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PENDING MAINE ENERGY LEGISLATION

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You asked for a summary of comprehensive energy legislation (LD 1559) pending in Maine. The bill has passed the House and Senate as of June 10.

This report is based in part on a summary prepared by the Maine Office of Policy and Legal Analysis (the equivalent of this office). The bill and summary are available at http://www.mainelegislature.org/legis/bills/bills_126th/billtexts/HP112801.asp.

SUMMARY

The bill modifies goals for the state's energy efficiency plan and specifies how efficiency funding must be allocated. It modifies the efficiency charge on electric bills from a fixed amount to one that is sufficient to pay for all cost-effective efficiency resources.

The bill allows the Public Utilities Commission (PUC) to execute contracts to procure natural gas pipeline capacity to increase the flow of natural gas into New England by 200 million cubic feet per day. It allows the PUC to direct electric, natural gas, and gas pipeline utilities to assess their ratepayers for the cost of the contracts and their administration. It specifies how the revenue produced by reselling the pipeline capacity will be allocated.

Maine, like Connecticut, participates in the Regional Greenhouse Gas Initiative (RGGI), which requires power plants to buy allowances to emit carbon dioxide. The bill specifies how the revenues from the sale of these allowances will be used.

The bill requires the PUC (which also approves the siting of utility facilities) to consider non-transmission alternatives before approving new electric transmission lines.

The bill has provisions on municipal street lighting and a heat pump pilot program, among other things. The bill directs the PUC to consider economic efficiency when designing rates.

The bill allows the PUC to adopt rules to implement its provisions.

PURPOSES

According to the bill's preamble and summary, its purposes are to:

1. reduce the cost of energy to state residents;
2. maximize the use of cost-effective weatherization and energy efficiency measures;
3. reduce economic insecurity from the inefficient use of expensive fossil fuels;
4. increase new jobs and support businesses that deliver affordable energy and energy efficiency products and services;
5. enhance heating benefits for households of all income levels through implementation of cost-effective efficiency programs, including weatherization programs and affordable heating systems that will reduce energy costs and reduce the need for future fuel assistance;
6. simplify and enhance 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;
7. use cost-effective energy and energy efficiency investments to reduce greenhouse gas emissions;

8. facilitate the reduction in consumer reliance on oil for heating, manufacturing, and transportation;
9. facilitate the transition of consumers to reliance on less expensive and less polluting energy sources;
10. ensure adequate electricity and natural gas supply in New England and protect the reliability of the regional electric grid; and
11. reduce the price of electricity and of natural gas for consumers in the state.

ENERGY EFFICIENCY

In Maine, the Efficiency Maine Trust administers efficiency programs and by law must develop a three-year efficiency plan. The bill revises the plan's goals. Under the bill, the goals include:

1. reducing energy costs, including residential heating costs;
2. weatherizing substantially all homes, by 2030, whose owners or occupants are willing to participate in and share the costs of cost-effective home weatherization to a minimum standard, as defined by the trust;
3. reducing peak-load demand for electricity through efficiency programs by 300 megawatts by 2020;
4. by 2020, achieving electricity, natural gas, and heating fuel savings of at least 20%;
5. creating stable private sector jobs providing alternative energy and energy efficiency products and services; and
6. reducing greenhouse gas emissions from the heating and cooling of buildings by amounts consistent with the statutory goals.

The bill requires the triennial plan to identify all achievable cost-effective energy efficiency savings and related programs, their costs and benefits, and the basis and support for the identified costs and benefits. It requires the trust to evaluate the potential for cost-effective electric and natural gas efficiency savings at least once every 5 years.

The bill modifies the assessment imposed by the PUC for electric efficiency programs. The bill repeals the base rate of .145¢ per kilowatt hour effective July 1, 2015, and instead requires the commission to ensure that electric utilities have sufficient revenue from rates to procure, for the benefit of ratepayers, all energy efficiency resources the commission finds to be cost-effective, reliable, and achievable. The bill allows the PUC to impose any order on the utilities needed to achieve the energy efficiency savings, but the efficiency charge cannot exceed 4% of total retail electricity transmission and distribution sales in the state.

The bill requires that (1) at least 50% of the funds the trust receives in FYs 14, 15 and 16 be allocated for measures that reduce electricity consumption or reduce greenhouse gas emissions and lower energy costs at commercial or industrial facilities and (2) not more than 35% of the funds be allocated for fossil fuel conservation measures that lower residential heating energy demand and reduce greenhouse gas emissions. The residential measures must be fuel-neutral. They may include efficiency improvements to residential buildings and upgrades to efficient heating systems. The trust must transfer to the PUC 15% of funds it receives in these years and the commission must direct the electric utilities to use these funds in a way that provides maximum benefit to the Maine economy.

The bill directs that 55% of any funds received by utilities pursuant to Maine Yankee litigation be paid to the Efficiency Maine Trust (which administers efficiency programs in the state) and 45% to ratepayers.

The bill approves a pending long-term contract for energy efficiency resources as recommended by the PUC.

PROMOTING NATURAL GAS

The bill allows the PUC, until December 31, 2018, to execute a contract to procure natural gas pipeline capacity to increase the flow of natural gas into New England by 200 million cubic feet per day. (Gas utilities and other entities buy pipeline capacity to transport the gas they sell to their customers.) The PUC must consult with the Office of the Public Advocate and the governor's Energy Office when it hires a consultant to help it develop the terms of the contract. The bill establishes the standards for the PUC to execute the contract, which requires the governor's approval. A contract may not cost more than \$75 million annually.

The PUC may direct an electric, natural gas, and gas pipeline utility to assess ratepayers for the cost of such a contract and its administration. The PUC may establish and collect a volume-based fee for use of natural gas by Maine consumers for natural gas provided to the consumers by entities other than a gas utility or gas pipeline utility.

The bill establishes the Energy Cost Reduction Trust Fund, to be administered by the PUC, to (1) receive the revenue from the resale of pipeline capacity and (2) direct those funds toward initiatives to reduce energy costs for ratepayers. It exempts the contracts and the resale of pipeline capacity from the competitive bid requirements of the state purchasing agent.

The bill allows the PUC to investigate the exercise of market power by a gas utility, pipeline utility, and any person who owns rights to pipeline capacity.

REGIONAL GREENHOUSE GAS INITIATIVE

Maine, like Connecticut and other northeastern states, participates in RGGI, which is a cap and trade mechanism that limits carbon dioxide emissions from power plants to address climate change. The bill amends the state law authorizing Maine's participation in RGGI to reflect recently revised regional targets that reduce the emissions cap.

The bill directs the Department of Environmental Protection and the PUC to work together to modify the rules governing the initiative to permit emission reductions caused by fuel switching to count towards RGGI's targets. It directs the agencies to promote this modification with other states participating in RGGI.

The bill allocates 35% of proceeds from the sale of RGGI allowances to residential fuel switching, as approved by the Efficiency Maine Trust, 50% to electric savings and thermal savings for commercial and industrial facilities, and 15% to the PUC to be disbursed to transmission and distribution utilities for the maximum benefit to the state's economy.

SITING ELECTRIC TRANSMISSION LINES

In Maine, the PUC is responsible for siting electric transmission lines. The bill prohibits the PUC from approving a new transmission line unless:

1. a description of the need for the proposed transmission line is provided,

2. an analysis of nontransmission alternatives is conducted by an independent third party selected by the PUC, and
3. the projected cost of the proposed transmission line is compared to the projected cost of feasible nontransmission alternatives based on total projected costs.

The PUC must give preference to lower-cost alternatives with fewer greenhouse gas emissions. The PUC must make specific findings as to whether nontransmission alternatives can address the identified transmission need at a lower total cost than the proposed transmission line. Until December 31, 2015, when the commission determines that nontransmission alternatives can address the need at a lower total cost but represent a larger increased cost to ratepayers than the proposed transmission line, it must make reasonable efforts to achieve an agreement among the New England states to allocate the cost of the nontransmission alternatives among the ratepayers of the region. It must do so by using (1) the allocation method used for transmission lines or (2) another allocation method that results in lower increased cost to state ratepayers.

The bill also requires PUC review and approval for lower-voltage projects (those operating at less than 69 kilovolts) that are projected to cost more than \$20 million before construction begins. The bill establishes the standards for approval.

OTHER PROVISIONS

In Maine, the state can establish utility easements on state highway rights of way and other state property. The bill decreases the percentage of revenue generated from the use of these “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 authorizes the PUC to (1) extend the number of customers who may participate in the pilot program for efficient electric heat pumps and (2) extend the length of the pilot program. It allows more flexibility in how incentives are provided to customers and clarifies that the legislation related to the program does not limit the PUC’s authority to establish special rates with respect to customers participating in it, as long as the program’s costs are recovered only from participating customers.

The bill authorizes the PUC to issue a 2nd solicitation for deep-water offshore wind projects if the original contract recipient does not move forward in development for any reason.

The bill requires electric utilities to provide new options for municipal street lighting programs. It specifies how a municipality may be charged for the utility infrastructure services, how the location of street and area lighting will be provided, 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 any year.

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