

# Maine Passes Omnibus Energy Bill



June 2013

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On June 7, 2013 the Maine House and Senate voted by overwhelming margins to enact “An Act to Reduce Energy Costs, Increase Energy Efficiency, Promote Electric System Reliability and Protect the Environment,” (“Omnibus Energy Bill,” L.D. 1559). The bill was vetoed by the governor. On June 19<sup>th</sup> the Maine House voted to override the veto by a 121-11 vote. Later, the Governor withdrew his opposition to the bill<sup>1</sup> and the Senate unanimously overrode his veto.

The Omnibus Energy Bill was enacted as an emergency measure and will take effect immediately. It is a compilation of many bills that were introduced and debated this session before the Joint Standing Committee on Energy, Utilities and Technology. ENE supported the bill because it will advance Maine energy policy in several important ways, including: formalizing and streamlining a commitment to purchasing all cost-effective efficiency; implementing RGGI program reforms and shoring up the RGGI program revenues, and giving fair consideration to cost-effective non-transmission alternatives for meeting demand. More details on specific provisions follow:

## ***Mandates that Maine will fund acquisition of all cost-effective electric and natural gas energy efficiency***

The bill removes the arbitrary cap on funding for both electric and natural gas energy efficiency programs. Instead, the Public Utilities Commission (PUC) is directed to ensure that Maine’s electric and natural gas utilities procure all cost-effective energy efficiency resources on behalf of their customers. This is projected to save ratepayers an additional \$365 million over the three year plan period. The bill also makes this requirement applicable to all natural gas utilities, not just those with more than 5,000 residential customers. For the next two years 55% of the funds that are to be received from litigation related to Maine Yankee (\$17 million over the biennium) will be used to fill the gap for electric efficiency programs that exists between the approved Efficiency Maine Trust all cost-effective budget and current revenues.

Importantly, Efficiency Maine Trust’s budget will no longer be part of the state budget, and therefore no longer require legislative approval but, as in other states, will be determined by the Trust with PUC oversight and approval.

## ***Adopts RGGI Reforms and Protects Revenues***

The bill lowers the CO<sub>2</sub> emissions cap for Maine consistent with the Regional Greenhouse Gas Initiative (RGGI) reforms adopted by the RGGI states earlier this year. In addition, 85% of the RGGI revenues will continue to be spent on energy efficiency programs, with 50% going toward electricity measures that reduce consumption at commercial and industrial facilities and 35% going toward reducing residential heating demand through efficiency and fuel switching. The bill directs 15% of the RGGI proceeds to direct rate relief. Analysis of the impacts of RGGI investments found that energy efficiency and renewable energy return more than \$5 to state economies for every \$1 invested, or \$4.26 more than spending \$1 to plug budget gaps. ENE calculated that a proposed raid of \$23.4 million in RGGI funds dedicated to energy efficiency could thus cost the state economy over \$94 million in lost growth over the next 10 years. Fortunately the funds were not taken.

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<sup>1</sup> The Governor withdrew his opposition after amending a different offshore wind bill to give the University of Maine an opportunity to bid against Statoil. Statoil has an approved term sheet for a 12 MW deep-water offshore wind project, and is in the process of negotiating a power purchase agreement.

### ***Promotes Non-transmission Alternatives***

ENE promoted adoption of a new, pioneering approach to state review of expensive electric transmission lines. The new policy adopted in the Omnibus Energy Bill requires analysis of non-transmission alternatives or NTAs (energy resources such as efficiency, demand response, and distributed solar and other local resources). The new law could save ratepayers considerable money and help to create a clean, local energy supply by considering alternative options for meeting demand. The bill requires independent third party analysis of NTAs whenever a transmission line greater than 69 kv, or a transmission project under 69 kv but in excess of \$20 million, is proposed. The PUC is to give preference to NTAs that meet the identified need at a lower cost to Maine ratepayers, and to cleaner NTAs where their comparative costs are reasonably equal. The new policy also helps to level the playing field for these cleaner, more affordable alternatives. Under the current system, ISO-NE cost allocation rules “socialize” the costs of expensive transmission lines across all New England ratepayers. However, state ratepayers pay 100% of the costs of NTAs. This skewed policy can make NTAs with a lower *total* cost more expensive for Maine ratepayers. If this is the case, then the PUC is directed to seek agreement for spreading the NTA costs among the other New England states, just like transmission costs would be spread. The PUC has 180 days to make “reasonable efforts” to secure this agreement from the other states before a line can be finally approved. The PUC is also directed to advocate for the pursuit of least-cost transmission solutions in all relevant venues, such as the ISO-NE (regional) and FERC (federal).

### ***Allows Maine PUC to sign contracts for natural gas pipeline capacity***

Increased demand for natural gas has caused electricity prices to spike in Maine on the coldest winter days -- because of the high demand for natural gas for both heat and electric generating plants. During these periods natural gas prices in New England well exceed the Henry Hub price and produce what is called a “basis differential.” The bill authorizes the PUC to enter into a contract for natural gas pipeline capacity in an attempt to reduce the basis differential. The PUC’s authority is limited to 200 million cubic feet of natural gas per day and \$75 million annually, on a cumulative basis. In addition, the PUC may not enter into such a contract before it has: 1) pursued market and rule changes to reduce the basis differential and 2) explored private sector participation in securing additional pipeline capacity. The PUC must consult with the Maine Public Advocate and Maine Energy Office Director and hire a consultant to make recommendations regarding the contract, and the Governor must approve the execution of a contract. The PUC must also conduct an adjudicatory proceeding (with opportunity for public intervention) and determine that the contract is in the public interest.

The natural gas contracting provision sunsets in 2018. ENE believes that proposals to expand natural gas infrastructure must, at a minimum, be paired with programs to improve building weatherization and energy efficiency, and we will be working towards these reforms in the future.

### ***Change to Public Utilities Commission charter***

The bill amends the law governing the Public Utilities Commission purpose and charge. Minimizing the cost of energy has been added to the PUC’s purpose. Setting rates to achieve economic efficiency “to the extent practicable” has been added to the PUC’s charge.

### ***Extension of Utility Heat Pump Pilot Programs***

The bill extends the electric heat pump pilot programs (currently offered by Bangor Hydro Electric Company and Maine Public Service) to December 31, 2014, a one-year extension.

### ***Second RFP for Deepwater offshore wind pilot***

In January the PUC approved by a 2-1 vote the terms of a contract with Statoil for a 12 megawatt (4 turbine) deep-water offshore wind project 12 miles off of Boothbay, pursuant to the 2010 Ocean Energy Act. A contract has not yet been signed. The Omnibus bill amends the Ocean Energy Act to provide that, if the Statoil project does not go forward, the commission may consider other proposals for a deep-water offshore energy pilot project. The bill provides for a second RFP to consider additional proposals, and specifically names the University of Maine's project off of Monhegan Island as a deep-water offshore wind energy pilot that is qualified to bid.

A separate but related bill was amended to *require* the commission to conduct a second competitive solicitation for deep-water offshore wind, with a September 1, 2013 deadline for proposals to be submitted.

### ***Conclusion***

The Omnibus Energy Bill contains several provisions that improve the way that Maine plans and purchases energy resources. These new policies will guide Maine toward a cleaner, more reliable and affordable energy system.

#### **For Further Information:**

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