the other efficiency policies in the bill, this approach does not rely on SBC funds. Also like the others, it uses market mechanisms, competitive bidding, and cost-effectiveness criteria to ensure that Maine consumers get the energy resources they need at low, stable prices. This provision, as it pertains to contracting for energy efficiency and conservation, is an important complement to the section of the bill on procurement for Standard Offer, and gives state policymakers the ability to capture efficiency measures that may not work in Standard Offer solicitations.

## Conclusion

State policymakers have an opportunity to demonstrate that they are pursuing sound practices for lowering energy bills and reducing price volatility. The measures in LD 2041 offer the potential to capture additional energy efficiency investments, lower Maine consumer costs, diversify our energy resources and increase jobs and gross state product.