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Memorandum

To: John Kerry, Director, Office of Energy Independence and Security (OEIS)
Ian Burnes, Deputy Director of Policy & Planning, OEIS
From: Michael Stoddard, ENE
Subj: Pre-Emergency Energy Task Force: Thinking Outside the Box and for the Longer Term -- the Role of Energy Efficiency Programs
Date: January 24, 2007

Recognizing that state government has a particular need to help Maine residents and businesses address rising fuel prices in the short term, Environment Northeast (ENE) is hopeful that the stakeholders and state officials working together on the Task Force also can use this opportunity to begin a serious discussion about how to avoid this predicament next year and into the future. It is critical that we find ways to keep Maine residents warm this winter and help them with their energy bills. But if we rely only on the tools of the past, we will be doing little to advance a more sustainable, systemic fix to this perennial problem. We need new tools.

Below is an outline of some tools the Task Force should consider with a goal of agreeing that they are useful approaches for Maine, and should be considered in other energy policy forums such as the legislature, conferences, workshops, etc. (We have also provided redline comments to the initial draft Report to the Governor, attached herewith, for your consideration.)

1. Home Heating Oil (also applicable to kerosene, propane and possibly wood/wood pellets)
 - a. Promote efficiency programming on a multi-fuel basis so that
 - i. all fuel use is addressed, not only electric and natural gas consumption,
 - ii. oil/kerosene/propane consumers, who represent the overwhelming share of the state's residential thermal heating load, are not without access to funds and a dedicated service sector to capture cost-savings through efficiency,
 - iii. cross-cutting fuel efficiency opportunities are not lost (i.e., avoiding the problem where electric or natural gas utilities resist applying efficiency funds from their ratepayers in a way that would benefit competing fuel businesses, such as by using electric ratepayer funds to insulate the attic of a home heated by oil).

- b. Dedicate funds from RGGI auction proceeds, within the 15% of funds allowed to be used on non-electric projects, for commercial and residential thermal efficiency programs, provided that there is no less than 1 for 1 matching funds available from the relevant fuel sector (oil/kerosene/propane, natural gas, or biomass). See Table 1, below, for illustrative potential revenue levels. RGGI proceeds will only start to flow in late 2008 at the earliest, but more likely will not accumulate to much until late 2009 or early 2010.
 - i. LD 1851 provides that all RGGI proceeds under \$5/allowance go to energy efficiency, and that for the first 3 years not less than 85% go to electric efficiency programs that reduce GHG. For the first 3 years, up to 15% could go to thermal efficiency programs, but it should be recognized that there will be other competing and meritorious uses for this money
 - ii. Should the state succeed in advocating that all participating RGGI states incorporate the auction reserve price/retirement mechanism to reduce any unintended carbon cap surplus, auction proceeds could then be accelerated to the range of \$10-20 million/year as early as 2009. 15% of this amount (\$1.5-3 million/year) could go for oil efficiency programs.
 - iii. Consider a small efficiency charge on wholesale fuels to support a home heating oil/propane efficiency fund. Such efforts are emerging in other states (e.g., MA, CT) with high market penetration of home heating oil and propane and are supported by the states' fuel oil industry
 - iv. Establish an oil security charge on wholesale fuel oil imports to Maine that are used for the following purposes:
 - 1. energy efficiency and weatherization (and matching funds for use of Energy and Carbon Savings Trust funds)
 - 2. construction of new storage capacity for emergency fuel oil reserves in Maine (supplementing federal reserves held out of state) and keeping a supply of reserves on hand
 - 3. provide insurance against oil dealers that are unable to meet obligations under pre-paid contracts
- c. Employ planning and administration consistent with "best practices" of other types of efficiency programs and consistent with a coordinated approach to planning and delivering energy efficiency resources throughout Maine.
 - i. Such programs should be administered by an entity having no conflict of interest, *i.e.*, that will not lose money if programs succeed in reducing rates of consumption. We recommend that the authority of the Energy and Carbon Saving Trust established in LD 1851 be expanded to accommodate administration of efficiency funds from the oil/kerosene/propane sector.
 - ii. The administrator should select one or more businesses and/or government agencies or programs for program delivery using competitive solicitations.
 - iii. The administrator's plan and other critical decisions, such as bid specifications for program delivery RFPs, should be co-developed and approved by the Maine Energy Conservation Board and consistent with the Triennial Plan (see Cross-cutting Issues, below) and coordinated with the programs of Efficiency Maine, Northern Utilities, and the Energy and Carbon Saving Trust.

- d. Recognize that no RGGI funds will flow this winter and levels of proceeds cannot be predicted, therefore could not suffice for a guaranteed revenue stream (i.e., to bond against).
 - e. Begin discussion of establishing an assessment on #2 distillate fuel in Maine to fund efficiency programs administered by the Energy and Carbon Savings Trust and for use in matching RGGI funds. See Table 1, below.
2. Natural gas
- a. Increase the size of the funding for Northern Utilities' Income Eligible Program and MultiFamily Business Customers program to a level necessary to capture all cost-effective energy efficiency potential;
3. Electric
- a. Adopt an additional energy efficiency assessment, under new authority of LD 1851, to expand electric efficiency investment levels necessary to capture all cost-effective energy efficiency opportunities.
4. General (Cross-cutting) Policy
- a. Establish consensus around the need for a multi-fuel (or "fuel neutral") approach to energy efficiency programs, featuring a consolidation of all statewide efficiency programs under a single, comprehensive, coordinated plan that is collaboratively developed by various efficiency program administrators and delivery agents (Efficiency Maine, Northern Utilities, and the Energy and Carbon Savings Trust) and the Maine Energy Conservation Board (established in LD 1851). The Triennial Plan conceived of in LD 1851 should be expanded to encompass all relevant fuel types and efficiency programs.
 - b. The PUC should have authority to approve, reject or amend elements of the Plan that rely on funding from regulated utility ratepayers.
5. Building Energy Codes
- a. Enhance consumer protection for owners and buyers of commercial or residential buildings by:
 - (1) extending Maine's Model Building Energy Code for residential new construction to all municipalities,
 - (2) enhance compliance with the building energy code by establishing and training a new cadre of building energy inspectors (code enforcement officers) to be certified by the State Planning Office,
 - (3) offer subsidized training programs in energy efficiency to builders, architects, developers
 - (4) require disclosure of buildings' energy inspections and energy performance ratings in real estate marketing information, purchase and sale agreements, and deed registries;
 - (5) offer financial incentives for construction of high-performance buildings, and for retrofits of existing buildings at the point of sale.

**Table 1 – Illustration: Potential Funds Raised
(using 2005 Maine Fuel Oil and Kerosene
Consumption Levels)**

Fuel type and consumer sector	Gallons consumed	@ 2 cents/gallon (\$ million)	@ 5 cents/gallon (\$ million)
Residential Fuel Oil	353 million	\$7.06	\$17.65
Residential Kerosene	71 million		
Commercial Fuel Oil	96 million		
Commercial Kerosene	9 million		
Sub-Total Resid and Cmml FO and Kero	529 million	\$10.58	\$26.45

Source: 2005 EIA Data on Maine Fuel Oil and Kerosene Consumption