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Energy Resources Council
2004 Work Plan and Report to the Legislature

Prepared by:
The State Planning Office
On behalf of
The Energy Resources Council

January 2004

This Work Plan and Report to the Legislature was prepared under the direction of the Director of Energy Independence & Security and the Energy Resources Council.

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I. EXECUTIVE SUMMARY

A. INTRODUCTION

This work plan and report to the Legislature outlines the Energy Resources Council's priorities for 2004 and summarizes its accomplishments during 2003. The Energy Resources Council is a Cabinet-level coordinating council established by the Maine Legislature to facilitate interagency cooperation and to provide advice on energy policy issues of statewide significance.

The acting Chair of the Energy Resources Council is the Director of Energy Independence & Security. 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).

Council priorities for cooperative action include State leadership by example with energy purchases and use, energy information for consumers, energy assistance to Maine businesses, efficient and effective State energy policies, 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.

At the Legislature's request and with the participation of 4 members of the Joint Standing Committee on Utilities & Energy, the Council recently completed a substantial review of State energy policy and its implementation pursuant to L.D. 669. Energy Advisors, LLC, the Council's consultant on the study, concluded that Maine has not been inattentive to energy policy. In some respects, Maine has even been a national leader. To the extent Maine has forgone leadership or opportunities for aggressive action it has not been due to lack of awareness or a failure to appreciate the importance. Rather, it has been due to competing priorities, fiscal constraints and a desire to reduce energy prices.

Energy Advisors also identified opportunities for potential action, many of which were endorsed by the Director of Energy Independence & Security on behalf of the Council and the Baldacci Administration at the December 16th meeting of the Joint Standing Committee on Utilities & Energy (see Attachment 1). These opportunities include placing increased priority on adoption of government leadership by example with energy efficiency and renewable energy use, energy codes for residential building construction, minimum energy efficiency standards for selected appliances, promotion of renewable energy, attention to the energy impacts of sprawl, and increased attention to transportation energy efficiency and alternative transportation.

This *2004 Work Plan and Report to the Legislature* describes the Council's ongoing projects and activities and also how the Council plans to integrate the recommendations made on December 16 into its priorities for 2004.

B. ENERGY RESOURCES COUNCIL PROCESS AND ADMINISTRATION

Council members are committed to a transparent process that includes regularly-scheduled meetings, accessible information, active member participation, ongoing stakeholder consultation and a cooperative working relationship with the Legislature.

- *Monthly meetings and access to meeting information.* The Council currently meets on the first Tuesday of each month at 9:00 a.m. at the State Planning Office (SPO). Meetings are open to the public. While the Council is required by statute to meet only quarterly, Council members established a monthly meeting schedule for 2003 in recognition of the number and importance of energy issues of interest to member agencies and the benefits of interagency collaboration.¹ In 2004, the Council will reevaluate the monthly meeting schedule.
- *Member agencies and their active participation.* In 2003 the Legislature added DOC to the Council. The year included transition to the Baldacci Administration and turnover in 5 of the Council's original 8 members.
- *Council leadership and staffing.* In July 2003, Governor Baldacci created the position of, and appointed, a Director of Energy Independence & Security, who assumed the role of Council Chair. The Council has one dedicated staff person and project-specific staff assistance from member agencies as resources allow. Originally, Council Staff was funded through financial contributions from member agencies. In 2003, the Legislature amended the funding language and directed the Council to use federal grant monies, to the extent available, and member contributions to make up any shortfall. Council Staff is funded primarily through federal grants in '03-'04.
- *Stakeholder consultation.* The Council is committed to proactive consultation with stakeholders. The Council held its first open meeting with stakeholders on May 7, 2003 to solicit feedback on its *2003 Work Plan*. More than 87 stakeholders attended, including 9 legislators directly involved with energy issues. As part of the energy policy review pursuant to L.D. 669 3 public hearings were held.
- *Legislative relations.* For the L.D. 669 review, the Legislature directed that 4 legislators from the Committee on Utilities and Energy participate in Council meetings and activities during the course of that study.

¹ The Council met every month in 2003 except October.

- *Work Plan* The Council is required to submit an annual work plan and report to the Legislature by January 15th of each year. The Council's first work plan and report to the Legislature was submitted in January 2003. This document is the Council's second work plan and report to the Legislature. In addition, the Council is committed to annual presentations to the Joint Standing Committee on Utilities & Energy in February to share information on Council progress and to receive feedback on its work.

A more complete discussion of Council process and administration is provided in Chapter III.

C. PROJECTS AND PRIORITIES FOR INTERAGENCY COORDINATION

In November 2004, the Council adopted a revised statement of **shared principles** ²

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*

² These principles were a product of Council discussions related to the L.D.669 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.

they can make informed 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.

Consistent with its shared principles, **the Council pursued 8 cooperative projects in 2003**. These included 5 project commitments described in the Council's *2003 Work Plan*:

1. **Energy Information.** The Council designed and will launch MaineEnergyInfo.com – a website with links to federal, state, and industry sources of energy information relevant to Maine, including: Maine energy data and trends; resources for consumers; 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.

In 2004 we will launch the newly-designed website, and will troubleshoot and monitor its use and add new information and links where appropriate.

2. **State Government Energy Efficiency and Renewable Energy.** Numerous activities have been undertaken to improve government energy efficiency and share information on accomplishments so that State government can effectively lead by example. Major accomplishments include: a comprehensive energy audit of state facilities to identify cost-effective energy efficiency improvements in State buildings; training for State building managers to improve the energy efficiency of building operations; adoption of an Executive Order requiring that new and renovated State government buildings and buildings at institutions of higher learning meet LEED (Leadership in Energy and Environmental Design) standards³; addition of more energy efficient vehicles to the State fleet; increasing State purchase of renewable power to 40% of its portfolio; use of a B20 biodiesel blend by MDOT at its Freeport facility and to heat the Blaine House and some state offices; installation of energy efficient LED traffic signals and Vending Misers.

State Government Energy Efficiency and Use of Renewable Energy will continue to be one of the Council's highest priorities in 2004, with a focus on the State leading by example with its energy investments and use. Next steps for the project team include: evaluation and pursuit of resources to implement cost-effective energy efficiency improvements identified through the energy audit; selection of a system for monitoring building energy use and reporting progress over time; implementation of Executive and other orders related to State

³ The new Baxter school for the Deaf addition has been designed as a LEED certified building and has been nominated for an award.

buildings and equipment, the transportation sector and renewable energy. The Council will also continue to work with the Clean Government team on public outreach related to energy efficiency and State government energy accomplishments.

- 3. Small Business Energy Assistance.** Through the resources of the PUC's Efficiency Maine program and DECD's small business division, the Council has supported activities to improve the energy efficiency and competitiveness of Maine small businesses and to coordinate State energy efficiency services. Over 150 energy audits for small businesses throughout the state were provided (up from 100 in 2002) as well as small business energy efficiency loans totaling \$175,000. DECD and Efficiency Maine resources were integrated by transferring responsibility for the State Energy Program from DECD to the PUC in July 2003.

Small Business Energy Assistance will continue to be a priority for the PUC's Efficiency Maine program, which will work with DECD to provide tools and assistance to Maine's small business community. This project likely will not require significant involvement of other Council members in 2004.

- 4. Regulatory System Evaluation and Improvement.** A project team consisting of the PUC, DEP and DOC (LURC) considered the multiple State regulatory reviews necessary to site new energy infrastructure in Maine and whether closer coordination and/or consolidation of these reviews is feasible and desirable. A coordinated review process will be tested in 2004 and a recommendation made on whether it should be more broadly applied. Issues related to fair and efficient electricity markets, transmission siting and cost allocation were addressed through ongoing cooperation and collaboration of the PUC, OPA, SPO and Office of the Governor in regional advocacy efforts.

The focus of Regulatory System Evaluation and Improvement in 2004 will be development and testing of a siting and environmental regulatory review process that could combine what are currently 3 separate review processes involving the PUC, DEP and DOC (through the Land Use Regulatory Commission) into a coordinated process. The PUC, DEP and LURC plan to test the potential consolidated review on an energy infrastructure project in 2004 and make a recommendation on whether it should be more broadly applied.

In a related effort, the Director of Energy Independence & Security will work with the PUC, DEP, DOC and SPO's coastal program to identify criteria for appropriate wind power development. The proposed criteria will be presented to the Council in 2004.

Council members will also continue to coordinate regional advocacy efforts to ensure efficient and effective use of limited State resources.

- 5. Energy Emergency Preparedness.** In cooperation with the Maine Emergency Management Agency, the Council produced an updated working draft of the *Maine Energy Emergency Plan* –outlining a process for managing the flow of information and decision making during energy emergency and potential energy

emergency situations. The document also considers Maine's emergency preparedness and identifies situations where State authority may be limited, including instances where State authority may be pre-empted by federal authority. While the Council chose not to adopt the emergency plan, it agrees to commit ongoing attention to energy emergency preparedness.

To improve Energy Emergency Preparedness, the Maine Emergency Management Agency (MEMA) has proposed testing the working draft *Maine Energy Emergency Plan* by working through simulated emergency scenarios in a half-day workshop this winter. The Council will ensure member agency participation in the MEMA workshop and facilitate subsequent improvements to the energy emergency process, as appropriate. The Administration will consider repealing the existing Petroleum Set-Aside law that is currently on the books but never used. The Council will also continue to investigate the availability of federal funds and resources; it is anticipated that \$30,000+ in federal funds per state may become available in 2004 for "energy assurance" planning to bolster emergency preparedness⁴.

The Council also pursued **3 additional activities** in 2003:

6. **Bio-products Opportunities for Maine.** Due to strong interagency interest for Maine forest products companies serving as industrial hosts to diverse, value-added bio-products production, Maine was offered the opportunity to host a technical forum on bio-products production technologies.⁵ DECD is planning the event. The Spring 2004 forum will be funded by USDA and will bring national experts on bio-product production technologies to Maine.

Information from this forum will be used to identify next steps for pursuing economic development opportunities related to bio-products. Council member agencies will continue to work cooperatively with the University of Maine, the Maine Technology Institute, the Northeast Biomass Partnership (a program of the U.S. DOE) and others to evaluate and pursue bio-products economic development opportunities for Maine. Activities will cover inclusion of cost-effective bio-products on State procurement lists.

Maine's Congressional delegation was successful in obtaining a \$1 million earmark to support R & D at the University of Maine, a project of the River Valley Growth Council and a competitive grants program to be administered by the Maine Technology Institute.

7. **L.D. 669 – Energy Policy Review.** As noted above, the Council undertook a comprehensive review of State energy policy in fall 2003.⁶ The Council hired Energy Advisors to review State energy policy and its implementation, identify

⁴ The PUC's SEP program and SPO will continue to work together to identify federal grant programs that could potentially provide resources to further State priorities.

⁵ Bio-products include a variety of bio-fuels, fuel additives, petrochemical substitutes and other products that can be made from biomass.

⁶ The full study is available at www.maine.gov/spo/energy/energycouncil under "publications."

links and tensions between energy policy and environmental, transportation and economic development policy and identify opportunities for improvement. The Council accepted the project report for transmittal to the Legislature in December 2003.

8. **L.D. 1184 – Alternative Fuels Study.** Pursuant to L.D. 1184 the Council will profile alternative fuels opportunities and provide information on their relative availability, cost, energy efficiency, market penetration, environmental impact and economic development opportunity. It is hoped that the results of this study will be an appropriate foundation for evaluating potential State policies related to the production and use of alternative fuels. The study is due to the Legislature by December 2004. DEP, DOT and the Director of Energy Independence will take the lead on this study.

A more detailed description of the above activities is provided in Chapter IV.

In addition, **new initiatives for 2004** include:

1. **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 Council discussed the issue of sprawling patterns of development, and their relationship to energy use in 2003. A consensus emerged that the Council should take on a more active role in addressing this issue.

The Energy Advisors study reinforces the important link between increasing energy usage and sprawl. According to the study, petroleum comprises 45 percent of Maine's energy mix, and much of it is used for transportation. Petroleum consumption in the late 1990's was about 25 percent higher overall than in the early 1980s; transportation energy use increased by 46 percent from 1980 to 2000. Between 1980 and 2000, vehicle miles traveled in Maine grew by 88 percent and motor fuel consumption increased by 55 percent, while the population increased by only 14 percent. The average miles driven in Maine were nearly 28,000 per household, which compares to the New England average of 20,500 and the U.S. average of 21,100.

Sprawl and the increased use of less efficient vehicles contributed to these trends. To begin to address the issue, the Director of Energy Independence and Security has hired an intern from the Muskie School of Public Policy to review state agency policies to determine whether any either inadvertently promote sprawl or discourage more compact development patterns. The intern is working with the growth management team at the State Planning Office to identify any such policies. Policies that may encourage sprawl may exist in the areas of school funding, utility line extension policies, or transportation-related funding policies. The target date for completion of the intern's review is July 1, 2004. Once that review has been completed, the council will work with the appropriate agencies to determine whether amendments to policies can be made so that they are consistent with the State's smart growth agenda.

2. **Recommendations for Improved State Energy Policy.** The Council supports the following recommendations for energy policy improvements:
- *Adoption of a revised and updated building energy code for residential construction*, consistent with the findings of a comprehensive PUC study undertaken in consultation with the Council per Legislative direction; see www.maine.gov/mpuc/2004legislation/2004legislation.htm⁷.
 - *Support for a Bond Issue to Support Cost-Effective Weatherization.* In recognition of the unmet need to fund cost-effective weatherization improvements in low and moderate income households, the Council supports use of State bonding authority to provide financial resources.
 - *Revisions to the Eligible Resource Portfolio Standard*, consistent with analysis contained in a PUC study.⁸ See www.state.me.us/mpuc/2004legislation/2004legislation.htm.
 - *Support for appliance efficiency standards, with a trigger mechanism and phase-in period.* The Council supports proposals to set State appliance efficiency standards for selected products, provided that the standards only go into effect after a critical mass of states in the region adopt similar standards and there is an adequate phase-in period to accommodate Maine retailers with existing inventories.
 - *Repeal of the Petroleum Set-Aside Law.* The law has never been used, and it is difficult to conceive of a situation where it would be. The Governor's emergency powers allow for control of certain petroleum resources even in the absence of the set-aside law.

Detail on each of the above legislative recommendations will be developed by the Director of Energy Independence & Security with assistance from members of the Council, as needed.

In addition to the above, the Director of Energy Independence & Security and Council staff work with interested agencies to evaluate opportunities for energy policy improvements on an ongoing basis that may result in additional recommendations.

Action plans for each of the Council projects described above are provided in Chapter IV. Each action plan includes a project goal, information on project context (including Legislative direction, where provided), an overview of Project Activities completed in 2003 and a description of Project Activities anticipated for 2004.

⁷ P.L. 2003 ch. 497, "An Act to Promote Energy Conservation." The PUC investigated appropriate standards, the extent to which standards should be mandatory and enforcement issues.

⁸ Resolve, Relating to Renewable Resources, Resolves 2003, ch 45. In consultation with stakeholders, the PUC evaluated mechanisms to promote the use of renewable and indigenous resources. The PUC, however, made no recommendations concerning what, if any, policy options should be pursued.

D. ONGOING COOPERATIVE ACTIVITIES

In addition to the above listed activities, the Director of Energy Independence & Security, individual Council members and agency staff cooperate informally in many other areas. Attention may range from information sharing and discussion to informal working groups. Examples of ongoing cooperation and expected collaboration in 2004 include the following:

- *Utility Incentives to Promote Efficiency and Conservation.* Under current electric utility regulation, it is in the financial interest of Maine's T&D utilities to promote electricity sales rather than to encourage conservation and efficiency. The Council is interested in ongoing discussions among the OPA, PUC and utilities to explore opportunities for utility incentives to promote efficiency and conservation.
- *Energy Costs.* The L.D. 669 Study shows that, while real prices for electricity declined 17% between 1980 and 2000, industrial rates in Maine remain 70% above the national average. While Maine's geography and population make it difficult to bring rates closer to the national average, there may be ways to lower energy bills for Maine's large energy users through investment in cost-effective efficiency measures. With this in mind, the Director of Energy Independence & Security will work with the Finance Authority of Maine, Efficiency Maine and DECD to develop a low interest energy efficiency loan or interest rate subsidy program for large utility customers.
- *State Government Greenhouse Gas Emissions.* Through a cooperative effort of DAFS, DEP, the Director of Energy Independence & Security and the Clean Government team, the State has developed a baseline and begun to track its greenhouse gas emissions in the transportation, heating, and electricity sectors pursuant to L.D. 845, and will annually report on its efforts to reduce greenhouse gas emissions through energy efficiency improvements, purchase of renewable electric power and fuels.
- *Coordination on Legislative Testimony.* The Council established weekly conference calls during the prior Legislative session for member agency legislative liaisons to share information on bills of common interest and to facilitate development of testimony that addressed the policy interests of multiple agencies.
- *Climate Action.* Pursuant to L.D. 845, DEP has undertaken a collaborative stakeholder process to develop a climate action plan for Maine by July, 2004. Many Council members or their staffs serve on the stakeholder group or one of its five working groups, including the PUC, DECD, SPO, DOT and the Director of Energy Independence & Security. In addition, DEP, SPO, DOT and others actively cooperate on regional climate action and Maine climate action.
- *Regional Policy.* SPO, the PUC, OPA, DEP and OOG cooperate on a variety of regional issues and projects on an ongoing basis. For example, in response to an opportunity offered by the Federal Energy Regulatory Commission (FERC) to provide State input on regional electricity market issues, representatives of each

agency worked cooperatively on a proposal for a “regional state committee” (RSC) that was approved by the New England Governors in 2003 and is expected to be approved by FERC in 2004.

- *Energy efficiency.* MSHA, PUC, DEP, SPO and others continue to pursue public outreach and education opportunities related to energy efficiency and MSHA continues to maintain the BundleMeUp public information website. In addition, informal interagency consultation is likely on Electric Energy Conservation Fund priorities and evaluation of additional opportunities for funding cost-effective energy efficiency investments.
- *Renewable Resource Fund.* With the endorsement of Council members, SPO has contracted with the Maine Technology Institute (MTI) to manage the Renewable Resource Fund, a fund made up of voluntary contributions by electric utility ratepayers. MTI allows the Fund to be used as a match for its cluster grant program, in effect leveraging the Fund’s limited resources with a much larger grant program. The PUC continues to work with utilities to provide information to consumers on how to contribute to the Fund.⁹
- *Federal funding.* Issues for continued attention include priorities for use of State Energy Program (SEP) funds and identification of additional grant opportunities. It is expected that funds may be available for “energy assurance” (energy emergency preparedness) activities. In addition, there may be oil overcharge settlement funds available to the State; SPO will work with Council members to pursue available federal funds.

E. EVALUATION OF COUNCIL EFFECTIVENESS AND ADEQUACY OF RESOURCES

The Council is committed to continuous self-improvement, and will establish a process for evaluating its effectiveness. The Council is also interested in the effectiveness of State energy policy more generally and will establish benchmarks for evaluating its success.

In 2003 there was consistently high participation of Council member agencies in meetings and activities, which illustrates that the Council is both used and useful for interagency coordination. Another measure of **Council effectiveness** is the responsibility given to it by both the Legislature and the Administration. Due to actions of both the Legislature and the Administration in 2003, the Council now enjoys additional financial and staff resources to pursue its priorities. L.D. 669 allows the Council to apply to the PUC for financial resources from the Conservation Fund to support Council projects and activities. In addition, establishment of the post of the Director of Energy Independence & Security position by Governor Baldacci offers an additional resource.

⁹ MTI awarded the first grant from the fund on December 8. With \$40,050 from the MTI cluster grant program and \$142,316 in matching funds, labor and materials, the Chewonki Foundation and the Hydrogen Energy Center will undertake a demonstration project to accelerate deployment of renewable energy systems using hydrogen generators, storage and fuel cells.

In the future, the Council's benchmarking working group will ask Council members and their alternates, members of the Joint Standing Committee on Utilities & Energy and the Governor and his senior policy team and stakeholders for input on the Council's effectiveness.

To measure **the success of State energy policy** more generally, it may be informative to select and track indicators related to state policy objectives. Potential indicators were identified in the review State energy policy prepared for the Council by Energy Advisors.

Overall, Council members believe that Council membership and participation provides a valuable opportunity to use limited State resources to common advantage. Self-evaluation is intended as a means to sustain and increase the value of the Council over time.

F. GUIDE TO THIS REPORT

An overview of Legislative direction to the Council is provided in Chapter II. Chapter III provides an overview of Council processes and resources, including information on scheduled meetings and processes for coordinating with stakeholders and the Legislature. Chapter IV provides action plans for 9 cooperative projects currently underway. Chapter V describes ongoing activities of the Council and the activities of the Council's acting Chair and Council Staff and their relationship to Council priorities. Chapter VI offers observations on Council effectiveness and adequacy of resources. Chapter VII summarizes recommended changes to law.

II. INTRODUCTION

This work plan and report to the Legislature provides an annual progress report on the activities of the Energy Resources Council and establishes priorities for interagency coordination of the State's activities related to energy.

A. BACKGROUND

The Maine Legislature established an Energy Resources Council to “facilitate more effective interagency coordination of the State's activities regarding energy” (Sec. 1.5 MRSA c. 313-A). The Council has general and specific mandates, as well as administrative requirements.

1. General Mandates

- Assistance to Executive and Legislative policymakers in formulation of energy policy.
- Study of energy issues and problems of state-level significance.
- Recommendation of coordinated state policy on energy use in Maine that involve initiatives undertaken by more than one state agency.
- Outreach to federal agencies with jurisdiction over energy matters affecting Maine to ensure that Maine interests are served.

2. Specific Mandates

- Implementation of an integrated energy resources information base for planning purposes.
- Monitoring and evaluation of energy use by State Government, in coordination with the Clean Government Initiative.
- Energy planning assistance for small businesses, in consultation with an advisory group.
- Periodic evaluation of and direction to the State's energy planning and regulatory programs, including comments on agency program plans, specific projects and Legislative proposals.
- Legislative directives for one-time studies: L.D. 669 Energy Policy Review (completed in 2003); L.D. 1184 Alternative Fuels Study (due in December 2004).

3. Administrative Requirements

- Formation of (and consultation with) one or more advisory groups.
- Preparation of an annual work program report to the Legislature, including descriptions of past and planned activities, evaluation of the Council's effectiveness, and recommendations for changes to law.

4. Membership

- The Council's Acting Chair is the now the Governor's Director of Energy Independence & Security. Members include the Chair of the Public Utilities Commission, the Public Advocate, the Commissioner of Administration and Financial Services, the Commissioner of Conservation, the Commissioner of Economic and Community Development, the Commissioner of Environmental Protection, the Commissioner of Transportation, the Director of the Maine State Housing Authority and the Director of the State Planning Office. The Commissioner of Conservation was added as a member in 2003.

B. HISTORY

The Council was established in mid-2002. The Council's priorities for 2002 included: development of a process for effective interagency coordination (including effective mechanisms for communicating with the Legislature and the public) and a shared understanding of energy-related programs and resources across agencies that can be used to common advantage. With these priorities in mind, the Council prepared and unanimously approved its first annual *Work Plan and Report to the Legislature* that established the process for interagency coordination, shared principles on energy policy (since revised) and priority projects for implementation. The Council also prepared a comprehensive directory of State energy programs and resources, including staff contacts. Both publications are available at www.maine.gov/spo/energy/energycouncil/.

2003 was not only the first full year of Council operation it also marked a transition to a new Administration. Five of the Council's 8 Cabinet members changed. An additional member, the Commissioner of Conservation, was added. The acting Chair of the Council changed when the Governor created a new position to address energy issues—the Director of Energy Independence & Security. Throughout the changes, the Council stayed on course and made considerable progress on its priorities for 2003.

The Council's priorities in 2003 included: effective implementation of the Council's *2003 Work Plan* -- including processes for interagency coordination, stakeholder consultation and self-evaluation -- and 5 proactive projects addressing government energy efficiency, energy information, regulatory system evaluation and improvement, small business energy assistance and energy emergency preparedness.

The Council added additional priorities during the year, and was asked by the Legislature to undertake 2 major legislative studies – L.D. 669, which involved a comprehensive review of State energy policy and opportunities for its improvement by January 2004 and L.D. 1184, which requested a study of alternative transportation opportunities by the January 2005.

The L.D. 669 study is now complete and identifies a wide range of short and longer term opportunities for improvement. Many of the opportunities identified in this study will be Council priorities in 2004.

III. ENERGY RESOURCES COUNCIL PROCESS AND RESOURCES

A. COUNCIL PROCESS

Members of the Council are committed to a transparent process of pre-scheduled monthly meetings with pre-set agendas, public access and informal meeting style with frank discussion.

1. Meeting Schedule and Format

- Meetings of the Energy Resources Council currently are held on the first Tuesday of each month at 9:00 a.m. at the State Planning Office. Meetings generally last 2 hours.
- Meetings are open to the public.
- Agendas are prepared in advance, and made available to the public on the Council website.
- Informal minutes are prepared and made available to the public after Council approval.

2. Stakeholder Communication

- An Energy Resources Council webpage provides information on Council meetings, opportunities for stakeholder input and publications.
- The Council held its first open meeting with stakeholders on May 7, 2003; see Appendix A for an overview of stakeholder participation and input received that was prepared by the meeting facilitator, Planning Decisions. The Council will consider holding similar meetings annually.
- The Council will solicit stakeholder input on special projects, where appropriate. Means of consultation may include scheduled time for public comment at Council meetings, formal hearings, informal consultation, focus groups, standing advisory groups, or other means, as appropriate.
- Stakeholders are welcome to bring issues or projects to the Council via Council members.
- The Council will look for opportunities to partner with stakeholders to address shared priorities.

3. Legislative Process and Liaison

- An annual *Work Plan and Report to the Legislature* will be provided by January 15th of each year.

- The Council Chair will meet annually with the Joint Standing Committee on Utilities & Energy to share information and receive feedback on the annual *Work Plan and Report to the Legislature*. The Council Chair and Council members will also be available, if desired, to meet with other Legislative committees involved with energy issues.
- The Council facilitates interagency information sharing and coordination on Legislative proposals of mutual interest.
 - Immediately prior to and during the Legislative session, time is reserved on Council agendas to share information on legislative developments and to coordinate input, where appropriate.
 - During the Legislative session, Legislative liaisons from Council member agencies have participated in regular conference calls to share information and provide opportunity for lead agencies on particular bills to solicit input from other member agencies.
- Council members proposing legislation that would affect or involve the energy-related activities of more than one member agency will solicit input from those agencies prior to presentation of their proposals to the Legislature, whenever feasible.

4. Federal and Regional Outreach

- Maine is part of larger, regional markets for petroleum products, natural gas and electricity. Policies affecting the availability, diversity, cost and environmental impacts of energy resources on which Maine depends are often developed in regional and national forums. Council members share information and coordinate with each other on federal and regional outreach efforts of mutual interest.

5. Commitment to Continuous Improvement

1. Council members welcome and actively solicit input from stakeholders.
2. The Council Chair will annually ask Council members to:
 - Critically evaluate Council direction and accomplishments.
 - Consider input received from stakeholders.
 - Identify opportunities for improvement.
3. The Council will benchmark and measure Council effectiveness at least bi-annually. See also Chapter VI, “Benchmarking.”

B. COUNCIL RESOURCES

The Council's acting chair is the Director of Energy Independence & Security, who facilitates interagency coordination on energy issues. The Council has one dedicated staff position that is funded through federal grants to the extent feasible. The Council also relies on its member agencies to lead and staff cooperative projects and working groups as needed.

1. Energy-Related Roles of Council Members

Council members have a variety of programs, authorities and resources for affecting energy production, delivery and/or use. Examples of the various energy-related roles and activities of Council members are provided in Table

1. Changes since 2002 include:

1. Transfer of the federally funded State Energy Program (SEP) grant and associated staff to the PUC to be managed in conjunction with Efficiency Maine.
2. Transfer of responsibility for the State's building energy standards from DECD to the PUC (pending).
3. Transfer of the nuclear safety advisory role from the SPO to the OPA.

More detailed information on agency energy programs, activities and statutory authority is provided in the *2003 Directory of State Energy Programs and Resources* and *L.D. 669 Maine Energy Policy Review* located on the Council's website.

Table 1 – Energy-Related Roles of Council Members

Council Member	Programs and Activities Affecting Energy Production, Delivery or Use
Administrative & Financial Services, Department of (DAFS)	<ul style="list-style-type: none"> • Procurement policies related to energy, fleet vehicles, energy-using equipment, and recyclable materials • State building development, renovation and energy efficiency investments • State energy use policies, including 25% building energy use reduction target • Clean Government Initiative, in cooperation with DEP
Conservation, Department of (DOC)	<ul style="list-style-type: none"> • Land Use Regulation Commission (LURC) • Information on biomass feedstocks for energy production • Portable generation of assistance during energy emergencies
Economic & Community Development, Department of (DECD)	<ul style="list-style-type: none"> • Energy assistance to small business • Evaluation of energy-related economic development
Environmental Protection, Department of (DEP)	<ul style="list-style-type: none"> • Various siting, licensing and permitting processes designed to provide maximum flexibility in facility operations while protecting human health and the environment • Clean Government Initiative, in cooperation with DAFS • Mobile source initiatives (including fuel specifications) • Climate action planning and implementation
Maine State Housing Authority (MSHA)	<ul style="list-style-type: none"> • Low Income Energy Assistance Program (LIHEAP) • Maine Weatherization Program • Residential Energy Assistance Challenge Program (REACH) • Central Heating Improvement Program (CHIP) • Rental Loan Program (requires certain insulation standards met) • Housing Preservation Program (requires conversion of electric heat) • BundleMeUp public information website
Public Advocate, Office of (OPA)	<ul style="list-style-type: none"> • Advocacy on behalf of customers of natural gas and electric utilities • Advocacy for efficient operation of restructured electricity markets in Maine and in the region • Electricity Guide and other educational materials • Nuclear safety advice
Public Utilities Commission (PUC)	<ul style="list-style-type: none"> • Regulation of utilities to provide safe, reliable and adequate services at reasonable rates • Licensing of competitive electricity providers and registration of natural gas marketers • Oversight of natural gas and propane distribution system safety • Efficiency Maine • Energy Efficiency Building Performance Standards • Administration and allocation of US DOE federal grant funds to Maine • Participation in regional and federal proceedings affecting Maine
State Planning Office (SPO)	<ul style="list-style-type: none"> • Chair and Staff of the Energy Resources Council • Energy policy development • Representation of Maine energy policy interests in regional and federal forums • Facilitation of hydro-relicensing input to FERC • Winter fuels price monitoring and report to the legislature
Transportation, Department of (DOT)	<ul style="list-style-type: none"> • Traffic and demand management programs such as RideShare • MDOT fleet energy use • Alternative energy use and fuel station development and alternative transportation infrastructure development • Port system admin, motor carrier rules and rail policies that affect bulk fuel deliveries • Permitting energy infrastructure along transportation corridors

IV. COOPERATIVE PROJECTS AND PRIORITIES

Based on a review of Legislative direction and a survey of Council members, the Council committed to 5 cooperative projects as initial priorities in 2003:

1. Energy Information
2. State Government Energy Efficiency
3. Small Business Energy Assistance
4. Regulatory System Evaluation and Improvement
5. Energy Emergency Preparedness

Over the course of the year, additional projects were added at Council member or Legislative request. These included:

6. Bio-Products Opportunities for Maine
7. L.D. 669 – Energy Policy Review
8. L.D. 1184 – Alternative Fuels Study

Significant accomplishments were made on each of these projects in 2003, and many of these projects will continue to be priorities for attention in 2004.

As a result of the Energy Policy Review undertaken in L.D. 669 and recommendations from the Director of Energy Independence & Security on behalf of the Baldacci Administration, the Council has added **new tasks** to many of the above projects and is also undertaking **2 new cooperative projects** in 2004:

1. Energy Implications of Sprawl
2. Recommendations for Improved State Energy Policy

Action plans for each cooperative project are provided below. Each action plan contains a snapshot of: the Council's goal in undertaking the project, project context (including Legislative direction, where provided), Project Activities completed or underway in 2003 and Project Activities planned for 2004. It is anticipated that some projects will be multi-year efforts, and goals have been set with that in mind.

A. ENERGY INFORMATION

1. Project Goals

- Cost-effectively develop and maintain a shared information base of used and useful energy information for state policymakers.
 - A web-based information system with links from a central location to agency-maintained data sites (for access to energy information collected by State agencies) and federal, regional and industry sites (for access to energy information collected by others).

- Geographic Information System (GIS) information on critical energy facilities and infrastructure (with access on a need-to-know basis).

2. Project Context

- In the Council’s enabling statute, the Legislature directed the Council to “support the full implementation of an integrated program to provide a substantially improved energy information base for planning purposes.”
- In 2002, the Council designated SPO and MSHA as lead agencies for this project and established project parameters:
 - Initial priority should be placed on access to information of common interest that is already collected in the normal course of State business.
 - The most cost effective and efficient way of making information available is if the agency staff who already collect it are also responsible for making it accessible to others.
 - The Council should facilitate access to data and other information, but should not in itself be the collector or keeper of information.
 - GIS format is necessary for information on critical energy facilities and infrastructure; it is desirable for other energy information, but may be too expensive, at least initially.

3. Project Activities in 2003

- Designed and tested MaineEnergyInfo.com – a website with links to various state, federal, regional and industry data sources.
 - Reviewed agency energy data that Council member agencies collect in the normal course of business and developed links to energy information of common interest.
 - Identified other data efforts in State government with potential for future links (e.g. DEP’s greenhouse gas inventory and registry).
 - Solicited stakeholder input on energy information availability and needs through a facilitated stakeholder session.
 - Developed an index of energy information links, incorporating suggestions from stakeholders where feasible.
 - Identified resources at DAFS for designing a user-friendly interface for accessing State energy information; worked with the website designer on project concept, data, links and graphics.
 - Received Council approval to launch the website
- Continued to maintain and update the BundleMeUp public information website with information on energy efficiency and updated associated public service announcements.

1. Project Activities for 2004

- Launch MaineEnergyInfo.com, and update the website as new energy information and links are identified.
- Track the number of “hits” on the site for Council project evaluation and planning.
- Continue to maintain the BundleMeUp website.
- Update the Council’s Directory of Energy Programs and Resources, if necessary.

B. STATE GOVERNMENT ENERGY EFFICIENCY AND RENEWABLE ENERGY

1. Project Goal

- Aggressively and cost-effectively improve State government energy efficiency in buildings and fleets, evaluate and pursue cost-effective opportunities for State use of renewable energy and develop mechanisms to effectively share information on progress with the public so that State government can “lead by example.”

2. Project Context

- The Legislature has directed the Council to “. . . monitor and evaluate energy use by State Government . . . examine and provide guidance and advice to relevant agencies on how the State may use energy more efficiently, consume less energy, and purchase energy, including electricity, more economically. . . evaluate the progress of the State in meeting the energy reduction goal established under section 1770, subsection 1 and advise the Department of Administrative and Financial Services on means of achieving that goal.”
- The Legislature has found “. . . it is in the best interests of the State to significantly reduce its energy consumption to the extent possible without interfering with other goals, plans and policies of the State. The energy reduction goal for facilities owned by the State is, by 2010, a 25% reduction in energy consumption relative to baseline consumption in 1998 . . .” (Title 5, section 1770).
- Newly-enacted PL 497 (L.D. 233) requires DAFS/BGS to develop rules to exceed ASHRAE building energy efficiency standards by 20%.
- The Clean Government Initiative (Title 38, section 343-H), a cooperative State effort led by DAFS and DEP, is pursuing several energy-related objectives:
 - All state-owned vehicles will be procured and managed to minimize air emissions and increase energy efficiency.
 - All buildings owned or leased by the State will be energy efficient.
 - Appliance and electric equipment will be procured to ensure energy efficiency.
- In 2002, the Council designated DAFS and DEP as lead agencies for the Council on this project and requested quarterly reports on progress.

3. Project Activities in 2003

- DAFS developed criteria for evaluating leadership by example opportunities: Are they cost-effective, within the short and/or long term, and within state resources? Are they consistent with the operational needs of government entities? Do they support the health and safety requirements of employees and customers of state government? Do they benefit the environment? Will they directly or indirectly influence private action?
- In consultation with Council members, DAFS developed a more comprehensive State Building inventory by adding information on DOT maintenance facilities and other agency out buildings.
- With \$250,000 in assistance from Efficiency Maine, DAFS hired Harriman Associates to conduct an energy audit to identify energy savings opportunities in all State buildings over 10,000 square feet.
- DAFS/BGS consulted with Honeywell on design of an energy management system for State buildings.
- The Director of Energy Independence & Security compiled information on State government energy usage in buildings and fleets and the associated greenhouse gas emissions.
- Governor Baldacci signed an Executive Order on November 24th directing the State to incorporate LEED building standards into all new and renovated State buildings, including institutions of higher learning; LEED standards provide for more energy efficient and environmentally preferable design elements.
- The new addition to the Governor Baxter School for the Deaf has been designed to receive LEED (Leadership in Energy Efficiency and Design) certification and will be nominated for an award.
- DOT's Maintenance & Operations put on the road 50 patrol trucks which exceed minimum allowed air quality standards, 25 of which use best-available clean diesel standards. These more efficient trucks will avoid more than five tons of NO_x emissions per year – the equivalent of 65 park'n'ride lots or 32 natural gas-fueled transit buses. The new trucks also include dashboard technologies that allow management and minimization of unnecessary idling.
- DOT's Bureau of Planning funded intersection improvements in Biddeford and Westbrook, intended primarily to reduce idling and air pollution and safety at the intersections. The projects will result in thousands of hours of idling reductions per summer day, 1.6 tons of NO_x (asthma) benefits per year and additional significant VOC benefits (ozone/climate benefits).
- DOT's Local Road Center began distributing 3700 LED traffic signal bulbs to municipalities to replace incandescent traffic signals. Funded with assistance from the PUC's Efficiency Maine, DOT expects the program to conserve 1.6 million KWH of electricity per year, currently paid for by municipal property taxes (+/- \$80K/yr).

- DAFS hired a contractor to install Vending Misers in all State building vending machines, which are projected to reduce energy usage in these machines by 46%.
- DAFS/BGS/Division of Purchases continued to require Energy Star certifications for all equipment purchases.
- Electrical efficiency audits at DOT's Bangor and Scarborough facilities resulted in several cost-effective lighting upgrades that will result in estimated annual energy savings of \$1600 at Scarborough and \$10,000 at Bangor.
- State building operators attended training/building operator certification programs sponsored by Efficiency Maine.
- An interagency work group was initiated by the Director of Energy Independence & Security to consider options for further increasing the efficiency of the State's vehicle fleet and reducing miles traveled by State employees. Issues reviewed include vehicle purchases, telecommuting and expanded use of tele- and video-conferencing.
- Expanded the scope of this project to include State leadership by example with renewable energy

4. Project Activities for 2004

- Identify and evaluate cost effective opportunities identified by the energy audit to fund increased energy efficiency in State buildings, possibly through use of the State's Governmental Facilities Authority. Energy improvements will help move toward the statutory goal to reduce State building energy consumption by 25% by 2010.
- Develop an energy management process that will: manage the State's energy profile to reduce costs and manage risks; identify and manage environmental factors and opportunities; and leverage existing and future infrastructure investments in building monitoring and control to better match energy supply with energy demand. Procure an energy information and control system to measure total energy use for benchmarking, trending and reporting purposes
- Consistent with Maine's regional commitment for climate action, and with assistance from US EPA, benchmark building energy use in typical Maine government buildings with other similar buildings (adjusted for climate) nationwide.
- Consistent with Governor Baldacci's Executive Order, incorporate LEED standards into design, construction, leased space contracts and procurement standards as appropriate.
- Consider whether revisions to State contract documents, performance standards and procurement standards are appropriate to encourage cost-effective energy efficiency and environmental sustainability.
- Issue an Executive Order regarding continued improvement in the efficiency of the State fleet as well as reduction in vehicle miles traveled for State purposes through expanded use of telecommunications technology and greater use of car and van pool

programs

- Investigate and pursue, where appropriate, various opportunities to increase energy efficiency and environmental sustainability, such as coordination with DOC on procurement rules for certified wood and wood products, coordination with DEP on a pilot use of “environmentally friendly” cleaning products and collaboration with both agencies on the installation and operation of a shared central cooling system which utilizes ice produced during off-peak hours as the cooling agent.
- Maintain consistency with the purpose of and goals for the Clean Government Initiative and continue productive collaboration with the Office of Energy Independence & Security.
- Identify and evaluate other opportunities for the State to lead by example with energy efficiency and use.
- Consistent with the Council’s December 16 recommendations related to L.D. 669, explore opportunities to use renewable energy in State facilities and fleets.
 - Evaluate the results of State testing of biodiesel in selected buildings and vehicles and the benefits and costs of expanded use.
 - Consider where there are cost-effective opportunities to install renewable generation or use renewable electricity at State facilities and pursue federal grant funds for doing so, if available.
- Develop a public relations strategy for disseminating information on government leadership by example efforts.

C. ENERGY ASSISTANCE TO SMALL BUSINESS

1. Project Goal

- Improve the energy efficiency of Maine small businesses.

2. Project Context

- The Legislature has directed the Council to “. . . develop information resources and coordinate the activities of member agencies to help small businesses use energy more efficiently, consume less energy, and purchase energy, including electricity, more economically. The council shall form an advisory group of persons with relevant expertise and experience to advise the council in undertaking its responsibilities. . . .”
- A small business is defined as an employer with 50 or fewer employees and/or \$5 million or less in annual sales; small businesses account for over 96% of Maine’s private employers.
- In 2002, the Council designated DECD as lead agency for this project, in consultation with the PUC.

3. Project Activities in 2003

- Consulted with stakeholders to solicit input on small business energy assistance.
 - Efficiency Maine hired a contractor to survey suppliers, vendors and small business end users.
 - The PUC conducted public outreach activities in developing Efficiency Maine's program plan and received input from representatives of the small business sector including DECD and the Maine Small Business Development Center.
 - Stakeholders were queried about small business energy needs at the Council's open meeting with stakeholders
- Given the varied opportunities for stakeholder input in 2003, the project team determined that establishing an "Advisory Council" as originally envisioned in the Council's enabling statute should not be a priority at this time.
- Integrated DECD, PUC and other Council member energy efficiency resources for small business into a comprehensive whole.
 - Responsibility for the State Energy Program shifted from DECD to the PUC in July 1, 2003.
 - Efficiency Maine Small Business Program contractor has linked small business customers with DEP hazardous waste assistance (i.e. non-enforcement compliance assistance).
- Identified existing energy efficiency self-help tools that could be applied (or more broadly applied) by Maine small businesses.
 - Self-help tools are readily available through USEPA and USDOE ENERGY STAR program. Additional tools are available through USDOE Rebuild America program.
 - Using funds from US DOE's State Energy Program (SEP), the University of Maine has developed web-based energy assessment software for commercial facility managers. Training was provided to 30 industrial energy users and several State agency and non-governmental organization staff.
- Evaluated the desirability of developing new tools. Concluded that Maine's best option is to publicize the availability of tools that are already available.
 - A web page for Maine's SEP program has been added to the PUC website; the page provides links to energy self-help tools.
 - Efficiency Maine offered a small business program that offered financial incentives for technical assistance related to electrical efficiency.
- Expanded small business outreach efforts.

- Efficiency Maine Small Business Program worked with industry and trade associations, business groups and others to facilitate outreach to small business community.
- Recruited over 100 trade allies including electricians, mechanical contractors, distributors, wholesalers and trade organizations.
- Worked with Small Business Development Center to provide energy efficiency training in every county in Maine.
- Conducted over 150 energy audits for small businesses throughout the state (up from 100 in 2002).
- Provided loans to improve small business energy efficiency totaling \$175,000.
- Identified and prioritized additional opportunities to provide energy efficiency information to small business owners and operators. Concluded that energy audits provided to small businesses should be redesigned to provide more information on financial outcomes of recommended actions, and to provide more follow-up assistance to consumers
- Efficiency Maine and Maine Industries for the Future co-sponsored two compressed air workshops (Bangor and Portland) in June.
- Concluded that investigating group purchasing options for Maine small businesses should not be a priority at this time.

4. Project Activities for 2004

- Transfer lead agency for this project from DECD to the PUC's Efficiency Maine program.
- Continue efforts initiated in 2002, 2003 including the integration of energy functions provided by the PUC's Efficiency Maine program with the activities of the federally-funded State Energy Program (SEP) that was transferred from DECD in 2003.
 - Disseminate information on existing self-help energy efficiency tools.
 - Redesign and repackage the current commercial energy audit program
- Continue to allocate DECD staff resources to participation in the Industries for the Future program.
- Develop Efficiency Maine training opportunities for Maine Architectural and Engineering firms on ENERGY STAR construction and advanced building guidelines.

D. REGULATORY SYSTEM EVALUATION AND IMPROVEMENT

1. Project Goal

- Identify gaps, obsolescence, or inefficiencies in energy-related regulations and processes, and recommend solutions.

- Develop and maintain an inventory of the State's regulatory responsibilities related to energy production, delivery and use.
- Periodically evaluate the efficiency and effectiveness of State regulatory processes and recommend improvements, including better coordination among agencies.

2. Project Context

- The Legislature has directed the Council to “. . . (p)eriodically evaluate, in consultation with affected interests, the State's regulatory systems as they affect the generation, transmission, delivery or use of energy, and recommend appropriate action, as needed, to improve energy planning and coordination.”
- Several agencies in Maine have a role in energy regulation, including DECD, DEP, DOC (through LURC), DOT, OPA, and the PUC. Roles are varied, and include direct regulatory authority, regulatory program implementation, policymaking that influences regulatory direction, and advocacy in regulatory settings. Some agencies serve multiple roles, depending on the context. Stakeholder input in agency regulatory proceedings is formally sought in accordance with APA rules.
- In 2002, the Council designated the PUC as lead agency for undertaking this project, in consultation with the DEP and OPA.
- In 2003, the Legislature asked the Council to undertake an evaluation of energy policy and its implementation consistent with L.D. 669. Because of the scope of L.D. 669 and the overlap with the review originally anticipated as part of this project, the focus of this project was narrowed to a few priority areas.

3. Project Activities in 2003

- Reviewed the list of potential regulatory gaps and inefficiencies identified in 2002; decided to focus on issues that would not otherwise be addressed through legislative study directives or other reviews.
- Solicited stakeholder input on issue areas for consideration at the Council's open meeting with stakeholders on May 7.
- Contributed substantive input to the review of energy policy and its implementation prepared for the Council by Energy Advisors, consistent with direction in L.D. 669.
- Convened a working group that included representatives of the PUC, DEP, OPA and LURC to discuss potential areas of overlap and gaps in regulations affecting development and siting of commercial wind generation; private use of distributed generation (wind, solar and diesel) and delivery of electricity (transmission lines; distribution lines and line extensions).
- Continued to facilitate interagency coordination on regional energy policy and advocacy efforts.

- Continued ongoing consultations among the SPO, PUC, OPA and Office of the Attorney General on the status of nuclear decommissioning projects that are underway in Maine and in New England, particularly with respect to the storage and future disposal of spent nuclear fuel.

4. Project Activities for 2004

- Representatives of PUC, DEP, OPA and LURC will continue to investigate opportunities for coordinating review and approval processes overseen by their respective agencies.
 - Develop flow charts of regulatory approvals necessary for siting commercial wind, installing distributed generation for private use and expanding transmission and distribution infrastructure.
 - Recommend to the Council areas where the agencies could work together; hold joint hearings or eliminate duplication. Determine optimal order of approval processes for both applicant and agencies. Include recommendations for any necessary statutory changes.
 - Develop public information brochure/pamphlet/website on necessary regulatory approvals in these areas.
 - Coordinate with a complimentary effort, by the Governor's Office, DEP and LURC to develop guidance for siting wind generation.

E. ENERGY EMERGENCY PREPAREDNESS

1. Project Goal

- Complete an updated and workable Maine Energy Emergency Plan, in cooperation with the Maine Emergency Management Agency (MEMA).

2. Project Context

- Energy emergency preparedness is a high priority given world events and threats against US energy interests.
- In 2002, the Council designated SPO as lead agency for facilitating this project, in consultation with MEMA, DECD and the PUC.

3. Project Activities in 2003

- Requested Office of Attorney General (AG) review of the Governor's emergency powers related to energy emergencies and possible limitations to State authority. The AG's Office identified several issues:
 - *Federal pre-emption of some Governor's powers.* State law grants the Governor various powers during an energy emergency including the authority to "regulate the generation, distribution and consumption of electricity." The AG found that because of the preemptive operation of the Federal Power Act, in practice, the Governor's ability to regulate generation in an emergency is limited to (a) those sections of northern and eastern Maine that are not interconnected to the New England grid and thereby to the channels of interstate commerce; (b) private electrical

systems not interconnected to the New England grid; and (c) pockets of the grid which may temporarily become isolated from the interstate grid as a result of disaster.

According to the AG, a similar limit to the Governor's authority to regulate the storage and distribution of heating oil which is in the stream of interstate commerce is set by the Commerce Clause. There is clear authority to regulate the storage and distribution of heating oil destined for consumption within the physical confines of the State.

- *Lack of petroleum set-aside rules.* While SPO inherited authority to promulgate rules from the now defunct Office of Energy Resources (OER), such rules have not been promulgated, and the OER's rules are no longer in effect. The AG advised that if the law stays on the books, new rules should be promulgated.

The Council finds that because these rules have never been used, and the Governor has other emergency authority related to petroleum resources, repeal of the statute may be appropriate.

- *Price gouging protections are out of date and difficult to enforce.* Currently, the Attorney General relies on two enforcement options: the Profiteering-in-Necessities statute, 10 MRSA S1105, a World War I era criminal statute under which it must be proven beyond reasonable doubt that a retailer exacted or demanded an unreasonable profit, and the Unfair Trade Practices Act, under which the Attorney General must prove that the challenged pricing was "unconscionable excessive."

- Scheduled time of the Council's monthly meeting agenda to discuss energy price or supply issues of potential concern during the winter heating season.
- Continued to maintain and improve the BundleMeUp public information website.
- Updated the PSA developed under the original interagency BundleMeUp effort to include a message from Governor Baldacci to ensure preparedness in the event of a winter fuels shortage or price spike.

4. Project Activities for 2004

- Ensure member agency participation in preparedness activities organized by MEMA, including the proposed energy emergency simulation.
- Incorporate lessons learned from the energy emergency simulation into the working draft Maine Emergency Management Plan.
- Seek repeal of the existing Petroleum Set-Aside law that is currently on the books but is outdated and has never been used.
- Coordinate an OPA project to evaluate security issues associated with Maine Yankee with MEMA.
- Continue to investigate the availability of federal funds and resources; it is anticipated that \$30,000+ in federal funds per state may become available in 2004

for “energy assurance” planning to bolster emergency preparedness¹⁰ and it is possible that other federal funds may also be available for emergency preparedness activities.

F. BIO-PRODUCTS OPPORTUNITIES FOR MAINE

1. Project Goal

- Pursue opportunities to position Maine for federal funding of RD&D related to bio-products as a driver of economic development.

2. Project Context

- Bio-products are products manufactured with biomass feedstocks such as wood and wood residues, cellulosic sludges, and agricultural products and residues. Bio-products include specialty chemicals, commodity chemicals, fibers, bio-composites bio-energy, fuels and fuel additives.
- Bio-products production and use offers Maine an opportunity to leverage its natural resources and mature industry infrastructure to host production of bio-products. It also offers opportunities to decrease dependence on petroleum and provide environmental benefit.

3. Council Activities in 2003

- Accepted an invitation from the Northeast Regional Biomass program to host a technical forum to introduce emerging bio-product diversification and growth options for the forest products industry and the local economies that depend on them. DECD was designated as lead agency for organizing the forum. DECD assembled a working group that includes representatives from the University of Maine, Maine Technology Institute, the Manufacturing Extension Partnership, E2 Center, the Pulp and Paper Industry and the River Valley Growth Council to develop the agenda and advertise the forum.
- Council member agencies including DECD, DEP and SPO continued a collaborative effort with the University of Maine, business and economic development interests and Maine’s Congressional delegation to bring federal RD&D funding for bio-products development to Maine. Thanks to the efforts of Senators Snowe and Collins, Maine will receive a \$1M earmark for forest-based bio-products RD&D. The money will support projects at the University of Maine, the River Valley Growth Council and projects awarded through the Maine Technology Institute.
- State government began to test bio-diesel as a transportation and heating fuel.

4. Council Activities for 2004.

- Continue planning for the technical forum scheduled in March 04.

Continue to work collaboratively with the University of Maine, the Maine Technology Institute and others to identify, evaluate and pursue opportunities for value-added manufacture of bio-products in Maine. The Council will support efforts to develop a Maine economic development strategy for bio-products and will provide agency staff assistance as needed and a letter of support for an anticipated

University of Maine funding request to the Maine Technology Institute. Continue to explore and expand cost-effective opportunities for use of bio-fuels in transportation and buildings.

- Through Council staff, participate in the Northeast Biomass Partnership, the successor to the Northeast Regional Biomass Program that is funded through the US DOE.
 - Investigate cost-effective opportunities for inclusion of bio-products on State procurement lists.
 - Pursue opportunities to enhance regional bio-fuels infrastructure and bio-product availability to consumers.

G. L.D. 669 ENERGY POLICY REVIEW

1. Project Goal

- To review existing State energy policy and its implementation, identify links and tensions between energy policy and environmental, transportation and economic development policy and identify potential opportunities for improvement – particularly opportunities related to energy efficiency and renewable resources.

2. Project Context

- L.D. 669 directed the Council to undertake a review of state energy-related policies and their implementation, with a focus on policies related to energy efficiency and renewable energy, and to prepare and submit a report of its findings and recommendations to the Joint Standing Committee on Utilities and Energy no later than December 3, 2003.
- Four members of the Utilities and Energy Committee – Senator Hall, Senator Youngblood, Representative Bliss and Representative Fletcher – were temporary members of the Council for the purposes of participating in the study process.

3. Council Activities in 2003

1. Designated the Director of Energy Independence & Security as manager of the project on the Council's behalf.
2. Selected Energy Advisors, LLC of Camden to undertake the study and prepare the report.
3. Established an interagency advisory group to advise the project manager and consultant on request.
4. Held three public meetings for the purpose of soliciting stakeholder input; the project manager and consultant also invited comment by phone, letter and email and met individually with stakeholders on request.
5. On December 3, accepted a final report from Energy Advisors for transmittal to the Legislature and approved a 1 page summary of shared principles for guiding Maine energy policy.

6. Considered recommendations developed by the Director of Energy Independence & Security on energy policy improvements; see Attachment 1.

4. Council Activities for 2004

- Support policy recommendations to:
 - *Adopt a revised residential building energy code*, consistent with the analysis undertaken by the PUC study in consultation with the Council per Legislative direction; see www.maine.gov/mpuc/2004legislation/2004legislation.htm.
 - *Revise the Eligible Resource Portfolio Standard*, consistent with considerations identified by the PUC in its recent study. See www.state.me.us/mpuc/2004legislation/2004legislation.htm.
 - *Propose a Bond Issue to Support Cost-Effective Weatherization*. In recognition of the unmet need to fund cost-effective weatherization improvements in low and moderate income households, MSHA has proposed a State bond authority to provide financial resources.
 - *Repeal the Petroleum Set-Aside Law*, because the law is outdated, has never been used and it is difficult to conceive of a situation where it would be implemented. The Governor's emergency powers allow for control of certain petroleum resources even in the absence of the set-aside law.
 - *Support Maine adoption of appliance efficiency standards, with a trigger mechanism and phase-in period*. To remove some less efficient products from the market, the Council supports proposals to set state appliance efficiency standards for selected products where they pass Efficiency Maine's cost-benefit analysis. The Council supports inclusion of a trigger whereby the standards would only go into effect after they are in place elsewhere in the region and also an adequate phase-in period to accommodate Maine retailers with existing inventories.

Detail on each of the above recommendations will be developed in the coming months and specific legislative proposals or support for existing legislative proposals will be provided by the Director of Energy Independence & Security. The Council will provide support and assistance, where requested.
- Undertake two new interagency cooperative projects – energy implications of sprawl and recommendations for improved energy policy; see below for associated action plans.
- Integrate new tasks into existing Council projects and facilitate ongoing cooperation among interested Council member agencies on the following:
 - State government leadership by example with energy efficiency and use of renewable energy.

- Tracking of greenhouse gas emissions associated with State energy use and cost savings from energy efficiency activities.
- Research on tax and/or other incentives that encourage the purchase and use of more fuel-efficient vehicles by Maine consumers.
- Exploration of mechanisms to enhance funding for alternative transportation modes and to promote their usage.
- Explore interest rate subsidies, state bonding for a revolving loan fund or other means to improve efficiencies at large electricity customer facilities as a means to reduce energy costs.

H. L.D. 1184 ALTERNATIVE FUELS STUDY

1. Project Goal

- To evaluate options for increasing the production or use of alternative transportation fuels and transportation efficiency in Maine.

2. Project Context

- L.D. 1184 directs the Council, in coordination with DEP in development of a climate action plan, to study the costs and benefits of various options to stimulate biofuels production, and increase use of biofuels and alternatively fueled vehicles. Recommendations are due by January 15, 2005.

3. Council Activities in 2003

- Established a transportation working group led by DEP to undertake this project with resources and staff assistance provided by DOT.
- Supported DEP efforts to undertake the analysis required in this study as part of the climate action planning process required in L.D. 845.
- Provided staff resources to review a proposed DEP scope of work and allocation of resources.
- Provided member agency staff assistance to assist the Director of Energy Independence & Security in preparing testimony in favor of L.D. 1492, a DEP bill to incent bio-fuels production in Maine through a production tax credit.

4. Council Activities for 2004

- DEP will, with resources from DOT, and in consultation with SPO, DECD, DAFS, DOA, DOC and Clean Cities, complete the study required by L.D. 1184.
 - A progress report will be provided to the Council in June 04, and draft findings and recommendations provided for Council review by September 04.
 - The Council will transmit the final report for the study and any recommendations for action by the year's end.

I. ENERGY IMPLICATIONS OF SPRAWL

1. Project Goal

- Identify where and how State policies and investments impact land use and patterns of development and propose opportunities for improvement for consideration by the Council in 2004.

2. Project Context

- Patterns of development have significant implications for transportation-related energy use and the costs of energy related infrastructure. The Energy Advisors study reinforces the important link between increasing energy usage and sprawl. According to the study, petroleum comprises 45 percent of Maine's energy mix, and much of it is used for transportation. Petroleum consumption in the late 1990's was about 25 percent higher overall than in the early 1980s; transportation energy use increased by 46 percent from 1980 to 2000. Between 1980 and 2000, vehicle miles traveled in Maine grew by 88 percent and motor fuel consumption increased by 55 percent, while the population increased by only 14 percent. The average miles driven in Maine were nearly 28,000 per household, which compares to the New England average of 20,500 and the U.S. average of 21,100. 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.

3. Council Activities in 2003

- Designated SPO as lead agency for undertaking this project .
- Assigned an intern under the direction of the Director of Energy Independence & Security to work with Council member agencies to identify where and how State policies and investments may impact sprawl directly and/or indirectly encourage sprawling patterns of development .

4. Council Activities for 2004

- Receive and consider recommendations on how to address the energy aspects of sprawl by September 2004, including whether any changes to state agency policies are advisable.
- Work with state agencies to reform any policies that may directly or indirectly be acting to encourage sprawling development patterns.

V. ONGOING COUNCIL ACTIVITIES

Energy markets and energy policymaking are dynamic. Both problems and opportunities will arise over time, and not all of them will be expected. With this in mind, an “energy plan” in the traditional sense has limited applicability today. Rather, an ongoing Council process for establishing shared priorities and making the best use of limited resources in a changing energy landscape offers greater potential for success. With this in mind, new issues can be brought to the Council at any time by Council members or stakeholders.

A. ADDITIONAL AREAS OF ONGOING INTERAGENCY COORDINATION

In addition to facilitating Project Activities and organizing meetings, the Council Chair and Council Staff work in cooperation with Council members and their staffs on numerous special projects and outreach activities.

1. Regional and Federal Outreach

To assist State policymakers in tracking and influencing policy development in regional and federal forums, to ensure effective interagency cooperation and efficient use of State resources, and in partial fulfillment of the Legislative mandate to seek cooperation from federal agencies with jurisdiction over energy matters to ensure that their programs and projects serve the best interests of the State, Council Chair and Staff coordinate Maine’s participation on various regional energy committees and working groups:

- *New England Governor’s Conference Power Planning Committee (NEGC PPC)*. In 2004, this Committee is expected to (among other things) continue to assist with development of a regional state committee to advise FERC on wholesale electric market issues. The Director of Energy Independence & Security will consult with interested Council members and represent Maine’s perspective in NEGC PPC discussions. In addition, the NEGC PPC is a convenient vehicle for sharing information on regional energy security issues and projects of mutual interest.
- *The Conference of New England Governors and Eastern Canadian Premiers’ (NEGC/ECP) Northeast International Committee on Energy (NICE)*. In 2004, NICE is expected to review electric system reliability issues, including reasons for the blackout in 2003; opportunities for better synchronization of energy markets across the New England states and eastern Canadian provinces; and the status of energy efficiency and renewable energy efforts in the region. The Director of Energy Independence & Security will consult with interested Council members to represent Maine’s interests on this Committee.
- In addition, NICE reviews recommendations of the NEGC/ECP Climate Change Steering Committee. The Director of Energy Independence and Security will continue to work with the OOG, DEP’s Office of the Commissioner, Air Bureau and the DEP-led interagency climate steering committee to represent Maine’s perspective.
- *NEGC/ECP Climate Change Steering Committee (CCSC)*. Council Staff and DEP’s Air Bureau Director currently serve on the CCSC. In general, Maine looks for opportunities to leverage State actions through regional implementation. In

consultation with the Director of Energy Independence & Security and other Council members, Council Staff provides input on the energy related implications of potential climate actions.

- *The Coalition of Northeast Governors' Energy Steering Committee.* This committee tracks federal energy policy developments and, where appropriate, coordinates development of regional governors' positions on issues of mutual interest. Governor Baldacci will be the regional chair of CONEG this year. Council Chair will represent Maine's interests on this Committee and use it as an opportunity to further regional opportunities for energy efficiency and renewable energy.
- *The National Association of State Energy Officials (NASEO).* This is a professional organization for state energy officials that facilitates information sharing and policy discussion across States. Maine has been an inactive member to date to gain access to informational materials, but has not actively participated in events. Council Chair will take a more active role in NASEO in 2004 and evaluate where it may provide opportunities for Maine to leverage its activities with those of other states.
- *The OCS Policy Advisory Committee to the US Secretary of Interior.* This committee includes voting members from of each of the coastal states, as well as advisory members from various federal agencies and stakeholder groups with energy related interests on the Outer Continental Shelf (OCS). It addresses issues related to oil and gas development (including the current moratoria on exploration and development on Georges Bank), as well as other energy issues (e.g. development of other offshore energy resources such as wind). Council Staff represents Maine's interests on this committee in consultation, where appropriate, with the Department of Marine Resources, SPO's Coastal Program and Council members. (Participation in semi-annual meetings is at the expense of the U.S. Department of Interior's Minerals Management Service.)
- *The Participants Committee of the New England Power Pool (NEPOOL).* In consultation with the PUC and in cooperation with the OPA, Council Staff has represented the Governor's interest at NEPOOL. This role has complimented PUC and OPA advisory roles on NEPOOL and ISO NE committees, as well as PUC and OPA advocacy at FERC. Given the recent proposal to create a regional committee of State representatives (RSC) to advise FERC and ISO-NE on regional market issues, however, it is likely that the Governor's Office will be less active at the NEPOOL Participants Committee and may, depending on how the RSC evolves, discontinue NEPOOL participation altogether.

2. Climate Action

DEP has the lead on State climate action, and consistent with Legislative direction, has established a stakeholder process to assist with development of a Maine climate action plan. Several Council members serve on the stakeholder committee representing Administration energy interests; the Council Chair will act as a liaison with other Council members who are not direct participants. Council Staff will serve on the energy working group of the stakeholder process and will assist Council chair as needed. In addition, DEP has established an interagency advisory committee on climate action on

which Council Staff participates. See also *NEGC/ECP Climate Change Steering Committee* under Federal and Regional Outreach above.

Through the cooperative efforts of the Director of Energy Independence & Security, DAFS and DEP, State government has developed a baseline of State government energy use in buildings and fleets and associated greenhouse gas emissions.

3. Energy Efficiency

The Director of Energy Independence & Security is working with interested Council members and others to identify where there may be additional opportunities to mobilize and use capital for achieving energy goals in Maine.

- *Need for Capital for Low-Income and Moderate-Income Weatherization.* Maine's 11 Community Action Agencies report 15,000 low-income households waiting for weatherization services. For moderate income homes, a conservative estimate is that 10% of Maine's 520,000 moderate income households are in need of weatherization. At an assumed cost of \$2,600 per household based on U.S. DOE's funding formula for low-income weatherization, there is a potential need of more than \$174,200,000. Maine currently receives only \$6,500,000 if federal DOE and LIHEAP funding for weatherization, and this must be spent on low-income households only. Use of the State's bonding capacity could lower the energy burden for Maine's lower income families, improve the condition of Maine's housing stock and result in substantial, cost-effective reductions in energy consumption. MSHA has requested a \$20 million bond package for weatherization (\$15 million) and lead paint remediation (\$5 million).
- *Opportunity to Improve the Competitiveness of Maine Industries.* While real prices for electricity declined significantly between 1980 and 2000, industrial electricity rates in Maine remain 70% above the national average. There may be opportunities to lower energy bills for large energy consumers through process improvements and investments in cost-effective energy efficiency. The Director of Energy Independence & Security will work with Efficiency Maine, DECD, and the Finance Authority of Maine to evaluate potential opportunities to fund cost-effective efficiency improvements. Possibilities include low interest loans and interest rate subsidies.

4. Alternative Transportation and Transportation Efficiency

In recognition of the significant share of Maine's energy use that results from transportation, the Director of Energy Independence & Security will work with interested agencies to identify opportunities to promote alternative modes of transportation and increase their use. In addition, the Director will research tax and/or other incentives to encourage the purchase and use of more fuel efficient vehicles by Maine consumers.

5. Energy-Related Economic Development Opportunities

The Director of Energy Independence & Security is working with DECD, the OOG and others to identify and evaluate energy-related economic development opportunities in Maine. Potential opportunities include new renewable electric generation, local

manufacture of wind turbines and associated parts, and development of a liquefied natural gas (LNG) terminal.

With funding from the US DOE Northeast Biomass Partnership, Council Staff provides assistance on energy-related economic development opportunities related to biomass.

6. Renewable Resource Fund

With the endorsement of Council members, SPO has contracted with the Maine Technology Institute (MTI) to manage the Renewable Resource Fund, a fund made up of voluntary contributions by electric utility ratepayers. MTI allows the Fund to be used as match for its cluster grant program, in effect leveraging the Fund's limited resources with a much larger grant program. The PUC continues to work with utilities to provide information to consumers on how to contribute to the Fund to consumers.

MTI awarded the first grant from the fund on December 8. With \$40,050 from the fund, \$40,050 from the MTI cluster grant program and \$142,316 in matching funds, labor and materials, the Chewonki Foundation and the Hydrogen Energy Center will undertake a demonstration project to accelerate deployment of renewable energy systems using hydrogen generators, storage and fuel cells. The scope of work includes a technical and financial evaluation of the system components and their specifications, and installation, operation and maintenance of a hydrogen system that will provide backup power for a Chewonki building. The project will be promoted through Chewonki's educational programs and serve as a demonstration to interested architects, engineers, electrical and energy systems contractors, energy producers and developers.

7. Information Requests from the Public

Council Chair responds to energy-related letters from the public on behalf of the Governor's Office, and answers stakeholder questions and provides referrals to information sources on behalf of both SPO and the Council. Council Staff serves a similar role for requests received through the Council's website. PUC staff funded through the U.S. DOE's SEP program answer information requests from the BundleMeUp website and will answer information requests from the soon to be launched MaineEnergyInfo.com.

VI. EVALUATION OF COUNCIL EFFECTIVENESS AND ADEQUACY OF RESOURCES

The Council is committed to continuous self-improvement, and will evaluate not only its own effectiveness at interagency coordination but also the effectiveness of State energy policy more generally. While the effectiveness of State energy policy is not entirely within Council members' control, it is a subject on which the Council should advise Legislative and Executive policymakers and so it is a priority for evaluation.

A. BENCHMARKING

The Council will evaluate its effectiveness over time. Because the Council's primary purposes are to facilitate interagency coordination and provide advice on State energy policy, the Council will evaluate its effectiveness in those terms. The Council is also interested in the effectiveness of State energy policy more generally, and will establish benchmarks for use in evaluation. The Council finds:

- Council effectiveness at interagency coordination should be measured in terms of the usefulness of the Council to its members and the policymakers that it serves.
- The effectiveness of State energy policy more generally should be evaluated in terms of relative energy affordability, energy availability, energy diversity, energy efficiency and energy co-benefits (e.g. environmental improvement, local economic development). In addition, State government should effectively lead by example with its own energy use. Appropriate indicators may include relative energy prices, statewide energy production and consumption, Maine's energy resource mix, State government energy use, and the range of environmental, transportation, housing, economic and security policies that take energy objectives into account.

To measure Council effectiveness, it is informative to consider the priority placed on Council meetings by Council members by tracking the number of agencies represented at each meeting and the level of representation. In 2003, the Council held 11 meetings of the full Council. Attendance has been excellent. In addition to meetings of the full Council, numerous project-specific working groups and meetings have been held throughout the year.

2003 a year of transition original 8 Cabinet members changed with the new Administration. The Council relied on senior agency staff during the transition to provide meeting coverage and to head up interagency working groups that are implementing Council priorities. A ninth member was added to the Council by the Legislature during the spring.

Another measure of Council effectiveness is the faith afforded it by both the Legislature and the Administration. Due to actions of both the Legislature and the Administration in 2003, the Council now enjoys additional resources to pursue its priorities.

- The Legislature passed and the Governor signed L.D. 669, a bill which not only requested a comprehensive review of State energy policy, but also allows the

Council to apply to the PUC for financial resources from the Conservation Fund to support Council projects and activities.

- The Governor established a new position – Director of Energy Independence & Security. The Director of Energy Independence & Security is now acting as Chair of the Council, and works with Council members to further Council energy priorities and to work cooperatively with the Office of the Governor.

It may be informative to ask Council members and their alternates, members of the Joint Standing Committee on Utilities and Energy and the Governor and his senior policy team about the Council’ effectiveness. The Council anticipates doing so in mid 2004.

To measure the success of State energy policy more generally, it is informative to consider and track relevant indicators. According to the review of State energy policy prepared for the Council by Energy Advisors, there are a number of potential indicators, including:

- Square feet of State facilities under contract for energy efficiency improvements (p. 96);
- The percentage of the State’s electric load supplied with renewable power (p. 98);
- The number of voluntary agreements with businesses for pursuing energy efficiency (p. 101);
- The number of interconnected DG facilities (p. 107);
- The megawatt total of renewable energy facilities in production (p. 109);
- The number of engineers licensed to certify compliance with residential energy efficiency codes (p. 113);
- The number of owner-built homes certified as compliant (p. 113);
- The number of homes receiving weatherization and other efficiency measures (p. 115);
- The total of vehicle miles traveled per person in Maine (p. 117);
- Volume of sales of clean fuel vehicles (p. 121).

The Council will review relevant potential benchmarks for measuring the effectiveness of State energy policy in 2004 and establish a set of indicators to track over time and a process for tracking them.

B. ADEQUACY OF COUNCIL RESOURCES

The Council has relied on one dedicated staff and staff from member agencies to pursue Council projects and priorities. While it is an ongoing facilitation challenge to keep agency staff with competing priorities proactively involved with Council priorities, the approach has proven effective for integrating energy awareness and shared energy priorities into the operation of nine diverse agencies. As noted above,

thanks to Legislative and Executive action in 2003, the Council now also enjoys additional resources to pursue its priorities.

C. OPPORTUNITIES FOR IMPROVEMENT

- The Council will evaluate its meeting schedule and format and determine whether any changes would be advisable. This could potentially be accomplished by transitioning to quarterly Council meetings that focus on strategic direction. Another possibility is to continue monthly meetings, but with shorter, more focused agendas aimed at establishing priorities and greater reliance on staff for implementation.
- Increased follow-up by Council members with their respective staffs to make sure agency commitments to interagency projects are met on schedule.
- Increased input by citizen stakeholders in conjunction with Council meetings or Council projects.
- Enactment of Council-endorsed outcomes as legislation in the 121st and future legislative sessions.

Council members find that Council participation facilitates interagency cooperation and coordination on energy issues, and provides a means for making efficient and effective use of limited resources. Council members believe that they can accomplish more through cooperative efforts than individually, and look forward to continued active participation in Council activities in 2004.

VI. RECOMMENDATIONS AND PROPOSED CHANGES TO LAW

Recommended changes to law are summarized in Chapter IV (G) and Attachment 1. These recommendations reflect opportunities identified in the policy review undertaken in L.D. 669, opportunities identified during the course of other Council projects and activities and direction from the Baldacci Administration.

Attachment 1

**Baldacci Administration Recommendations to Joint Standing Committee
on Utilities & Energy**

December 16, 2003

**Energy Resources Council/Administration Recommendations
Implementing Certain L.D. 669 Study Recommendations**

December 16, 2003

Background

Pursuant to L.D. 669, An Act to Strengthen the Energy Resources Council, the Energy Resources Council was directed to undertake a review of state energy-related policies and their implementation, and to prepare and submit a report of its findings and recommendations, to the Joint Standing Committee on Utilities and Energy no later than December 3, 2003. Four members of the Utilities and Energy Committee participated in the study process. The Council was directed to identify the links between energy policy and environmental, transportation, and economic development policy, and to identify opportunities for improving the effectiveness of state policy. The study was to focus on policies related to energy efficiency and renewable energy.

The Energy Resources Council retained Energy Advisors, LLC of Camden to prepare the Study. While the Director of Energy Independence and Security (“DEIS”) provided oversight and assisted in the preparation of the Study, the recommendations contained in the Study are those of Energy Advisors, and not necessarily those of the ERC or Administration. Public input was solicited early and often during the study process. Stakeholder comment was given through email and telephone conversations. Meetings were held with all stakeholders who requested them. In addition, three public hearings were held during the study process. In September hearings were held in Bangor and Augusta on the draft set of potential opportunities developed by Energy Advisors. In November a hearing was held in Augusta on the Draft Study.

The Study was presented to and discussed by the Energy Resources Council at its November 4th meeting. The ERC accepted the study at its December 2nd meeting. In addition, the ERC adopted a set of Ten Principles to Guide Maine Energy Policy formation at the December meeting, which are attached.

Over two dozen recommendations for advancing state energy policy in the areas of efficiency and renewable energy were identified by Energy Advisors. The ERC has discussed these recommendations and, using the Ten Principles for guidance, has identified a sub-set of recommendations that the ERC and Administration believe should form the basis of the ERC’s and Administration’s agenda and workplan for the coming legislative session and year. These recommendations are set forth below.

Government Lead by Example Recommendations

The Study made several recommendations in the area of Government Lead by Example activities. The ERC believes that Lead by Example activities in the areas of energy conservation, efficiency, and renewable energy are important for a number of reasons, including: 1) demonstration of the state’s commitment to environmental protection; 2) energy cost savings; 3) stimulus for similar action by the private sector; 4) reduction in greenhouse gas emissions attributable to State energy usage, as required by L.D. 845;

and, 5) increase in market demand for a particular product. The ERC also recognizes that these activities are simply the “right thing to do” in certain situations.

The ERC believes that lead by example activities should be seriously considered for adoption when they meet one or more of the following criteria: 1) they are cost-effective, within the short and/or long term, and are within state resources; 2) they are consistent with the operational needs of government entities; 3) they support the health and safety requirements of employees and customers of state government; 4) they benefit the environment; or, 5) they directly or indirectly influence private action.

Based on these criteria, the ERC believes that the following activities should be considered priorities over the next year:

1. State buildings. Harriman Associates is currently conducting an energy audit of state buildings over 10,000 square feet (including the armories and University of Maine buildings) to identify cost-effective opportunities to advance the statutory goal of achieving 25% energy savings in State buildings by 2010. The audit is due by the end of December. The State will pursue funding opportunities to implement the audit recommendations.
2. Leadership in Energy and Environmental Design Building Standards. Governor Baldacci signed an Executive Order on November 24th directing the State to incorporate LEED building standards into all new and renovated State buildings, including institutions of higher learning.
3. On-Site Renewable Energy. The State will look for cost-effective opportunities to install renewable distributed generation (including geothermal, wind, and solar) at state facilities.
4. Bio-Fuels. The State is experimenting with the use of biodiesel (B20 blend) as a heating fuel on a trial basis this winter at the Blaine House, State Planning Office and Bureau of Motor Vehicles buildings. MDOT is testing this fuel in trucks and heavy equipment at its Freeport facility. If these tests are successful, the State will look for ways to expand the use of biodiesel purchases, as revenues allow.
5. Computer Software. The State is exploring and will implement, if appropriate, energy saving software for state computers.
6. State Transportation Fleet/Vehicle Usage: An interagency work group has been established and is working toward the issuance of an executive order or other appropriate policies relating to increasing the efficiency of the State’s vehicle fleet and reducing miles traveled by State employees. Areas currently being reviewed include state vehicle purchases, car and vanpooling, telecommuting, tele- and video-conferencing, and preferential parking.
7. Greenhouse Gas Reductions by State of Maine. L.D. 845 requires Maine State Government to reduce its greenhouse gas emissions to below 1990 levels by 2010. The State has developed a baseline of its GHG emissions from heating and transportation fuels and electricity purchases. The State will continue to compile and publicize its annual energy, CO₂, and cost savings realized.

Research Opportunities

The L.D. 669 Study and stakeholder comments indicate that opportunities exist in certain areas, but that further analysis may be required to understand how to best address the problems identified. For example, the transportation sector seems to present not only significant opportunities for energy savings and environmental improvement, but also considerable challenges regarding how to achieve those savings. Vehicle miles traveled have increased in Maine by 88% between 1980 and 2000, while fuel economy is now steady or declining. Freight carried by truck has increased from 60% to 90%.

The ERC will conduct further research in the following areas, and will make policy recommendations in the future.

1. **Sprawl.** A research assistant has been hired by the DEIS and is working with the SPO to identify and analyze whether existing state agency policies either intentionally or unintentionally promote, or provide hidden subsidies for, sprawling patterns of development. We will look for ways to amend these policies to encourage Smart Growth. We are also examining State distribution of funds to ensure that such distribution promotes Smart Growth policies.
2. **Efficient Vehicle Purchases:** We will research tax and/or other incentives that encourage the purchase of more fuel efficient vehicles by Maine consumers as well as mechanisms to fund the “cash for clunkers” program.
3. **Alternative Modes of Transportation.** We will explore mechanisms to enhance funding for alternative transportation modes and to promote their usage.
4. **Wind Siting and Permitting.** An interagency work group has been established and is working on a document that will provide wind energy developers guidance with regard to locations that the State of Maine would deem most appropriate for new wind energy development. Another interagency work group is working to ensure that state agency permitting procedures will ensure the efficacious processing of wind development permits.

Legislative Actions

The L.D. 669 Study presented a host of legislative proposals that could be pursued to promote energy efficiency and renewable energy. Many of these proposals would meet the objectives of: 1) reducing total energy costs paid by Maine consumers; 2) promoting job creation and economic development in Maine; 3) reducing greenhouse gas emissions and other environmental impacts of energy production; and 4) increasing energy independence and security. Some of the proposals identified in the Study would increase energy prices in the short term.

Using the Ten Principles as guidance, the ERC selected the following legislative options to pursue this session. It must be noted that these are tentative recommendations from the ERC/Administration, and that one or more of these recommendations could change as further information is made available. Furthermore, items could be added as more information is presented. Notably absent from this list are recommendations that would increase energy prices in the short term, such as the proposed increase to the system benefit charge for efficiency programs and implementation of an all fuels system benefit charge.

1. Appliance efficiency standards. The Utilities and Energy Committee has carried over a bill that would set appliance efficiency standards for 10 products not covered by federal standards. The Northeast Energy Efficiency Partnership has estimated that Maine consumers would realize energy savings on the order of \$5 million per year for the period 2005 to 2010 if the standards were adopted. Concerns have been raised that, because Maine is a relatively small market, it should not implement these standards first. The ERC agrees and would adopt the recommendation of Energy Advisors that Maine enact what would essentially be “enabling” legislation, which would provide that the standards would take effect in Maine after these same standards have been adopted by one or more states within the region that represent a population of at least 5 million.
2. Energy Building Code. The Utilities & Energy Committee and the Business Research and Economic Development Committee have carried over bills that include provisions establishing a comprehensive residential energy building code. The PUC is currently studying this matter and will present its findings to the Committees. While Maine-specific data has not been collected to quantify likely cost savings from implementation of a code, data from other states would indicate that energy building codes can save significant energy dollars. Based on information currently available, the ERC would support the adoption of a residential energy code.
3. Weatherization Bond Issue: MSHA has put together a proposal for inclusion of a low and moderate income residential weatherization and lead paint remediation bond issue. Grant and loan funds will be targeted to those individuals who would not be likely candidates for traditional bank loans for home improvement and weatherization projects. Studies show that for every \$1 spent on weatherization, \$1.83 in energy savings and another \$2 in job and other benefits are realized.
4. Renewable Power: The PUC is studying mechanisms to ensure the maintenance and expansion of Maine’s renewable power industry. The study has examined amendments to Maine’s RPS as well as a renewable system benefit charge. The PUC has analyzed but rejected the idea of using the standard offer purchase to accomplish the objectives of the RPS or an SBC. The ERC/Administration support amendments to Maine’s RPS that will maintain existing efficient renewable power producers and ensure new renewable development in Maine, particularly new wind development. We believe that RPS amendments are the single most effective action Maine can take to preserve its renewable power industry and promote new wind development.

The ERC and Administration also wants to see the manufacture of wind turbines and component parts located in Maine. Passage of an RPS with a strong incentive for new wind will help achieve this goal.

5. Bio-fuel Incentives. The Administration supported enactment of a production tax credit for bio-fuels before the Taxation Committee on December 4th. The bill, L.D. 1492, was voted out unanimous ought to pass.

Miscellaneous Other Policies and Programs

The L.D. 669 study and stakeholder comments indicated the need to pursue a couple of other issues that do not fall neatly into any of the above categories. The ERC and Administration believe that the following activities should also be pursued.

1. Utility Incentives to Promote Efficiency and Conservation. Under current electric utility regulation, it is in the financial interest of Maine's T&D utilities to promote electricity sales rather than to encourage conservation and efficiency. Discussions relating to changing these incentives have occurred on and off over the past twenty years. During the L.D. 669 study process Bangor-Hydro and Central Maine Power expressed a willingness to continue these discussions. The ERC hopes that these discussions will continue and produce a consensus proposal to address this issue.

2. Maine's Energy Costs. One comment that was expressed over and over by Maine's business community, particularly the large customer classes, relates to Maine's electricity costs. The L.D. 669 Study shows that, while real prices for electricity declined 17% between 1980 and 2000, industrial rates in Maine remain 70% above the national average. There appears to be little more the Maine PUC or Maine's T&D utilities can do to reduce rates further than they already have for these customers. There may, however, be ways to lower energy bills for the large customer classes through investment in cost-effective efficiency measures. We were told that such investment opportunities probably still exist at some of Maine's manufacturing facilities. We are exploring establishment of interest rate subsidy programs for larger utility customers.

Attachment 2

Energy Resources Council Statutory Authority

**CHAPTER 630
H.P. 506 - L.D. 646**

An Act to Establish the Energy Resources Council

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

Sec. 1. 5 MRSA c. 313-A is enacted to read:

**CHAPTER 313-A
ENERGY RESOURCES COUNCIL**

§3327. Energy Resources Council

1. Council established; membership. In order to facilitate more effective interagency coordination of the State's activities regarding energy issues, the Energy Resources Council, referred to in this chapter as the "council," is established. The chair of the council is the Director of the State Planning Office who is responsible for ensuring that the council carries out its responsibilities under this chapter. The membership of the council is as follows:

- A. The Director of the State Planning Office;
- B. The chair of the Public Utilities Commission;
- C. The Commissioner of Environmental Protection;
- D. The Public Advocate;
- E. The Commissioner of Transportation;
- F. The Commissioner of Administrative and Financial Services;
- G. The Commissioner of Economic and Community Development; and
- H. The Director of the Maine State Housing Authority.

2. Duties; responsibilities. The council shall advise the Governor, the Legislature and state agencies in the formulation of energy policy, including policy relating to energy use and conservation, development of energy resources and facility siting.

In fulfilling its duties, the council may interact and cooperate with any state, federal, regional or local agency or private organization. The council shall establish and regularly consult with one or more advisory groups composed of individuals with relevant expertise and experience to assist the council in carrying out its responsibilities under this chapter. The council shall:

- A. Recommend coordinated state policy regarding major programs or proposals that affect energy use in the State and that involve the activities of more than one state agency;
- B. Support the full implementation of an integrated program to provide a substantially improved energy resources information base for planning purposes;
- C. Provide direction to the State's energy planning and regulatory programs and encourage coordination of these efforts through review and comment on agency

program plans, specific projects and legislative proposals that involve or affect more than one agency;

D. Periodically evaluate, in consultation with affected interests, the State's regulatory systems as they affect the generation, transmission, delivery or use of energy, and recommend appropriate action, as needed, to improve energy planning and coordination;

E. Study specific energy issues and problems of state-level significance in order to develop sound, coordinated policies; and

F. Seek cooperation from federal agencies with jurisdiction over energy matters to ensure that their programs and projects serve the best interests of the State.

3. Quarterly meetings; staff. The council shall meet at least quarterly. The council shall prepare a work program for each year establishing priorities among its efforts. The State Planning Office, within the Executive Department, shall provide staff support. Each member of the council shall enter into an agreement with the State Planning Office to share in the cost of providing the staff support.

4. Report; legislative oversight. By January 15th of each year, the chair of the council shall prepare and submit to the Governor and to the joint standing committee of the Legislature having jurisdiction over utilities and energy matters an annual report describing the council's activities during the previous calendar year and an outline of anticipated activities for the current calendar year. The report must also include an evaluation of the council's effectiveness in meeting the requirements of this chapter and the adequacy of available staffing resources. The report may include recommendations for changes to law. After receiving a report under this subsection, the joint standing committee of the Legislature having jurisdiction over utilities and energy matters may report out legislation relating to energy policy.

5. Examination of state energy use. The council shall monitor and evaluate energy use by State Government. The council shall examine and provide guidance and advice to relevant agencies on how the State may use energy more efficiently, consume less energy and purchase energy, including electricity, more economically. The council shall coordinate its activities with the Clean Government Initiative established under Title 38, section 343-H. The council shall evaluate the progress of the State in meeting the energy reduction goal established under section 1770, subsection 1 and advise the Department of Administrative and Financial Services on means of achieving that goal. In its annual report submitted pursuant to subsection 4, the council shall describe its activities pursuant to this subsection.

6. Energy planning assistance for small businesses. The council shall develop information resources and coordinate the activities of member agencies to help small businesses use energy more efficiently, consume less energy and purchase energy, including electricity, more economically. The council shall form an advisory group of persons with relevant expertise and experience to advise the council in undertaking its responsibilities under this subsection. In its annual report submitted pursuant to subsection 4, the council shall describe its activities pursuant to this subsection. Effective July 25, 2002, unless otherwise indicated.

Attachment 3

Overview of Input Received at the Council's May 7, 2003 Open Meeting with Stakeholders

**Overview of Input Received
At the Council's May 7, 2003
Open Meeting with Stakeholders
Prepared by:
Planning Decisions**

The input was gathered through a stakeholder meeting and questionnaire. The meeting was held on May 7, 2003. Eighty-seven people attended. The attendees included 8 energy suppliers, 10 technology suppliers, 6 utility representatives, 16 consultants, 22 officials from 9 state agencies, 7 representatives of environmental interests, 2 federal officials, 9 state legislators, and 7 people from local governments, nonprofits or schools. Their comments are described in Part III of this report. A complete list of attendees is provided as Attachment II.

The questionnaire was sent out prior to the meeting, and was filled out by some people before the meeting, and others at it. Thirty-eight people responded to the questionnaire. Their responses are summarized in Part II of this report. A complete list of respondents and their affiliations is provided as Attachment I.

The stakeholder meeting and questionnaire were organized around the following questions:

1. What **energy information** do you need that you don't have access to today?
2. What additional steps could the State take to cost-effectively improve the **energy efficiency of State government buildings and fleets**?
3. How could the State be more effective in promoting **small business energy efficiency**?
4. Are there gaps or barriers in existing energy regulation that present a problem for you or your business? How could the efficiency or effectiveness of **State regulatory processes** related to energy be improved?
5. What could the State do to encourage cost-effective efficiency improvements in the residential and/or transportation sectors?
6. What could the State do to encourage cost-competitive **renewable energy** for Maine consumers?
7. Recognizing that the Energy Resources Council is a coordinating Council with limited resources, please rank your highest **energy priorities** for Energy Resources Council attention from 1 to 10, with 1 being the highest:

___ Energy information	___ State government energy efficiency	___ Small business energy efficiency
___ Regulatory improvement	___ Residential energy efficiency	___ Transportation energy efficiency
___ Renewable energy	___ Other: _____	___ Other: _____
___ Other: _____	___ Other: _____	___ Other: _____

Energy information wants and needs were as diverse as the participating stakeholders, and ranged from summary data about Maine's energy supply and use, to assistance in choosing among consumer products and opportunities for energy related businesses to market their products and services.

The audiences that stakeholders had in mind to reach through energy information varied widely, and included: students, homeowners and renters, small business owners, government building managers, energy business, and government and nonprofit energy policy professionals. Some of the desired information is already compiled by the federal government, and it may be appropriate for the State to reference that information rather than developing new information. If there were common interests across stakeholders, they had to do with a desire for "one stop shopping" for energy information.

State government energy efficiency was discussed as an opportunity for Government to lead by example. It was suggested, among other things, that the State should develop a system for tracking its energy use in buildings and fleets, develop energy use targets, implement measures to move toward those targets and make information available to the public.

Stakeholders suggested that **small business energy efficiency** can be improved through financial assistance (e.g. loans, tax incentives, subsidies), through information and encouragement (training for contractors and building owners, fact sheets, etc) and through energy efficiency standards (for products and buildings). While it was noted that improving small business energy efficiency is not necessarily a State function, there are many opportunities available to the State for providing assistance.

Suggestions for **regulatory system improvement** were varied, and included suggestions related to transportation incentives, State attention to renewable fuels, interconnection standards for small generators, anti-sprawl measures, carpooling incentives, elimination of the voluntary Renewable Resource Fund, utility rate reductions, regulatory process efficiency, State energy policy development, building energy code updates, and the like.

On average, stakeholders ranked **transportation** issues as the highest priority for Energy Resources Council attention. Several stakeholders expressed interest in production and use of alternative fuels such as ethanol and biodiesel. Others suggested that Maine combine with other New England states and follow California's lead to adopt stricter gas efficiency and environmental standards for cars. Various tax and other incentives for cleaner, more efficient transportation were suggested.

Public transportation was seen as a priority. Reducing sprawl was suggested as a way to reduce automobile use.

Residential efficiency, according to stakeholders, could be improved by adopting updated energy efficiency standards for new buildings, by increasing financial assistance for weatherizing older homes and by educating consumers (and retailers) to purchase energy-efficient appliances.

Numerous suggestions were made for encouraging **renewable energy**. The use of *renewable fuels* could be increased by eliminating the gas tax on bio-fuels, by reducing car registration fees for fuel efficient vehicles, and by the state government purchasing Maine-produced ethanol for use in its fleet. Existing *renewable generation* could be increased by the state publicizing or helping to market green power options. Suggestions for encouraging

renewable *electric generation* included state funding of research and development and demonstration projects, state purchase of power from new facilities and by tax credits for consumers of alternative energy.

When asked to rank priority energy issues for Energy Resources Council attention by giving them scores from 1 to 10, with 1 being the highest, stakeholders listed renewable energy and transportation energy efficiency as the highest priorities. Average scores were:

Renewable Energy	2.7
Transportation Energy Efficiency	2.9
Energy Information	3.4
State Government Energy Efficiency	3.6
Regulatory System Improvement	4.0
Small Business Energy Efficiency	4.6
Residential Energy Efficiency	4.9

While the above summary provides the flavor of stakeholder input, it is by no means inclusive of all suggestions received. Part II of this document provides more detail on questionnaire responses. Part III provides more detail on comments offered during the stakeholder meeting. Questionnaire responses are presented separately from input received at the stakeholder meeting in recognition that in some cases, the same individual might have commented by both means.