

**Energy Resources Council
2005 Work Plan
and
Report to the Legislature**

Prepared by:

**The Office of Energy Independence & Security
State Planning Office**

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For further information, please contact:

**Beth Nagusky
Director of Energy Independence & Security
State House Station 18
Augusta, ME 04333
207-287-4315
beth.nagusky@maine.gov**

**Uldis Vanags
Energy Resources Council Staff
38 State House Station
Augusta, ME 04333
207-287-5763
uldis.vanags@maine.gov**

I. OVERVIEW

This work plan and report to the Legislature has been prepared pursuant to 5 M.R.S.A. § 3327. It summarizes the Energy Resources Council's accomplishments during 2004 and outlines the Council's priorities for 2005. The Energy Resources Council was formed by legislation enacted in 2001 and was designed to be a Cabinet-level coordinating council to facilitate interagency cooperation and to provide advice on energy policy issues of statewide significance.

The genesis of the Council was the recognition by the Legislature and the public that, since the abolition of Maine's Energy Office in the late 1980's, energy planning and program functions were spread throughout State Government and lacked effective interagency coordination. In addition, there was no one entity within State Government responsible for energy policy development. In July, 2003 Governor Baldacci created the Office of Energy Independence and Security (OEIS), and the Director of that Office became the chair of the Council. The Council recommends that the role and functions of the Council should be re-examined in light of the creation of this new office.

Council members include the Chair of the Public Utilities Commission (PUC), the Public Advocate (OPA), Commissioners from the Departments of Administration and Financial Services (DAFS), Conservation (DOC), Economic and Community Development (DECD), Environmental Protection (DEP) and Transportation (DOT), and the Directors of the Maine State Housing Authority (MSHA) and the State Planning Office (SPO). The Council is directed to meet at least quarterly, but in 2004 actually met seven times. Council meetings are attended by anywhere from a few to a dozen members of the public.

Council priorities include State leadership by example with respect to energy purchases and use, energy information for consumers, energy assistance to Maine businesses, efficient and effective State energy programs and regulatory processes, energy related economic development opportunities, alternative energy and energy security. These priorities are reflected in a variety of interagency cooperative projects and policy development activities. The OEIS and the Council also serve in an advisory capacity to the Governor on statewide energy planning and policy matters, including proposed energy legislation, development of state energy programs, and comment on specific proposed energy related projects.

In 2003 the Council completed a substantial review of State energy policy and its implementation. Maine Energy Policy: Overview and Opportunities for Improvement, December 3, 2003. Energy Advisors, LLC, the Council's consultant on the study, identified many opportunities for action, many of which the Baldacci Administration has pursued over the past year. These opportunities include increased priority of government leadership by example with energy efficiency and renewable energy use, more comprehensive and updated energy standards for residential construction, minimum energy efficiency standards for selected appliances, promotion of Maine renewable energy, attention to the energy impacts of sprawl and increased attention to transportation energy efficiency and alternative

transportation.

In 2004 the Department of Environmental Protection completed a yearlong stakeholder process to draft a Climate Action Plan for Maine that meets the goals set forth in a 2003 law to reduce greenhouse gas emissions in Maine to 1990 levels by 2010, to 10% below those levels by 2020, and ultimately by a sufficient amount to avert the threat of global warming over the longer term. The Department's Plan contains 54 measures to meet these goals. Many of the measures identified involve energy usage.

II. COUNCIL ENERGY PRINCIPLES

In November 2003, the Council adopted a revised statement of shared principles¹:

1. Competitively-priced energy is vital to the state's economy and the well-being of its citizens. Maine should strive to provide energy to all its citizens at the lowest possible cost to promote economic development and retain jobs;
2. Maine should increase its energy, security, service quality and reliability through greater reliance on cost-effective energy efficiency, conservation, demand management and distributed resources in all energy-using sectors;
3. Maine's energy policy ultimately relies on the health of competitive markets;
4. When barriers prevent the effective operation of energy markets or when these markets do not take the long-term societal and environmental impacts of energy decisions into account, the State should look to other tools to achieve its goals, including: regulation, education, taxation policies, subsidies and leadership by example;
5. An adequate and reliable energy delivery infrastructure is critical to economic growth and to continued expansion of competitive energy markets;
6. Maine should continue to support indigenous renewable energy resources in all energy using sectors to ensure that Maine participates in an effective manner in national and international efforts to promote energy independence, diversity and long-term sustainability;
7. State policies should seek to minimize the unnecessary environmental and public health impacts of energy production, distribution and use;
8. State Government should lead by example and action in its energy usage practices and policies;
9. Maine people should have access to adequate information on the costs, environmental, and other impacts of their own energy choices to ensure that they can make informed

¹ These priorities were a product of Council discussions related to the Energy Advisors study and differ from those included in the Council's 2003 Work Plan and Report to the Legislature in that they include increased priority on indigenous rather than regional energy resources and suggest when government intervention in energy markets may be pursued.

decisions; and

10. Active interagency coordination on state, regional and federal energy policy offers many opportunities to make more efficient and effective use of State resources.

Maine's energy choices are integrally linked to the health of Maine's economy and environment. The State must carefully and deliberately balance oftentimes competing interests when crafting State energy policies, programs and activities. While striking the appropriate balance may be a difficult exercise in specific situations, the Council will use the above principles to guide its work.

III. 2004 ACTIVITIES

The Office of Energy Independence & Security, in conjunction with members of the Energy Resources Council, and the Council collectively, undertook a number of activities in 2004.

1. Energy Information Website. The Council launched www.maineenergyinfo.com in June. This is a comprehensive, one-stop shop resource for consumers seeking information on energy matters. The website links to federal, state, and industry sources of energy information relevant to Maine. Featured information includes: Maine energy data and trends; energy conservation and efficiency resources for consumers; links to renewable power products; State policies, programs and activities; and government leadership by example. Users can also browse a directory of links to a wider range of energy information.

2. State Government "lead by example." Numerous activities have been undertaken to improve government energy efficiency and share information on accomplishments so that State government can effectively lead by example.

- The State expanded use of a **biodiesel blend** to heat 20 state office buildings, including the State Office Building and the Capitol, and increased its purchase of biodiesel by a factor of six.
- The Governor issued an Executive Order to improve the **fuel economy of the state fleet, reduce miles traveled** by state employees, and encourage use of **alternate fuels**. We have calculated that these efforts have saved the State approximately \$776,000 since FY 02.
- The State will expand the **GOMAINE** vanpool program by 100% over the next three years, and has implemented **preferential parking** at state offices for carpools, vanpools, and hybrid vehicles.
- The Harriman Associates **energy audit of all state buildings** over 10,000 square feet was completed in early 2004. Representatives from DAFS, Efficiency Maine, and the OEIS have continued to meet to prioritize energy-saving investments in state buildings.
- The State continues to **measure and track greenhouse gas emissions** from State government energy consumption. From FY 02 to FY 03, the State reduced its GHG emissions by 4.5%. From FY 03 to FY04, the State reduced them another

3.5%, for a total 2 year reduction of 8%.

- In December the Governor lit the tree on the Blaine House lawn. For the first year the State used **LED holiday lights**, which use just 1% of the electricity that traditional lights use.

3. Energy Emergency Preparedness. Members of the Council met in the early summer to discuss gas price increases and potential supply shortages, and possible State responses should either or both of these situations develop. In the fall Council members met to discuss high home heating fuel prices and potential responses.

4. Operation Keep ME Warm. In response to \$2 per gallon heating oil, and our projection of increased applications for LIHEAP, the Governor asked Congress for an additional appropriation for LIHEAP. In addition, the Governor, in conjunction with MSHA, DAFS, MEMA, Efficiency Maine and the Commission for Community Service launched Operation Keep ME Warm in November. This project relied on teams of volunteers throughout Maine to install weatherization kits in over 1,500 homes of low income seniors who had pre-qualified for weatherization. Funding for the program came from Efficiency Maine, MSHA, and SPO. Private donations were received from a number of companies and individuals as well.

5. Gasoline and Oil Price Surveys. The State Planning Office issues weekly fuel price surveys during the heating season. When gasoline climbed to \$2 per gallon this past summer, we instituted a weekly gasoline price survey. In addition, we added a conservation message to the weekly surveys.

6. Renewable Fuel and Power Opportunities for Maine. DECD and the OEIS have continued to meet with a number of developers of proposed biofuel projects, as well as with developers of other new renewable power projects.

7. Mars Hill Wind Project. The DEP permitted Maine's first wind project in nearly a decade, a 50 megawatt project on Mars Hill.

8. Legislation. The OEIS and several Council members worked for passage of several pieces of legislation this year to increase energy conservation, efficiency and renewable energy in Maine. Many of these bills were included in recommendations in the Energy Advisors Report.

- **Renewable Portfolio Standard.** Governor Baldacci introduced legislation to amend Maine's Renewable Portfolio Standard to create 2 tiers to provide an incentive for new renewable power resources. The DEP, PUC, and OPA supported the bill. The bill was ultimately amended to call for a PUC wind study and a requirement for a major substantive PUC rulemaking on incorporating long-term contracts with new renewable generators into the standard offer. Both will be before the Committee this session.
- **Appliance Efficiency Standards.** This bill would set efficiency standards for certain appliances not covered by federal standards, and would be triggered if adopted by a certain number of states in the region. The PUC was required to study the standards and report back to the Committee this session.
- **Residential Energy Building Codes.** This bill would have set a statewide

energy building standard for residential construction. The bill was sent to the PUC to conduct a major substantive rulemaking, and it will come back before the Committee this session.

- **Low Income Weatherization Bond.** The Governor's bond package included \$2 million for low income weatherization.

9. Radio Ads. The OEIS produced and aired two 30 second radio spots that encouraged energy conservation and directed the public to the energy information web site. Our tag line was "Save energy. Save money, save the planet." The ads were funded by grants from the Kendall and Oak Foundations as well as the State Energy Programs.

10. LNG Proposals. The OEIS gathers, analyzes, and provides the public factual information on liquefied natural gas. There is a link to LNG on the energy information website as well.

11. Wave and Tidal Power Studies. The OEIS supported funding from the Maine Technology Institute for Electric Power Research Institute studies of the potential in Maine for both wave power and tidal power. The PUC also supported the study of tidal power. The wave power study has been completed and shows that wave power would not be economic or viable in Maine. Funding has been authorized for the tidal power study, contingent on receipt of funding from other jurisdictions.

12. L.D. 1184 – Alternative Fuels Study. DEP undertook a study pursuant to L.D. 1184, to profile alternative fuels opportunities for Maine, the costs and benefits of each fuel, and the strategies that would be needed to move forward with these opportunities. This study should be completed by early March. The study is focusing primarily on biodiesel, ethanol, and compressed natural gas.

13. Energy Savings Tips Contest. For the second year the OEIS and Efficiency Maine ran an energy savings tips contest for 4th, 5th, and 6th grade students. The contest was expanded to two categories this year: energy savings tips for the home and for school. The Governor presented the winners their prizes in December.

14. Regulatory System Evaluation and Improvement. DEP, LURC, and OEIS met many times to discuss siting guidelines for wind projects. Draft guidelines have been prepared but a decision is pending on whether and when to proceed with their issuance. The PUC, DEP, and LURC met to discuss the permitting process for wind projects, and have posted the process on their web sites.

15. New England Governors Council Power Planning Committee. The OEIS represents the Governor at the Power Planning Committee of the NEGCC. The PPC has been involved with formation of a Regional State Committee (now termed the New England States Committee on Electricity, or "NESCOE") to provide a forum for the Governors and their key staff members to discuss issues of regional concern facing the electric industry. The PPC is now working on a report examining regional electricity and gas supply and demand issues for discussion at the Governors' meeting in late February.

IV. 2005 initiatives

The OEIS and the Council plan to continue work on many of the above legislative proposals and non-legislative activities during 2005, as well as focus on some additional activities, including:

1. **“Whole House” Energy Efficiency Program.** The OEIS is working with Efficiency Maine to design a “whole house” energy efficiency program modeled after successful programs from other states.

2. **Legislation.** Council members and the OEIS will be introducing and/or supporting several pieces of legislation this session:

- **The Natural Gas Conservation Bill** would require gas utilities that serve more than 5,000 households to offer energy conservation and efficiency programs.
- **The Renewable Initiative** has been recommended by the OEIS to the Governor, and the Governor is considering whether to introduce the bill given its projected fiscal impact. This bill would provide incentives for purchase of small scale solar, wind, and geothermal systems by homeowners and small businesses.
- **Modernize Heating Oil Rules and Reporting Requirements** would repeal the petroleum set-aside law and amend the requirement for reporting on statewide storage inventory for petroleum products.
- **Adopt Advanced Technology Component of LEV II Standards (formerly ZEV mandate)** is a major substantive rule of the BEP that would require a certain percent of cars sold in Maine to be advanced-technology vehicles. This rule will be presented to the Joint Standing Committee on Natural Resources.
- **Appliance Efficiency Standards** for certain appliances not covered by federal standards will be the subject of a report by the PUC to the Utilities and Energy Committee as well as legislation.
- **The Residential Energy Building Code legislation** was before the Committee during the last session and will be back this session in the form of a major substantive rule of the PUC.
- **A Low Income Weatherization Bond** will be supported by MSHA and OEIS.

3. **Energy Implications of Sprawl.** Patterns of development have significant implications for transportation-related energy use and the costs of energy related infrastructure. While sprawl has long been recognized as a priority policy issue, there has not yet been a systematic look at how State policies and investments may incent or discourage desirable patterns of development. The OEIS and SPO are exploring ways to move this issue forward.

- 4. Climate Action Plan Implementation.** Council members will work with DEP to advance the measures outlined in the CAP in 2005 and subsequent years.
- 5. Grid Security.** In response to a legislative request in the 121st Session and separate filings at the PUC by Maine Public Service and Loring Bio-Energy, the PUC, Public Advocate and other interested parties will be taking a closer look at the reliability of the electric grid, particularly in Northern Maine, and the cost-effectiveness of measures designed to strengthen grid reliability under a number of contingencies.
- 6. Electric Rate Increases.** The OEIS and OPA are working with several electric consumer groups, generators, and two Maine utilities to explore potential options to mitigate rising energy costs.

V. Council Effectiveness

The Council is an effective tool to assure interagency coordination on energy-related issues. The Council allows for cross-fertilization of ideas among agency representatives. It also offers state agency representatives a forum to discuss and offer diverse perspectives on issues relating to energy policies and programs.

When the Energy Resources Council was first created, the Governor's Office of Energy Independence & Security did not exist. In certain ways the OEIS fulfills some of the duties and responsibilities originally envisioned for the Council. Accordingly, the Council is re-examining the most appropriate role for the Council in today's world.

At its February 1st meeting, the Council will discuss whether any changes to the statute creating the Council, particularly to the duties and responsibilities of the Council, are warranted in light of these changed circumstances.