An Act to Reduce Energy Costs, Increase Energy Efficiency, Promote Electric Reliability and Protect the Environment

Be it enacted by the People of the State of Maine as follows:

Sec. 1 The Legislature finds:

A) The public health, safety and welfare have long been impaired by the limited energy choices and the high cost of energy available in Maine; Maine's electricity rates currently are twelfth highest in the Nation; Maine's natural gas prices are among the highest in the Nation; in 2012, the cost of heating and lighting the average Maine home was $3,300 per year, compared to an average of $2,000 per year for the rest of the Nation; in 2012, seventy percent of Maine homes were heated with oil; nationally, seven percent of homes heat with oil; in combination with Maine's climate, these factors have weakened Maine's economy and imposed painful choices on residents and businesses.

B) Despite public and private efforts to reduce energy costs, with some recent success due to declines in natural gas prices and expanded energy efficiency, Maine faces substantial increases in energy costs in 2013, which will continue to rise for several years thereafter and the increased possibility of loss of regional electric grid reliability beginning in 2013, due to three factors:

   i. The projected continued high cost of heating oil and gasoline;
   ii. The placing in the rates of New England transmission and distribution utilities over several years of ten billion dollars in transmission upgrades, costing Maine electricity consumers more than one hundred million dollars per year, and
   iii. Substantial increases in the price of natural gas due to inadequate natural gas pipeline capacity into Southern New England during heating season; this could raise electricity and natural gas costs to Maine consumers by more than two hundred million dollars per year beginning in 2013, and will threaten regional electric grid reliability.

C) The huge size, timing and unique characteristics of these cost increases and the threat to grid reliability require prompt and strategic responsive action by public officials and agencies charged with protecting the public health, safety and welfare.

D) The Maine Public Utilities Commission has responded in part by authorizing customer rebate and on-bill financing programs by gas and transmission and distribution utilities; including:

i. On September 19, 2012, in Docket No. 2012-343, the Maine Public Utilities Commission authorized Bangor Hydro Electric Company to implement on-bill financing in a pilot program to provide financial assistance to customers in connection with the installation of electric heat-pump heating systems. Efficiency Maine Trust was a party to and agreed to this stipulation.

ii. On January 29, 2013, in Docket No. 2012-258, the Maine Public Utilities Commission authorized Summit Natural Gas of Maine to offer qualifying cost rebates to residential consumers for equipment purchase, conversion and installation necessary for households to burn natural gas fuel. The Commission observed that "State energy officials have recently endorsed natural gas as a desirable fuel that can reduce Maine's dependency on the volatile and higher priced world oil markets, benefitting consumers and businesses. Equipment and conversion rebates are a tool that may assist Maine's consumers in making a transition by making the upfront capital expenditures more affordable. This is especially important for low income residential consumers, who are eligible for a more generous rebate under the Plan." Efficiency Maine Trust was a party to and agreed to this stipulation.

E) Public officials and agencies shall accomplish the following actions to address these cost increases and grid reliability threats:

i. In every reasonable manner, reduce the cost of energy to the residents of the state – to the extent practicable, focus expenditures and actions to lower costs or avoid cost increases in the years 2013-2018.

ii. Through design of rates and programs of transmission and distribution utilities and gas utilities and the programs of Efficiency Maine Trust, reduce the share of regional capacity, energy and transmission costs to be paid by residents of the State.

iii. Through a newly created natural gas pipeline capacity purchase capability of the Public Utilities Commission and through the participation in regional energy organizations by public and utility officials, cause the development by 2017 of at least two billion cubic feet per day of additional natural gas pipeline capacity into Southern New England; this will substantially eliminate the so-called "basis differential" which has dramatically increased the cost of natural gas

and the cost of electricity in New England, and will help to ensure the reliability of the New England electric grid.

iv. Employ the Public Utilities Commission, Finance Authority of Maine, Office of Public Advocate, Governor's Energy Office and Efficiency Maine Trust and their enhanced resources to help defend and protect Maine's vulnerable residents and energy-sensitive economic sectors from the effects of current high energy cost levels and anticipated energy cost increases.

v. Increase energy choice and lower energy costs in heating by facilitating the rapid build-out of the natural gas distribution system in the state; permit as may be appropriate in light of the programs of Efficiency Maine Trust, utility grant, loan and on-bill financing, at the option of the utility, for customer installation of energy efficiency measures and efficient heating technologies, including furnaces such as pellet boilers, heaters for any fuel and all useful energy technologies, such as heat pumps.

PART A

FUNDING OF ENERGY EFFICIENCY AND HEATING IMPROVEMENTS

Sec. A-1. Declaration of Energy, Environmental, Efficiency and Reliability Policy: 35-A MRSA Chapter 96 is enacted as follows:

It is the policy of the State of Maine to reduce energy costs, promote electric efficiency and electric grid reliability, protect the environment and improve security of the state and local economies, to help individuals and businesses meet their energy needs at the lowest cost and generally to improve the economic and environmental security and electric grid reliability of the State by:

(1) Reducing the cost of energy to residents of the State;

(2) Maximizing the use of cost-effective weatherization and energy efficiency measures, including measures that improve the energy efficiency of energy-using systems, such as heating and cooling systems and system upgrades to energy efficient systems that rely on affordable energy resources;

(3) Reducing economic insecurity from the inefficient use of expensive fossil fuels;

(4) Increasing new jobs and business development to deliver affordable energy and energy efficiency products and services;

(5) Enhancing heating benefits for households of all income levels through implementation of cost-effective efficiency programs, including weatherization

programs and affordable heating systems, that will produce comfort, improve indoor air quality, reduce energy costs for those households and reduce the need for future fuel assistance;

(6) Simplifying and enhancing consumer access to technical assistance and financial incentives relating to energy efficiency and the use of alternative energy resources by merging or coordinating dispersed programs under a single administrative unit possessing independent management and expertise; and

(7) Using cost-effective energy and energy efficiency investments to reduce greenhouse gas emissions;

(8) Facilitating the reduction in consumer reliance on oil for heating, manufacturing and transportation purposes.

(9) Facilitating the transition of consumers to reliance on less expensive and less polluting energy sources.

(10) Ensuring adequate electricity and natural gas supply in New England, eliminating the natural gas so-called "basis differential" substantially and, thereby, protecting the reliability of the regional electric grid.

Sec. A-2. 35-A MRSA §3210-C, sub-§12, as enacted by PL 2011, c. 413, §3, is repealed.

Sec. A-3. 35-A MRSA §10103, sub-§1, ¶B, as enacted by PL 2009, c. 372, Pt. B, §3, is repealed and the following enacted in its place:

B. Reduce energy costs and improve security of the state and local economies. The trust shall administer cost-effective energy and energy efficiency programs consistent with applicable requirements of this chapter or other law to help individuals and businesses meet their energy needs at the lowest cost and generally to improve the economic security of the State by:

(1) Reducing the cost of energy to residents of the State;

(2) Maximizing the use of cost-effective weatherization and energy efficiency measures, including measures that improve the energy efficiency of energy-using systems,e such as heating and cooling systems and system upgrades to energy efficient systems that rely on affordable energy resources;

(3) Reducing economic insecurity from the inefficient use of expensive fossil fuels;

(4) Increasing new jobs and business development to deliver affordable energy and

energy efficiency products and services;

(5) Enhancing heating improvements for households of all income levels through implementation of cost-effective efficiency programs, including weatherization programs and affordable heating systems, that will produce comfort, improve indoor air quality, reduce energy costs for those households and reduce the need for future fuel assistance;

(6) Simplifying and enhancing consumer access to technical assistance and financial incentives relating to energy efficiency and the use of alternative energy resources by merging or coordinating dispersed programs under a single administrative unit possessing independent management and expertise; and

(7) Using cost-effective energy and energy efficiency investments to reduce greenhouse gas emissions;

Sec. A-4. 35-A MRSA §10103, sub-§1, ¶D, as enacted by PL 2009, c. 372, Pt. B, §3, is amended to read:

D. Actively promote investment in cost-effective energy and energy efficiency measures and systems that use ~~alternative~~ energy resources that reduce overall energy costs for consumers in the State.

Sec. A-5. 35-A MRSA §10103, sub-§4, as amended by PL 2009, c. 655, Pt. B, §3, is further amended to read:

4. Program funding. The board may apply for and receive grants from state, federal and private sources for deposit into appropriate program funds including funds for both residential and business programs. The board may deposit in appropriate program funds the proceeds of any bonds issued for the purposes of programs administered by the trust. The board may receive and shall deposit in appropriate program funds revenue resulting from any forward capacity market or other capacity payments from the regional transmission organization that may be attributable to by those projects funded by those funds. The board shall deposit into appropriate program funds revenue transferred to the trust from the energy infrastructure benefits fund pursuant to Title 5, section 282, subsection 9 for use in accordance with subsection 4-A. The board may also deposit any grants or other funds received by or from any entity with which the trust has an agreement or contract pursuant to this chapter if the board determines that receipt of those funds is consistent with the purposes of this chapter.

Sec. A-6. 35-A MRSA §10103, sub-§4-A, ¶A, as enacted by PL 2009, c. 655, Pt. B, §4, is repealed and the following enacted in its place:

A. To improve the State's economy, the trust shall pursue lower energy costs for people, communities and businesses in a manner that will enhance the environment of the State and is in accordance with the triennial plan. In the expenditure of funds pursuant to this paragraph, the trust may provide grants, loans, programs and incentives.

Sec. A-7. 35-A MRSA §10104, sub-§1, as enacted by PL 2009, c. 372, Pt. B, §3, is amended to read:

1. Generally. In accordance with this section and other applicable law, the trust administers and disburses funds and coordinates programs to promote reduced energy costs, energy efficiency and increased use of alternative energy resources in the State. The trust is responsible for accounting for, evaluating and monitoring all activities of the trust and all programs funded in whole or in part by the trust.

Sec. A-8. 35-A MRSA §10104, sub-§2, ¶B, as enacted by PL 2009, c. 372, Pt. B, §3, is amended to read:

B. The effectiveness of programs is maximized by building up and centralizing expertise, addressing conflicts of interest, mitigating the influence of politics, promoting flexible, timely program management and providing a champion for funding cost-effective energy and energy efficiency programs;

Sec. A-9. 35-A MRSA §10104, sub-§3, as enacted by PL 2009, c. 372, Pt. B, §3, is amended to read:

3. Measures of performance. The trust shall develop quantifiable measures of performance for all programs it administers and to which it will hold accountable all recipients of funding from the trust and recipients of funds used to deliver energy and energy efficiency and weatherization programs administered or funded by the trust. Such measures may include, but are not limited to, reduced energy consumption, increased use of alternative energy resources, reduction in heating costs, reduced capacity demand for natural gas, electricity and fossil fuels, reduced carbon dioxide emissions, program and overhead costs and cost-effectiveness, the number of new jobs created by the award of trust funds, the number of energy efficiency trainings or certification courses completed and the amount of sales generated.

Sec. A-10. 35-A MRSA §10104, sub-§4, ¶A, as enacted by PL 2009, c. 372, Pt. B, §3, is amended to read:

A. The triennial plan must be developed by the trust, in consultation with entities and agencies engaged in delivering efficiency programs in the State, to authorize and govern or coordinate implementation of energy efficiency and weatherization programs in the State. The triennial plan must identify all achievable cost-effective energy efficiency savings and related programs that could be implemented pursuant to sections 10110 and 10111, the costs and benefits of such programs and the basis and support for such identified costs and benefits. The trust shall conduct an evaluation of all the cost-effective potential for electrical and natural gas energy efficiency savings in the State at least once every 5 years.

(1) Transmission and distribution utilities and natural gas utilities shall furnish data to the trust that the trust requests under this subsection to develop and implement the plan subject to such confidential treatment as a utility may request and the board determines appropriate pursuant to section 10106. The costs of providing the data are deemed reasonable and prudent expenses of the utilities and are recoverable in rates.

Sec. A-11. 35-A MRSA §10104, sub-§4, ¶C, as enacted by PL 2009, c. 372, Pt. B, §3, is amended to read:

C. The board shall review and approve the triennial plan by affirmative vote of 2/3 of the trustees upon a finding that the plan is consistent with the statutory authority for each source of funds that will be used to implement the plan, advances the state energy efficiency targets in paragraph F and reflects the best practices of program administration under subsection 2. The plan must include, but is not limited to, efficiency and conservation program budget allocations, objectives, targets, measures of performance, program designs, program implementation strategies, timelines and other relevant information.

Sec. A-12. 35-A MRSA §10104, sub-§4, ¶D, as amended by PL 2009, c. 518, §8, is further amended to read:

D. Prior to submission of the triennial plan to the commission, the trust shall offer to provide a detailed briefing on the draft plan to the joint standing committee of the Legislature having jurisdiction over energy matters and, at the request of the committee, shall provide such a briefing and opportunity for input from the committee. After providing such opportunity for input and making any changes as a result of any input received, the board shall deliver the plan to the commission for its review and approval. The commission shall open ~~a~~an adjudicatory proceeding and issue an order either approving the plan and issuing the appropriate orders to transmission and distribution utilities and gas utilities or rejecting the plan and stating the reasons for the rejection. The commission shall reject elements of the plan that propose to use funds generated pursuant to sections 3210-C, 10109, 10110, 10111 or 10119 if the plan fails to reasonably explain how these elements of the program would achieve the objectives and implementation requirements of the programs established under those sections or the measures of performance under subsection 3. Funds generated under these statutory authorities may not be used pursuant to the triennial plan unless those elements of the plan proposing to use the funds have been approved by the commission. The commission shall approve ~~or reject any~~all elements of the triennial plan shown to be cost-effective and shall incorporate into rates sufficient revenue to procure energy efficiency resources identified within the plan pursuant to section 10110, subsection 4-A and section 10111, subsection 2 within ~~60~~120 days of its delivery to the commission. The board, within ~~15~~30 days of final commission approval of its plan, shall submit the plan to the joint standing committee of the Legislature having jurisdiction over energy matters together with any explanatory or other supporting material as the committee may request and, at the request of the committee, shall provide a detailed briefing on the final plan. ~~After receipt of the plan, the joint standing committee of the Legislature having jurisdiction over energy matters may submit legislation relating to the plan.~~

Sec. A-13. 35-A MRSA §10104, sub-§4, ¶F, as amended by PL 2009, c. 518, §8, is repealed and the following enacted in its place:

F. It is an objective of the triennial plan to design, coordinate and integrate sustained energy efficiency and weatherization programs that are available to all energy consumers in the State, for all fuel types. The plan must set forth the costs and benefits of energy

efficiency programs that advance the following goals and funding necessary to meet those goals.

(1) Reducing energy costs, including residential heating costs.

(2) Weatherizing substantially all homes willing to participate in and share the costs of cost-effective home weatherization are to a minimum standard of weatherization, as defined by the trust, by 2030;

(3) Reducing electric peak-load demand through trust programs by 300 megawatts by 2020;

(4) Achieving by 2020, electricity and natural gas program savings of at least 20% and heating fuel savings of at least 20%, as defined in and determined pursuant to the measures of performance ratified by the commission under section 10120, are;

(5) Creating stable private sector jobs providing clean energy and energy efficiency products and services in the State are created by 2020; and

(6) Reducing greenhouse gas emissions from the heating and cooling of buildings in the State by amounts consistent with the State's goals established in Title 38, section 576.

The trust shall preserve when possible and appropriate the opportunity for carbon emission reductions to be monetized and sold into a voluntary carbon market. Any program of the trust that supports weatherization of buildings must be voluntary and may not constitute a mandate that would prevent the sale of emission reductions generated through weatherization measures into a voluntary carbon market.

Except where specifically provided in the individual goals, the trust may consider expected savings from market effects not attributable to the trust as well as efforts by other organizations, including but not limited to federally funded low-income weatherization programs:

As used in this paragraph, "heating fuel" means liquefied petroleum gas, kerosene or #2 heating oil, but does not include fuels when used for industrial or manufacturing processes.

Sec. A-14 35-A MRSA §10109 subsection 3, as enacted by PL 2009 C. 372 Pt. B §3 is repealed.

Sec. A-15. 35-A MRSA §10109, sub-§4, ¶A, as enacted by PL 2009, c. 372, Pt. B, §3, is amended to read:

A. During the years ~~2009~~2014, ~~2010~~2015 and ~~2011~~2016, not less than ~~85%~~50% of the trust fund must be allocated for measures, investments and arrangements that reduce electricity consumption or reductions in greenhouse gases that lower energy costs at commercial or industrial facilities, and ~~not more than~~ ~~15%~~35% must be ~~allocated for fossil fuel conservation measures, investments and arrangements.~~ used for investment in measures that lower residential heating energy demand consistent with greenhouse gas reduction. The residential measures must be fuel-neutral and may include, but are not limited to, energy efficiency improvements to residential buildings and upgrades to efficient heating systems that will reduce residential energy costs and greenhouse gas emissions, as determined by the board. Fifteen % of the trust fund during these years shall be transferred to the commission. The commission will direct transmission and distribution utilities to disburse the funds to ratepayers as prescribed by the commission in a manner to provide maximum benefit to the Maine economy. Subject to the apportionment ~~between fossil fuel and electricity conservation~~ pursuant to this subsection, the trust shall fund conservation programs that give priority to measures with the highest benefit-to-cost ratio, as long as cost-effective collateral efficiency opportunities are not lost, and that:

(1) Reliably reduce greenhouse gas production and thermal energy costs by fossil fuel combustion in the State at the lowest cost in funds from the trust fund per unit of emissions; or

(2) Reliably reduce the consumption of electricity in the State at the lowest cost in funds from the trust fund per kilowatt-hour saved.

B. Expenditures from the trust fund relating to conservation of electricity and mitigation or reduction of greenhouse gases must be made predominantly on the basis of a competitive bid process for long-term contracts, subject to rules adopted by the board under section 10105. Rules adopted by the board to implement the competitive bid process under this paragraph may not include an avoided cost methodology for compensating successful bidders. Bidders may propose contracts designed to produce greenhouse gas savings or electricity conservation savings, or both, on a unit cost basis. Contracts must be commercially reasonable and may require liquidated damages to ensure performance. Contracts must provide sufficient certainty of payment to enable commercial financing of the conservation measure purchased and its installation.

C. The board may target bid competitions in areas or to participants as they consider necessary, as long as the requirements of paragraph A are satisfied.

D. ~~Nonelectric savings programs must be used to maximize fossil fuel energy efficiency and conservation and associated greenhouse gas reductions, subject to the apportionment between fossil fuel and electricity conservation set forth in paragraph A.~~ Nonelectric savings programs must be used to maximize fossil fuel energy efficiency and conservation and associated greenhouse gas reductions, subject to the apportionment ~~between fossil fuel and electricity conservation~~ set forth in paragraph A. Community-based renewable energy projects, as defined in section 3602, subsection 1, may apply for funding from the trust as nonelectric savings programs.

E. The size of a project funded by the trust fund is not limited as long as funds are

awarded to maximize energy efficiency and support greenhouse gas reductions and to fully implement the triennial plan.

F. No more than $800,000 of trust fund receipts in any one year may be used for the costs of administering the trust fund pursuant to this section. The limit on administrative costs established in this paragraph does not apply to the following costs that may be funded by the trust fund:

(1) Costs of the Department of Environmental Protection for participating in the regional organization as defined in Title 38, section 580-A, subsection 20 and for administering the allowance auction under Title 38, chapter 3-B; and

G. In order to minimize administrative costs and maximize program participation and effectiveness, the trustees shall, to the greatest extent feasible, coordinate the delivery of and make complementary the energy efficiency programs under this section and other programs under this chapter.

H. The trust shall consider delivery of efficiency programs by means of contracts with service providers that participate in competitive bid processes for reducing energy consumption within individual market segments or for particular end uses.

I. A trade association aggregator is eligible to participate in competitive bid processes under this subsection.

J. Trust fund receipts ~~may~~shall fund research approved by the Department of Environmental Protection in an amount of up to $100,000 per year to develop new categories for carbon dioxide emissions offset projects, as defined in Title 38, section 580-A, subsection 6, that are located in the State. Expenditures on research pursuant to this paragraph are not considered administrative costs under paragraph ~~F~~F-1.

Sec. A-16. 35-A MRSA §10110, sub-§2, ¶B, as enacted by PL 2009, c. 372, Pt. B, §3, is amended to read:

B. The trust, with regard to ~~the assessment imposed under subsection 4~~funds available to the trust in this section, shall:

(1) Target at least ~~20%~~10% of ~~funds~~electric conservation for ratepayers or $2,600,000, whichever is greater, to programs for low-income residential consumers, as defined by the board by rule;

(2) Target at least ~~20%~~10% of ~~funds~~electric conservation for ratepayers or $2,600,000, whichever is greater, to programs for small business consumers, as defined by the board by rule; and

(3) To the greatest extent practicable, apportion remaining funds among customer groups and geographic areas in a manner that allows all other customers to have a reasonable opportunity to participate in one or more conservation programs.

Sec. A-17. 35-A MRSA §10110, Sub-§2 ¶B is further amended by adding a new Paragraph L as follows:

L. Litigation Damage Awards

For the fiscal years 2014 and 2015, the commission shall direct any transmission and distribution utility that is the recipient of funds pursuant to a damage award received pursuant to litigation with the U.S. Department of Energy concerning decommissioning costs relating to Maine Yankee Atomic Power Company to disburse, upon receipt of said funds, 55% of any amount received to the Trust to be utilized by the Trust for the electric efficiency and conservation programs in accordance with its triennial plan. The commission shall further direct the transmission and distribution utility to disperse the remaining 45% of any damage award in fiscal years 2014 and 2015, and 100% in subsequent years, in ways as prescribed by the commission which provide maximum benefit to the Maine economy.

Sec. A-18. 35-A MRSA §10110, sub-§4, as enacted by PL 2009, c. 372, Pt. B, §3, is repealed effective July 1, 2015.

Sec. A-19. 35-A MRSA §10110, sub-§4-A is enacted effective January 1, 2015, to read:

4-A. Procurement of all cost-effective energy efficiency resources. The commission shall ensure that electric ratepayers in the State procure all electric energy efficiency resources found by the commission to be cost-effective, reliable and achievable pursuant to section 10104, subsection 4. The procurement of cost-effective electric energy efficiency resources is a just and reasonable element of rates. The commission may issue any appropriate orders to transmission and distribution utilities necessary to achieve the goals of this subsection. In determining the amount of cost-effective efficiency resources that must be procured by electric ratepayers, the commission shall give consideration to the following:

1. electric energy efficiency resources that are reasonably foreseeable to be achieved by the trust through all other sources of revenue, including but not limited to the Regional Greenhouse Gas Initiative Trust Fund under sections 10109 and 10110, sub-2, Section L;

2. ensuring calculations of avoided costs and trust budget that the commission has a high degree of confidence are reasonable and based on sound evidence, including but not limited to assumptions for measure life and long-term supply; and

3. maximizing total electric savings for all ratepayers.

Sec. A-21. 35-A MRSA §10110, sub-§8, as enacted by PL 2009, c. 372, Pt. B, §3, is amended to read:

8. Conservation administration fund. The trust may transfer up to 9% of funds collected pursuant to this section to its ~~shall establish a conservation~~ administration fund to be used solely to defray administrative costs. ~~commission~~Any interest on funds in the administration fund must be credited to the administration fund and any funds unspent in any fiscal year must either remain in the administration fund to be used to defray administrative costs or be transferred to the program fund.

Sec. A-22. 35-A MRSA §10110, sub-§10, as enacted by PL 2009, c. 372, Pt. B, §3, is amended to read:

10. Funds held in trust. All funds collected from electricity consumers pursuant to this section are collected under the authority and for the purposes of this section and are deemed to be held in trust for the purposes of benefiting electricity consumers. In the event funds are not expended or contracted for expenditure within 2 years of being collected from consumers, the commission shall require the trust to return the value of those funds to consumers ~~by appropriate reductions in the assessment collected pursuant to subsection 4~~.

Sec. A-23. 35-A MRSA §10111, sub-§2, as amended by PL 2011, c. 637, §7, is further amended to read:

2. Funding level. The natural gas conservation fund, which is a nonlapsing fund, is established to carry out the purposes of this section. The commission shall assess each gas utility ~~that serves at least 5,000 residential customers an amount that is no less than 3% of the gas utility's delivery revenues as defined by commission rule. In~~in accordance with the triennial plan~~, the commission may assess a higher amount~~an amount necessary to capture all cost-effective energy efficiency that is achievable and reliable. All amounts collected under this subsection must be transferred to the natural gas conservation fund. Any interest on funds in the fund must be credited to the fund. Funds not spent in any fiscal year remain in the fund to be used for the purposes of this section.

The assessments charged to gas utilities under this section are just and reasonable costs for rate-making purposes and must be reflected in the rates of gas utilities.

All funds collected pursuant to this section are collected under the authority and for the purposes of this section and are deemed to be held in trust for the purposes of benefiting natural gas consumers served by the gas utilities assessed under this subsection. In the event funds are not expended or contracted for expenditure within 2 years of being collected from consumers, the commission shall return the value of those funds to consumers by appropriate reductions in the assessment collected pursuant to this subsection.

Rules adopted by the commission under this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

Sec. A-24. 35-A MRSA §10120, sub-§3, as enacted by PL 2009, c. 372, Pt. B, §3, is amended to read:

3. Oversight and evaluation fund. The commission ~~may~~shall establish an oversight and evaluation fund to be used solely to defray the commission's projected costs of ~~overseeing~~ongoing oversight of the trust, including but not limited to reviewing the trust's calculation of program costs and benefits, measurement and verification procedures and program evaluations and reviewing and approving the triennial plan ~~and contracting~~. The commission may use funds to contract with expert 3rd-party resources to provide technical assistance or impartial evaluation of the performance of energy efficiency programs administered by the trust. The commission may assess the trust an amount not to exceed 1% of the total funds administered by the trust, and the trust shall transfer that amount to the commission to be deposited into the oversight and evaluation fund. Any interest on funds in the oversight and evaluation fund must be credited to the oversight and evaluation fund and any funds unspent in any fiscal year must either remain in the oversight and evaluation fund to be used for the purposes specified in this subsection or be transferred to the trust for deposit in appropriate program funds.

Sec. A-25. 35-A MRSA §122, sub-§6-B, as enacted by PL 2011, c. 652, §13 and affected by §14, is amended to read:

6-B. Revenue from energy infrastructure corridors. Notwithstanding subsection 6-A, ~~90%~~20% of the revenues generated from the use of statutory corridors designated under subsection 1-A, paragraphs A and B owned by the Department of Transportation within energy infrastructure corridors must be deposited into the Secondary Road Program Fund established in Title 23, section 1803-C and ~~10%~~80% of the revenues must be deposited into the energy infrastructure benefits fund established in Title 5, section 282, subsection 9.**PART B**

ENERGY COST REDUCTION

Sec. B-1. 10 MRSA §963-A, sub-§11-A is enacted to read:

11-A. Energy cost-reduction contract. "Energy cost-reduction contract" means a contract executed in accordance with Title 35-A, chapter 19 to procure natural gas pipeline capacity.

Sec. B-2. 10 MRSA §1041, sub-§2-A is enacted to read:

2-A. Securities for energy cost-reduction contracts. Issue revenue obligation securities to pay the cost of or to provide financial assistance for an energy cost-reduction contract in accordance with section 1056.

Sec. B-3. 10 MRSA §1056 is enacted to read:

§ 1056. Energy cost-reduction contracts

If directed by the Public Utilities Commission, the authority shall issue revenue obligation securities for the amount necessary to fund the State's obligations under an energy cost-reduction contract pursuant to Title 35-A, section 1908, subsection 1. The authority may request from the Public Utilities Commission funds from the Energy Cost Reduction Trust Fund established in Title 35-A, section 1907, subsection 1 to make payments on bond obligations under this section. If there are not sufficient funds in the Energy Cost Reduction Trust Fund to make those payments, the authority may request that the Public Utilities Commission recover the costs of the bond in the rates of utilities and by other means provided pursuant to Title 35-A, section 1908, subsection 2, paragraph A, and the Public Utilities Commission shall do so.

Sec. B-4. 23 MRSA §1803-C, sub-§2, ¶A, as enacted by PL 2011, c. 652, §7 and affected by §14, is repealed.

Sec. B-5. 35-A MRSA c. 19 is enacted to read:

CHAPTER 19

THE MAINE ENERGY COST REDUCTION ACT

§ 1901. Short title

This chapter may be known and cited as "the Maine Energy Cost Reduction Act."

§ 1902. Definitions

As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

1. Investor-owned transmission and distribution utility. "Investor-owned transmission and distribution utility" has the same meaning as in section 3104, subsection 1, paragraph A.

2. ISO-NE region. "ISO-NE region" means the independent system operator of the New England bulk power system or a successor organization.

3. Pipeline capacity holder. "Pipeline capacity holder" means any person owning rights to natural gas pipeline capacity.

4. Trust fund. "Trust fund" means the Energy Cost Reduction Trust Fund established under section 1907, subsection 1.

§ 1903. Legislative findings

The Legislature finds that:

1. Electricity prices. It is in the public interest to decrease prices of electricity and natural gas for consumers in this State;

2. Natural gas expansion. The expansion of natural gas transmission capacity into this State and other states in the ISO-NE region would result in lower natural gas prices and, by

extension, lower electricity prices for consumers in this State;

§ 1904. Energy cost-reduction contracts

The commission may execute an energy cost-reduction contract in accordance with this section. In no event may the commission execute an energy-cost reduction contract for the transmission of greater than two hundred million cubic feet per day.

1. Commission determination of benefits. The commission may execute an energy cost-reduction contract if the commission has determined, in an adjudicatory proceeding, that the agreement is commercially reasonable and in the public interest and:

A. That the contract is reasonably likely to:

(1) Materially enhance natural gas transmission capacity within and into the State or the ISO-NE region where such additional capacity will

(2) be economically beneficial to the State and the overall costs of the contract are outweighed by its benefits to the State;

(3) enhance electrical and natural gas reliability in the State;

B. The commission has explored all reasonable opportunities for private participation in securing additional pipeline capacity that would achieve the objectives set forth in subsection A above, and

C. The commission pursues, in appropriate federal forums, market and rule changes that will reduce the basis differential for gas coming into New England and increase the efficiency with which gas brought into New England and Maine is transmitted, distributed and used. The achievement of such market or rule changes shall not be a precondition to the execution of a contract for pipeline capacity unless the commission concludes that those market or rule changes will, within the same time frame, achieve substantially the same cost reduction effects for Maine electricity and gas customers as the execution of a contract for pipeline capacity.

§ 1905 Contract Resale and Administration.

A. Resale of natural gas pipeline capacity. The commission may negotiate and enter into contracts for the resale of all or a portion of the reserved natural gas transmission pipeline capacity acquired through an energy cost-reduction contract pursuant to this section as long as all of the revenue received as a result of the resale is deposited into the trust fund.

B. Joint contracts. If the commission concludes that an energy cost-reduction contract can be achieved with the participation of other entities, the commission may contract jointly with other entities, including other state agencies and instrumentalities, governments in other states and nations, utilities and generators.

C. Contract evaluation and administration. The commission is responsible for assessing, analyzing, negotiating, implementing and monitoring compliance with energy cost-reduction contracts. The commission may use funds for this purpose from the trust fund or by just and reasonable assessments placed on an investor-owned transmission and distribution utility, a gas utility or a natural gas pipeline utility pursuant to section 1908, subsection 2, paragraph C.

§ 1906 Funding of Energy Cost Reduction Contracts

A. Utility participation. The commission may direct an investor-owned transmission and distribution utility, a gas utility or a natural gas pipeline utility to be a counterparty to a contract and to enter agreements to purchase natural gas pipeline capacity from a natural gas pipeline company on a natural gas pipeline if the commission finds that such an agreement is commercially reasonable and in the public interest and meets the same benefits criteria as in §1904 subsection-1, subparagraph A.

Any economic loss, including but not limited to any effects on the cost of capital resulting from an energy cost-reduction contract for an investor-owned transmission and distribution utility, a gas utility or a natural gas pipeline utility, is deemed to be prudent and must be reflected in rates. The commission may direct an investor-owned transmission and distribution utility, a gas utility or a natural gas pipeline utility to implement an assessment to collect funds from ratepayers for the purposes of funding an energy cost-reduction contract pursuant to section 1908, subsection 2, paragraph B.

Any profit, as determined by the commission by rule or order, resulting from an energy cost-reduction contract must be deposited into the trust fund.

B. Commission Contract. The commission may execute as a principal and counterparty an agreement to purchase natural gas pipeline capacity from a natural gas pipeline company on a natural gas pipeline if the commission finds that such an agreement is commercially reasonable and in the public interest as determined by the commission. Where the commission executes such a contract under this subsection, the commission may:

(1) Assess each transmission and distribution company, and each natural gas utility and natural gas pipeline utility, in proportion to the likely benefits accruing to the customers of such companies as determined by the commission in an adjudicatory proceeding, any and all net cost to the commission of the commission's performance of said agreement. The cost to the utility of any such assessment may be recovered by the utility in rates in the same manner as any other prudently incurred cost.

(2) The commission may establish and direct the payment to the trust fund of a volumetric fee on the use of natural gas by a consumer of natural gas obtained from a source other than a natural gas utility or a natural gas pipeline utility of this state.

(3) Seek funding pursuant to §1908 for some or all of the cost of performance under the

contract.

§ 1907. Revenues from energy cost-reduction contracts

Revenues received from an energy cost-reduction contract to must be used in accordance with this section.

1. Establishment of Energy Cost Reduction Trust Fund. The Energy Cost Reduction Trust Fund is established as a nonlapsing fund administered by the commission for the purposes of this section. The commission is authorized to receive and shall deposit in the trust fund and expend in accordance with this section revenues received from an energy cost-reduction contract and revenues received from the resale of a natural gas pipeline capacity acquired through an energy cost reduction contract under section 1904, subsection 5. .

The funds are held in trust for the purposes of reducing the energy costs of consumers in the State except as described in subsection 2 and may not be used for any other purposes.

2. Distribution of funds. The commission shall distribute funds in the trust fund according to the following priorities:

A. As a first priority, to the costs of monitoring and administering a contract pursuant to section 1904, subsection 7;

B. As a 2nd priority, to the repayment of any bond obligations under section 1908, subsection 1; and

C. As a 3rd priority, at the commission's discretion, to utilities and other entities to reduce energy costs for electricity and natural gas ratepayers. The commission may distribute funds to benefit ratepayers of one or more investor-owned transmission and distribution utilities, natural gas pipeline utilities or natural gas utilities in a manner that the commission finds is equitable, just and reasonable.

§ 1908. Alternative Funding of an energy cost-reduction contract

An energy cost-reduction contract to procure natural gas transmission pipeline capacity may be funded in accordance with this section.

1. Bonds. The commission may direct the Finance Authority of Maine, established in Title 5, section 12004-F, subsection 1, to issue revenue obligation securities in the amount necessary to fund the State's obligations under an energy cost-reduction contract to procure natural gas transmission pipeline capacity.

2. Assessments. The commission may direct an investor-owned transmission and distribution utility, a gas utility or a natural gas pipeline utility to collect an assessment from ratepayers for the following purposes:

A. At the request of the Finance Authority of Maine, pursuant to Title 10, section 1056, to pay the obligations of a bond issued under subsection 1;

B. To finance the participation of an investor-owned transmission and distribution utility, a gas utility or a natural gas pipeline utility in an energy cost-reduction contract pursuant to section 1906, subsection 3; and

C. To pay the costs of energy cost-reduction contract evaluation and administration under section 1904, subsection 7.

All assessments must be just and reasonable as determined by the commission and must be identified as an energy cost-reduction contract charge on a ratepayer's utility bill.

§ 1909. Exemption from state purchasing agent rules

Notwithstanding any other provision of law, agreements and contracts entered into pursuant to this chapter are not subject to the competitive bid requirements of the State Purchasing Agent.

§ 1910. Market power investigation

The commission may on its own motion, with or without notice, summarily investigate the exercise of market power by a natural gas pipeline utility, gas utility or pipeline capacity holder. If, after the summary investigation, the commission determines it necessary, it may hold a public hearing in accordance with section 1304. Notwithstanding section 1304 and Title 5, section 9052, the commission must notify the utility under investigation in writing of the matter under investigation and 7 days after the commission has given notice the commission may set the time and place for the public hearing.

§ 1911. Rulemaking

The commission may adopt rules to implement this chapter. When adopting rules, the commission shall consider the financial implications of this chapter for investor-owned transmission and distribution utilities, natural gas pipeline utilities and gas utilities. Rules adopted pursuant to this section are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

PART C

LEAST COST TRANSMISSION

Be it enacted by the People of the State of Maine as follows:

Sec. C-1. 35-A MRSA §3132, sub-§2-C, ¶¶B and C, as enacted by PL 2009, c. 309, §2, are amended to read:

B. Justification for adoption of the route selected, including comparison with alternative routes that are environmentally, technically and economically practical; ~~and~~

C. Results of an investigation by an independent third party selected by the commission of non-transmission alternatives to construction of the proposed transmission line ~~including.~~ These alternatives include energy conservation, demand response, distributed generation ~~or~~ and load management. The investigation must set forth the total projected costs of the transmission line as well as the projected costs of the alternatives, regardless of the proposed allocation of these costs by the New England independent system operator; and

Sec. C-2. 35-A MRSA §3132, sub-§2-C, ¶D is enacted to read:

D. A description of the need for the proposed transmission line.

Sec. C-3. 35-A MRSA §3132, sub-§§2-D and 2-E are enacted to read:

2-D. Lower-voltage projects requiring commission review and approval. Whenever a person proposes to erect in the State a transmission line capable of operating at less than 69 kilovolts and projected to cost in excess of $20,000,000, that person must provide the commission the information set forth in subsection 2-C, paragraphs C and D.

2-E. Standard for lower-voltage projects. For a project the commission reviews under subsection 2-D, in order for the project to be approved, the commission must make a finding that the identified need cannot be economically and reliably met using nontransmission alternatives. During its review the commission shall give preference to nontransmission alternatives that have been identified as able to address the identified need at lower total cost. The commission shall give preference to the alternatives in the following order:

A. Energy efficiency and demand response;

B. Renewable distributed generation;

C. Distributed generation with no net greenhouse gas emissions as determined under state law or policy; and

D. Other distributed generation.

Sec. C-4. 35-A MRSA §3132, sub-§5, as enacted by PL 1987, c. 141, Pt. A, §6, is amended to read:

5. Commission approval of a proposed line. The commission may approve or disapprove all or portions of a proposed transmission line and shall make such orders regarding its character, size, installation and maintenance as are necessary, having regard for any increased costs caused by the orders. The commission shall give preference to nontransmission alternatives that have been identified as able to address the identified need at lower total cost. The commission shall give preference to the alternatives in the following order: energy efficiency and demand response; renewable distributed generation; distributed generation with no greenhouse gas emissions; and other distributed generation.

Sec. C-5. 35-A MRSA §3132, sub-§6, as repealed and replaced by PL 2011, c. 281, §1, is amended to read:

6. Commission order; certificate of public convenience and necessity. In its

order, the commission shall make specific findings with regard to the public need for the proposed transmission line. The commission shall make specific findings with regard to the likelihood that nontransmission alternatives can address the identified public need at lower total cost. If the commission determines that the nontransmission alternatives can address the need at lower total cost but represent a larger increased cost to the ratepayers of the State than the proposed transmission line, the commission shall make reasonable efforts to achieve an agreement among the states within the New England independent system operator region to allocate the cost of the nontransmission alternatives among the ratepayers of the region using the allocation method used for transmission lines or another allocation method that results in lower increased cost to the ratepayers of the State. Except as provided in subsection 6-A for a high-impact electric transmission line, if the commission finds that a public need exists and that the need cannot be economically and reliably met using nontransmission alternatives, it shall issue a certificate of public convenience and necessity for the transmission line. In determining public need, the commission shall, at a minimum, take into account economics, reliability, public health and safety, scenic, historic and recreational values, state renewable energy generation goals, the proximity of the proposed transmission line to inhabited dwellings and alternatives to construction of the transmission line, including energy conservation, distributed generation or load management. If the commission orders or allows the erection of the transmission line, the order is subject to all other provisions of law and the right of any other agency to approve the transmission line. The commission shall, as necessary and in accordance with subsections 7 and 8, consider the findings of the Department of Environmental Protection under Title 38, chapter 3, subchapter 1, article 6, with respect to the proposed transmission line and any modifications ordered by the Department of Environmental Protection to lessen the impact of the proposed transmission line on the environment. A person may submit a petition for and obtain approval of a proposed transmission line under this section before applying for approval under municipal ordinances adopted pursuant to Title 30-A, Part 2, Subpart 6-A; and Title 38, section 438-A and, except as provided in subsection 4, before identifying a specific route or route options for the proposed transmission line. Except as provided in subsection 4, the commission may not consider the petition insufficient for failure to provide identification of a route or route options for the proposed transmission line. The issuance of a certificate of public convenience and necessity establishes that, as of the date of issuance of the certificate, the decision by the person to erect or construct was prudent. At the time of its issuance of a certificate of public convenience and necessity, the commission shall send to each municipality through which a proposed corridor or corridors for a transmission line extends a separate notice that the issuance of the certificate does not override, supersede or otherwise affect municipal authority to regulate the siting of the proposed transmission line. The commission may deny a certificate of public convenience and necessity for a transmission line upon a finding that the transmission line is reasonably likely to adversely affect any transmission and distribution utility or its customers.

PART D

REGIONAL GREENHOUSE GAS INITIATIVE PROGRAM CHANGES

Sec. D-1. 38 MRSA §579, first ¶, as amended by PL 2007, c. 608, §3, is further amended to read:

The department may participate in the regional greenhouse gas initiative as described in the climate action plan required in section 577. The commissioner or the commissioner's designee and the ~~members~~chair of the Public Utilities Commission or the chair's designee are authorized to act as representatives for the State in the regional organization as defined in section 580-A, subsection 20, may contract with organizations and entities when such arrangements are necessary to efficiently carry out the purposes of this section and may coordinate the State's efforts with other states and jurisdictions participating in that initiative, with respect to:

Sec. D-2. 38 MRSA §580-A, sub-§9-A is enacted to read:

9-A. Cost containment reserve. "Cost containment reserve" means an allowance or allowances that are offered for sale at an auction by the State for the purpose of containing the cost of carbon dioxide allowances. A cost containment reserve allowance offered for sale at an auction is separate from and additional to carbon dioxide allowances allocated by the department under this chapter.

Sec. D-3. 38 MRSA §580-B, sub-§3, as enacted by PL 2007, c. 317, §17, is amended to read:

3. Base annual budget. The base annual carbon dioxide emissions budget is established at 5,948,902 tons of carbon dioxide. ~~Beginning with the year 2015, the annual carbon dioxide emissions budget must decline by 148,722 tons per year until 2018 so that the annual carbon dioxide emissions budget for 2018 is 10% below the base annual carbon dioxide emissions budget.~~Commencing January 1, 2014, the base annual carbon dioxide emissions budget is established at 3,276,000 tons of carbon dioxide. Beginning with the year 2015, the annual carbon dioxide emissions budget must decline by 2.5% each year through the year 2020.

Sec. D-4. 38 MRSA §580-B, sub-§3-A is enacted to read:

3-A. Interim adjustments for banked allowances. The 2014 base annual carbon dioxide emissions budget of 3,277,250 tons of carbon dioxide and base annual budgets for 2015-2020 shall be reduced by an amount equivalent to the quantity of banked allowances in excess of the quantity of allowances required for compliance. Maine's interim adjustments for banked allowances shall be made in proportion to Maine's share of the total annual carbon dioxide emissions budget for all states participating in the Regional Greenhouse Gas Initiative.

Sec. D-5. 38 MRSA §580-B, sub-§4, ¶A-1 is enacted to read:

A-1. Provisions for the establishment of a mechanism for cost containment reserve allowances;

Sec. D-6. 38 MRSA§580-B, sub-§4-A is enacted to read:

4-A. **Rules to Implement Model Rule changes.** The department shall adopt any necessary rules to implement the program not inconsistent with Maine law and consistent with the updated provisions of the Regional Greenhouse Gas Initiative Model Rule of February 7, 2013.

Rules adopted pursuant to this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

Sec. D-7. Report. By December 31, 2014 the Commissioner of Environmental Protection, in consultation with the director of the Governor's Energy Office, shall submit to the joint standing committee of the Legislature having jurisdiction over energy, utilities and technology matters and the joint standing committee of the Legislature having jurisdiction over environment and natural resources matters a report on the effectiveness of the Maine Revised Statutes, Title 38, section 580-B and including recommendations for improvements.

Sec. D-8. Forest Management Offsets. Title 38, Section 580-A(6) shall be amended by striking "afforestation" and inserting in its place "forestry practices."

Sec. D-9. Effective date. The provisions in sections D-3 and D-4 of this subchapter take effect December 31, 2013. Other sections of this sub-chapter shall take effect as duly enacted.

PART E

REDUCING COSTS THROUGH COMPETITION

Sec. E-1._ Interconnection of natural gas utilities or natural gas pipeline utilities. 35-A MRSA §2304, first ¶, as enacted by PL 1987, c. 141, Pt. A, §6, is amended to add the following:

Notwithstanding any other provision of this Title, the Commission may, upon petition of a natural gas utility, a natural gas pipeline utility or ten citizens desiring natural gas-service, order the interconnection of the pipes of two or more natural gas utilities or natural gas pipeline utilities where such interconnection is in the public interest. The Commission shall ensure the just compensation of each utility. For these purposes, the public interest includes, but is not limited to, the prompt provision of energy choices to consumers.

Sec. E-2. Competition in Street Lights. 35-A MRSA §2518, , sub-§6 is enacted to read:

6. Street lights; use of poles. The following programs govern street lights that are attached to utility poles in the public way.

A. On or after July 1, 2014, a transmission and distribution utility shall provide the

following options for contracts for street and area lighting provided by luminaires attached to poles owned by the transmission and distribution utility or on shared use poles in the electrical space under the contractual management of the transmission and distribution utility that are located in the public way:

(1) Under the first option, the transmission and distribution utility provides all of the components of the lighting system, including installation on the utility poles and maintenance, and provides electricity delivery to the lighting system from a power vendor selected by the municipality. The transmission and distribution utility shall apply a monthly charge for these services as approved by the commission that reflects the total cost to provide street lighting equipment for each light and a separate charge for power delivery consistent with paragraph D. The location of lights must be determined in accordance with paragraph C;

(2) Under the 2nd option, the transmission and distribution utility installs all of the components of the street lighting hardware as selected, purchased and owned by the municipality on the utility poles owned by the transmission and distribution utility or in the electrical space under contractual management of the transmission and distribution utility on shared use poles, and connects the light to the power source on the pole. The installed street lighting hardware includes the mounting bracket, mounting arm, luminaire fixture, time of use control mechanism and supply wire that meet appropriate wind and weight loading and service ratings for the installed location and otherwise conform to the municipality's design, light level, energy consumption and control choices. The transmission and distribution utility may apply a one-time charge per luminaire for the installation as established by the commission that reasonably reflects the costs of labor and materials needed for the installation and connection.

Any subsequent repairs made by the transmission and distribution utility to the mounting hardware or the power supply wire connection must be billed at a rate reflecting the costs of labor and materials as established by the commission. Maintenance of all components of the light fixture, including, but not limited to, the photocell, controller, bulb, light emitting diode array, light emitting diode driver, starter, lens or light housing, is the responsibility of the municipality or its contractor. Work on the light fixture must be carried out by electricians working under an agreement establishing lines of liability between the transmission and distribution utility, any telecommunications provider, if applicable, and the municipality owning the lighting equipment. Electricians working on street lighting equipment on utility poles must have current NFPA 70E training, utilize equipment OSHA rated for use near high voltage utility wiring, and have training, as specified by the Commission, for the task being performed. The commission shall designate a standardized color coding for the wattage decals on street lights and for decals on the mounting arm, to differentiate street lighting infrastructure owned by the municipality from street lighting infrastructure owned by the transmission and distribution utility. Light locations, delivery charges and power supply options are governed by paragraphs C and D; and

(3) Under the 3rd option, the transmission and distribution utility connects to the power lines a fixture owned and installed by the municipality or its contractor on a pole owned by the transmission and distribution utility or on shared use poles in the electrical space under the contractual management of the transmission and distribution utility. All of the provisions governing street lighting design specified in subparagraph (2) apply. Light locations, delivery charges and power supply options are governed by paragraphs C and D. Maintenance of the light fixture and mounting hardware is the responsibility of the municipality or its contractor. Installation of the street lighting hardware on the pole as well as any subsequent maintenance and repairs must be carried out by electricians working under an agreement establishing lines of liability between the transmission and distribution utility, any telecommunications provider, if applicable, and the municipality owning the lighting equipment. Electricians working on street lighting equipment on utility poles must have current NFPA 70E training, utilize equipment OSHA rated for use near high voltage utility wiring, and have training, as specified by the Commission, for the task being performed. The commission shall designate a standardized color coding for the wattage decals on street lights and for decals on the mounting arm to differentiate lighting infrastructure owned by the transmission and distribution utility from lighting owned by the municipality. The transmission and distribution utility may apply a one-time power connection charge per luminaire as established by the commission that reasonably reflects the costs of labor and materials needed to make the power connection.

B. Nothing in this subsection limits, precludes or interferes with the right of a municipality to locate in the public way or on other property owned by the municipality both poles and luminaires, including decorative street lights, that are fully owned, installed and maintained by the municipality. In the case of lights, poles and wiring fully owned by the municipality, the transmission and distribution utility shall deliver metered or unmetered power from a supplier selected by the municipality for a power-only delivery fee based on the provisions of paragraph D.

C. The location of street and area lighting installed on poles owned by the transmission and distribution utility or in the electrical space under the contractual management of a transmission and distribution utility on shared use poles in the public way within a municipality is governed by the following provisions.

(1) Under the options provided in paragraph A, subparagraphs (2) and (3), the transmission and distribution utility may charge the municipality a one-time, make-ready fee as approved by the commission when a light is first installed on a pole, a larger replacement luminaire is proposed, a longer mounting arm is proposed or a different location on the pole is requested by the municipality. The transmission and distribution utility may not charge a make-ready fee if the current street light fixture and related hardware are being downsized or if the current light is being replaced with a unit having the same or lower wind and weight loadings on the pole. If a make-ready analysis indicates a support wire or a taller pole is needed, the transmission and distribution utility may charge a one-time fee covering the cost of labor and materials

for the installation of the support or the installation of the taller pole.

(2) The transmission and distribution utility or telecommunications provider owning the pole may reasonably refuse to install or approve the installation of a street light fixture pursuant to this subsection if a make-ready pole loading analysis shows that the existing combinations of wire, transformer and wind and weight loadings does not allow for the additional loading of the street light fixture or if the proposed light would unreasonably interfere with existing uses of the pole. Upon such a refusal, the transmission and distribution utility must make available space on the closest existing pole that allows the municipality to provide street lighting levels that meet the relevant street lighting standards.

(3) The transmission and distribution utility has 60 days from the time a request is filed by the municipality to approve a specific pole for the installation of a street light including, as applicable, designating the location on the pole for the installation, approving the use of a pole with the condition that an additional support be added, approving the use of the pole with the condition that a taller replacement pole be installed or approving an alternative pole in the immediate vicinity pursuant to subparagraph (2).

D. The delivery charge for the transmission and distribution utility to convey electricity to the municipal street lighting systems as provided in paragraphs A and B and the power supply options for those systems are governed by the following provisions.

(1) The power-only per kilowatt-hour delivery rate authorized by the commission must reflect the flat load and negligible start-up demand of street lighting and include varying hourly rates that reflect the off-peak usage times of street lighting.

(2) For unmetered street lighting, the total monthly kilowatt-hour usage must either:

(a) Be calculated based on the luminaire wattage combined with standard dusk-to-dawn hourly calculations for the month billed and the location of the lighting system; or

(b) Be calculated based on the per-hour usage and wattage data from street lighting system dimmers and controllers that have meter-level accuracy as defined by the commission.

(3) For municipal street lighting systems as detailed in paragraph A, subparagraphs (2) and (3), or in paragraph B, the only reoccurring charge or fee the transmission and distribution utility may charge is a kilowatt-hour power-only delivery charge derived pursuant to subparagraphs (1) and (2) for unmetered service or pursuant to subparagraph (1) for metered service as approved by the commission.

(4) A municipality may choose the power supplier for its street lighting system,

including designating the bill covering all of the municipality's unmetered street lights as one meter for the purposes of net metering.

E. A transmission and distribution utility shall allow a municipality to transition existing utility-owned street and area lighting for which the municipality is billed and that is located on poles owned or under the contractual management of that transmission and distribution utility from a utility-provided system to either form of municipal ownership of the street lighting hardware in paragraph A, subparagraphs (2) and (3) within 9 months of the municipality's petitioning the transmission and distribution utility to exercise one or more of the following options.

(1) Twice a year the municipality may petition the transmission and distribution utility to transition any lighting fixtures and mounting hardware that fully depreciated in the past 6 months, or fully depreciated at some point in the past, to street lighting owned by that municipality and installed pursuant to paragraph A, subparagraph (2) or (3). If the mounting hardware is in serviceable condition, the municipality may acquire just the mounting hardware for its current depreciated value. The municipality may then either install replacement luminaries on the existing mounting hardware or have the transmission and distribution utility install, at a replacement fee established by the commission, a new compatible municipally owned luminaire on the existing mounting hardware.The municipality assumes full ownership and ongoing maintenance of all components of the light fixture as detailed in the applicable parts of paragraph A, subparagraph (2) or (3).

If the municipality elects to replace all of the fully depreciated lighting equipment, the requirements and fees provided in paragraph A, subparagraph (2) or (3), as chosen by the municipality, apply.

If completely new lighting or no lighting is installed, the transmission and distribution utility may not charge for the removal of fully depreciated equipment but may only charge the installation or connection fee for any installed replacement unit as specified in paragraph A, subparagraphs (2) and (3). The transmission and distribution utility shall negotiate a transition schedule with the municipality for continuous service.

(2) Twice a year the municipality may petition the transmission and distribution utility to transition all the street lighting along a road segment, all the lighting in a neighborhood or all the lighting in the municipality to street lighting owned by the municipality pursuant to paragraph A, subparagraph (2) or (3). To the extent that installed hardware for individual street lighting units in the area designated for transition has not fully depreciated as described in subparagraph (1), the municipality shall pay the transmission and distribution utility an amount equal to the remaining not-yet-depreciated value of the hardware for any equipment the municipality chooses to retain or an amount equal to the remaining not-yet-depreciated value minus the current market value for each unit that is decommissioned. Once the remaining value, if any, is determined as specified, all other provisions of this paragraph for

transitioning fully depreciated street lighting equipment apply to the fixtures and lighting equipment in the area designated for transition.

PART F

MINIMIZING THE COST OF ENERGY

Sec. F-1. 35-A MRSA §101, as previously amended by PL 2011, c. 623, Pt. D, §2, is further amended to read:

The purpose of this Title is to ensure that there is a regulatory system for public utilities in the State and for other entities subject to this Title that is consistent with the public interest and with other requirements of law and to provide for reasonable licensing requirements for competitive electricity providers. The basic purpose of this regulatory system as it applies to public utilities subject to service regulation under this Title is to ensure safe, reasonable and adequate service, to assist in minimizing the cost of energy available to Maine's consumers, and to ensure that the rates of public utilities subject to rate regulation are just and reasonable to customers and public utilities.

Sec. F-2 35-A MRSA §3152, as previously amended by PL 1999, c. 398, is further amended by adding the following subsection 1(D):

D. Require the commission to set rates to the extent practicable to achieve economic efficiency.

Sec. F-3. 35-A MRSA §3153-A, as previously amended by PL 2001, c. 624, §2 and RR 2009, c. 2, §103, is further amended by adding the following subsection 4:

4. Economic Efficiency. In designing rates for transmission and distribution utilities, the commission shall set rates to the extent practicable to achieve economic efficiency.

PART G
(Unallocated Language Provisions)

Sec. G.X –Efficiency Maine Trust.

1. Efficiency Maine Trust Contract for Capacity Resources. The pending recommendation of the Public Utilities Commission to approve contracts with Efficiency Maine Trust for the delivery of capacity resources procured pursuant to 35-A, § 3210-C and transmitted to the Energy, Utilities and Technology Committee, is approved.

2. Efficiency Maine Trust Budget. The Legislature approves the biennial budget of the Efficiency Maine Trust as recommended by the commission in its order approving the triennial plan, provided that the commission shall not order any additional assessment on transmission and distribution utilities in the event that funds are transmitted to the trust under 35-A MRSA § 10110, subsection 2, paragraph B, subparagraph L.

3. Other Long Term Contracts: After July 1, 2013, the commission shall convene a stakeholder group to examine and make policy recommendations regarding financing and implementing energy efficiency and combined heat and power projects for transmission and sub-transmission level customers in a effective and fair manner**.** The commission shall not approve contracts for energy efficiency and demand capacity resources for these customers prior to the commission providing a report to the Legislature on the stakeholder group findings, other than any contract approved in sub-section 1 of this section.

Sec. G.XX – RGGI Fuel Switching Offset Category.

1 **Offset category for fuel switching**. The Department of Environmental Protection and the Public Utilities Commission shall work together to develop and promote for recognition by the other states participating in the regional greenhouse gas initiative a modification of the existing end-use energy efficiency offset category in the Regional Greenhouse Gas Initiative Act of 2007 to provide incentives for industrial and residential consumers to switch from the use of oil and coal as fuel to fuels with lower greenhouse gas emissions. The department and the commission shall work together to promote the inclusion of such an offset category in any national program or in any state or regional program. As with other RGGI offset categories, adoption and implementation of such modified offsets category in Maine would follow a multi-state stakeholder process in which the modifications are reviewed to develop a consensus among the states as to their recognition and examination of what if any changes the RGGI states need to make to each state's program to recognize such modification. In developing the modification to the existing offset category, the department shall include the following factors.

1. Fuel switching to alternative fuels such as natural gas, biomass or other renewable fuels is eligible.
2. Offset amounts must be calculated on the basis of the net reduction in carbon dioxide equivalents from the prior fuel used.
3. Offsets shall only be awarded for greenhouse gas emission reductions that are real, additional, verifiable, enforceable and permanent.
4. A consumer may transfer that consumer's offset credits to a 3rd party that provides financing or other financial considerations to enable the fuel switching project to occur.

The department shall provide an opportunity for stakeholder input in the development of the offset category.
The department shall submit a progress report on the development of the offset category to the Joint Standing Committee on Environment and Natural Resources and the Joint Standing Committee on Energy, Utilities and Technology by March 1, 2015.

BILL SUMMARY

1. Energy Efficiency Funding

This bill changes the structure of the assessment imposed by the Public Utilities Commission for electric efficiency and conservation programs. The bill repeals the base rate of .145¢ per kilowatt hour effective July 1, 2015, and instead requires the commission to ensure that all electric ratepayers procure all energy efficiency resources found by the commission to be cost-effective, reliable and achievable and allows the commission to impose any order on transmission and distribution utilities necessary to achieve the energy efficiency savings.

The bill decreases the percentage of revenue generated from the use of energy efficiency corridors owned by the Department of Transportation that is deposited into the Secondary Road Program Fund from 90% to 20% and increases the percentage of revenue deposited in the energy infrastructure benefits fund from 10% to 80%.

The bill directs that funds received by transmission and distribution utilities pursuant to Maine Yankee litigation shall be paid fifty-five percent to Efficiency Maine Trust and forty-five percent to ratepayers pursuant to order of the commission allocating the funds for the maximum benefit to the Maine economy.

2. Energy Cost Reduction

This bill gives the Finance Authority of Maine the authority to issue revenue obligation securities to finance an energy cost-reduction contract.

This bill gives the Public Utilities Commission the authority to execute energy cost-reduction contract proposals to procure natural gas pipeline capacity for the purpose of increasing the flow of natural gas into New England by two billion cubic feet per day by 2017.

This bill establishes the standards for the Public Utilities Commission to execute an energy cost-reduction contract.

This bill gives the Public Utilities Commission authority to direct an investor-owned transmission and distribution utility, a natural gas utility and a natural gas pipeline utility to assess ratepayers for the cost of an energy cost-reduction contract, the bonds associated with an energy cost-reduction contract and the administration of an energy cost-reduction contract.

The bill authorizes the commission to establish and collect a volumetric fee for use of natural gas by Maine consumers for natural gas not provided to the consumers by a natural gas utility or natural gas pipeline utility.

This bill establishes the Energy Cost Reduction Trust Fund, to be administered by the Public Utilities Commission, to receive the revenue or profits generated from energy cost-reduction contracts and directs those funds towards initiatives to reduce energy costs for ratepayers.

This bill exempts energy cost-reduction contracts for the resale of natural gas pipeline capacity from the competitive bid requirements of the State Purchasing Agent.

This bill gives the Public Utilities Commission authority to investigate the exercise of market power by a gas utility, natural gas pipeline utility and any person who owns rights to natural gas pipeline capacity.

This bill authorizes the Public Utilities Commission to adopt rules to implement the provisions of this legislation.

3. Least Cost Transmission

This bill requires that the Public Utilities Commission may not issue a certificate of public convenience and necessity for the construction of a transmission line unless a description of the need for the proposed transmission line is provided; an analysis of nontransmission alternatives is conducted by an independent 3rd party selected by the Public Utilities Commission; the projected cost of the proposed transmission line is compared to the projected cost of feasible nontransmission alternatives based on total projected costs, regardless of who pays; preference is given to lower-cost alternatives; cleaner alternatives are given preference over alternatives that rely on fossil fuels; and the Public Utilities Commission makes specific findings as to whether alternatives can address the identified need at lower total cost of the utility that has proposed the project. This bill requires that, when the commission determines that the nontransmission alternatives can address the need at lower total cost but represent a larger increased cost to ratepayers of the State than the proposed transmission line, the commission make reasonable efforts to achieve an agreement among the states within the New England independent system operator region to allocate the cost of the nontransmission alternatives among the ratepayers of the region using the allocation method used for transmission lines or another allocation method that results in lower increased cost to ratepayers of the State.

This bill also requires that lower-voltage projects that are capable of operating at less than 69 kilovolts and projected to cost in excess of $20,000,000 must be reviewed and approved by the Public Utilities Commission before erection of the transmission line. The bill also establishes standards the Public Utilities Commission must use to review a lower-voltage project.

4. Regional Greenhouse Gas Initiative

The bill amends the regional greenhouse gas initiative statute to accord them with regional targets. The bill allocates thirty-five percent of RGGI proceeds to residential fuel switching, as approved by the Trust. The bill allocates fifty percent of the RGGI proceeds to electric savings and thermal savings for commercial and industrial facilities. It also allocates fifteen percent of the RGGI proceeds to the Public Utilities Commission to be disbursed to the transmission and distribution utilities for the maximum benefit to the state's economy.

The bill includes a resolve directing the Department of Environmental Protection and the Public Utilities Commission to work together to develop a new regional greenhouse gas initiative offset category for fuel switching and further directs the Department of Environmental Protection and the Public Utilities Commission to promote this category with other regional greenhouse gas initiative states. The Department of Environmental Protection is required to provisionally adopt rules regarding the offset category and report to the Legislature by March 1, 2015.

5. Energy Consumption and Energy Efficiency Financing

This bill amends the Efficiency Maine Trust statute by including energy cost reduction as a central mission of the trust. The bill provides that in future years the Public Utilities Commission will approve the budget of the Trust, based on expenditures required to achieve maximum achievable conservation effort allows all energy sources to be eligible for funding to lower the cost of energy for Maine residents. The bill approves the biennial budget of the Trust as recommended by the Public Utilities Commission provided that the Commission shall not charge any additional assessment on electric utilities in the event that any funds are transmitted to the Trust from the Maine Yankee damage awards. It also approves a pending long term contract for energy efficiency resources as recommended by the Public Utilities Commission.

6. Interconnection of natural gas utilities or natural gas pipeline utilities.

This legislation permits the Public Utilities Commission to order the interconnection of the pipes of one or more natural gas utilities or natural gas pipeline utilities when it is in the public interest. Utilities would be guaranteed just compensation.

7. Competition in Street Lighting

This bill requires electricity transmission and distribution utilities to provide 3 options for municipal street lighting programs: the utility-provided services option, the municipally owned, utility-installed option and the municipally owned, installed and maintained option. Under these various options, the bill provides for how a municipality may be charged for the utility infrastructure services provided, how the location of street and area lighting will be provided on the utility poles, at what rates or by what methods the electricity delivery charges may be assessed and how a municipality may transition from one option to another during the course of any year.