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Testimony of ENE in Support of LD 886: An Act to Secure Maine's Energy Future

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Presented to the Joint Select Committee on Maine's Energy Future

**Augusta, Maine
March 11, 2009**

Chairman Bartlett, Chairman Martin, Honorable Members of the Committee:

Thank you for giving us this opportunity to express our support for the Speaker's bill, LD 886 – An Act to Secure Maine's Energy Future.

Environment Northeast (ENE) is a nonprofit, nonpartisan organization incorporated in Maine that provides research, analysis and advocacy on environmental policies for the Northeast United States and Eastern Canada. ENE is a long-time advocate of energy efficiency and clean energy policies in Maine and currently holds one of four appointed seats on the Energy Conservation Board that advises Efficiency Maine and the Energy and Carbon Savings Trust (also called the RGGI Trust).

After several years of mulling the trends, we can all see the writing on the wall: It is economically and environmentally unsustainable for our state to continue heating 80% of homes and businesses with a finite, high-carbon, high-priced fuel that is increasingly in demand around the globe. Moreover, we can all see that energy efficiency programs offer a solution that is tested, cost-effective, and hugely successful. We are not suggesting that energy efficiency programs solve all of our heating challenges; we are saying that we cannot solve our heating challenges unless energy efficiency programs are a significant piece of the equation.

ENE supports LD 886 because it addresses two essential needs if Maine's energy policy is to succeed in the years ahead:

1. LD 886 establishes the Heating Fuel Efficiency and Weatherization Fund, which will remedy the lack of energy efficiency and weatherization programs available to Maine businesses and residents seeking help to manage their heating bills; and
2. LD 886 gives Efficiency Maine heightened status and an enhanced corporate structure that will improve its efficiency and effectiveness while also providing a more robust system of checks and balances to make sure these funds are well spent.

The benefits that Maine will see from adoption of this legislation are large and urgently needed. We estimate that the Fund's investments in weatherization and more efficient, cleaner heating systems will save more than \$1 billion in avoided energy costs, leaving that money in the local economy rather than being shipped out of state for imported fuels. Most states heat with natural gas instead of heating oil,

and in those states energy efficiency programs have succeeded in saving as much as 20-30% of a homeowner's heating requirement with a benefit to cost ratio of 4:1.

LD 886 proposes to do the same in Maine for homeowners heating with oil, kerosene or propane. For an average Maine homeowner, who consumes 800 gallons of heating oil per year, this would save \$400 every year (assuming prices stay at today's levels). For an average business consumer, the potential savings will be closer to 10%. Various economic studies suggest that energy efficiency programs generate about 10 direct jobs for every annual \$1 million spent, which leads us to estimate that LD 886 would bring more than 250 direct jobs into the state, and several times more than that for indirect jobs.

Good things about the bill that ENE would like to draw your attention to include:

- Workforce Training -- Money from the Fund can be used for training of new workers (or retraining of unemployed workers from other trades) and certification.
- The Charge -- The System Benefit Charge on heating fuels is assessed on wholesalers "at the terminal," the same as is now done for the Ground Water Oil Clean-up Fund and the Maine Coastal and Inland Surface Oil Clean-up Fund which minimizes administrative burdens of collecting the fee; it is assessed as a flat rate (\$/gal) rather than using Vermont's approach of charging a tax on heating oil as a percentage of sales; and it starts low (less than \$1.70/month for an average residential customer) and ramps up gradually over a decade.
- Sustained Program -- The bill recognizes the need for at least a 10-year, sustained plan for funding heating fuel efficiency programs and takes responsibility for this need by providing a stable funding stream that starts small and rises gradually; it does not rely exclusively on bonds or federal stimulus funds, both of which will be used up long before the job is done.
- Cost-Effective -- Every investment using funds from the System Benefit Charge needs to pass a cost-effectiveness test, meaning programs are objectively screened and must demonstrate that they will save more money than they cost.
- Loans -- The bill recognizes that loan programs have been extremely unsuccessful except where they are offered in conjunction with more traditional efficiency measures, such as technical assistance and cost buy-downs or rebates; a loan-only program is not a meaningful solution.
- Consumer Orientation -- The bill puts the consumer first in efficiency programs, making it possible for efficiency programs to address all the energy needs of customers regardless of what type of fuel they use for heat, and integrating the delivery of energy services to treat both the electric and heating efficiency opportunities for a customer at the same time.
- Checks and Balances -- By making the Efficiency Maine Trust an independent non-profit corporation with an independent Board of Trustees (representing a cross section of stakeholders and government), and by moving the duties of administering programs out of the PUC and into the independent Trust while giving the PUC oversight powers, the bill enhances checks and balances and ensures that Maine will not be the only state in the nation where efficiency programs are both operated and overseen by a single agency of government;
- Accountability -- LD 886 enables regulators, policymakers and stakeholders to make sure that the funds are effectively and efficiently spent by: setting objectives and quantifiable targets; requiring the Efficiency Maine Trust to set and meet performance measures; authorizing the PUC to oversee and approve the budget for ratepayer funds, 3-year plan, annual plan updates, performance metrics, and independent evaluations before the Trust's work can proceed; using the power of (re)appointments for members of the Board of Trustees.

- Minimizing disruption— The bill has made an effort to retain institutional roles, honor past legislative bargains, and stick to familiar models where new changes are made so that program delivery will not be disrupted during the transition. Most of what policymakers and stakeholders will see will look much the same as before. None of the substance, objectives or criteria are altered in the statutes that establish the electric conservation fund or the RGGI Trust Fund. Both the Maine State Housing Authority and the natural gas utilities retain the leading role in delivering programs to low income and natural gas customers, respectively. Other than the advent of the Heating Fuels Fund, the only significant change to efficiency programs is making Efficiency Maine an independent, nonprofit corporation. This model is drawn from numerous examples of what is already working in Maine and other states. Much of the powers and duties of the Trust were adapted from Maine examples, like MTI (the Maine Technology Institute); the School and Library Fund; the Kim Wallace Equipment Loan Fund. The general concept for using an independent third party administrator is taken from the model now being used in Vermont, Oregon, Nova Scotia and Hawaii, four jurisdictions that, like Maine, chose not to administer efficiency programs through the utilities.

In closing, ENE urges this committee to vote Ought to Pass on LD 886, and to work with your colleagues in the legislature to pass this legislation to take effect this year. This is an issue that has been worked on for long enough. Five years ago, ENE started working with the oil dealers association and other stakeholders on ideas about how to use efficiency to reduce oil bills and greenhouse gas emissions. Four years ago, we passed legislation directing the natural gas utility to establish an energy efficiency program. Three years ago, we tried by failed to pass minimum efficiency standards for new furnaces and boilers. Two years ago, the governor established the Pre-Emergency Energy Task Force to explore options for reducing heating bills. Last year, that Task Force recommended establishing efficiency programs to help consumers of all income levels and all fuel types. Subcommittees were formed, and stakeholders met to discuss the best ways to fund and administer such an integrated efficiency program. The Office of Public Advocate recommended merging Efficiency Maine and the RGGI Trust. In the fall, forums led by the PUC, the RGGI Trust, and the Energy Conservation Board dug deeper into the questions about how the pieces would fit together. We don't really need more time. We need to pull together to make this work, and we need to do it this year.

Respectfully submitted,

/Michael D. Stoddard/

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