Chapter 4: NATURAL GAS ENERGY CONSERVATION PROGRAMS

SUMMARY: This Chapter describes how the Efficiency Maine Trust must implement natural gas energy conservation programs.

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§ 1 PURPOSE

The purpose of this Chapter is to implement the requirements of 35-A M.R.S.A. §10111. Section 10111 requires the Efficiency Maine Trust (the Trust) to implement gas conservation programs in the territory of natural gas distribution utilities in Maine.

This Chapter describes how and for whom the Trust must implement cost-effective gas conservation programs. The Chapter also defines the standards by which the Trust will judge programs to be cost effective.

§ 2 DEFINITIONS

A-1. Board. “Board” means the Board of Trustees of the Efficiency Maine Trust.

A. Gas conservation programs. "Gas conservation programs” means programs developed by the Trust pursuant to 35-A M.R.S.A. §10111 and this Chapter.

B. Gas Distribution Utility. "Gas distribution utility" means a gas utility as defined in 35-A M.R.S.A. §102(8).

C. Low-income residential consumer. “Low-income residential consumer” means a customer of a gas utility receiving any special utility rates or programs designated for low-income customers or a household that is heated with natural gas from any utility and has qualified at any time in the prior 12 month period to receive assistance through any state or federal program in which low income and/or limited assets are criteria for eligibility.

C-1. Maximum Achievable Cost-Effective Energy Conservation (MACE). “Maximum Achievable Cost-Effective Energy Conservation” or “MACE” means all cost-effective, reliable, and achievable energy conservation savings for purposes of 35-A M.R.S.A. §§ 10104(4) and 10111. In this Chapter, the term MACE applies to a quantity of natural gas savings and a budget for Trust programs that is reasonably likely to achieve that savings.

D. Measure. “Measure” means a device, application, operation or any combination thereof that is installed or implemented as a result of a program and that improves energy efficiency.

E. Participant. “Participant” means a customer who directly takes part in a gas conservation program.

F. Small business consumer. “Small business consumer” means a commercial customer of a gas distribution utility that has an annual usage of 40,000 ccf or less.
§ 3  GAS CONSERVATION PROGRAMS

A.  Criteria for Conservation Programs

The Trust shall seek to encourage efficiency in natural gas use, provide incentives for the development of new, energy-efficient business activity in the State and take into account the costs and benefits of energy efficiency and conservation to existing business activity in the State.

1.  Program Design. The Trust shall design and implement conservation programs that:

   (a) increase consumer awareness of cost-effective options for conserving energy;

   (b) create more favorable market conditions for the increased use of efficient products and services; and

   (c) promote sustainable economic development and reduced environmental damage.

2.  Program Targets. The Trust shall, in the budgets of its Triennial Plan:

   (a) target a reasonable percentage of available funds to programs for low-income residential consumers, considering these consumers’ share of gas load and the cost-effective opportunity available at their homes;

   (b) target a reasonable percentage of available funds to programs for small business consumers considering these consumers’ share of gas load and the cost-effective conservation opportunity available at their businesses; and

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

3.  Program Cost Effectiveness. Programs shall meet the cost effectiveness tests established in Section 4.

4.  Program Funding Levels. Programs shall be deliverable within the funding level established pursuant to section 5.

B.  Program Plans. As required by 35-A M.R.S.A. §§10104 and 10111, gas conservation programs shall be implemented as part of and consistent with the Trust’s Triennial Plan approved by the Commission. New gas conservation programs and significant changes to existing gas conservation programs shall be filed with the Commission pursuant to 35-A M.R.S.A. §10104 sub-§(4) and sub-§(6).

1.  Effect of Commission Approval. The Commission's approval of the Trust’s gas conservation program shall be a determination that the program is just and
reasonable on the basis of the information available as of the date of approval. The Trust has a continuing obligation to monitor, evaluate and review the program to determine whether the program as implemented is cost effective and whether continuation of the program as approved is reasonable.

§ 4 COST-EFFECTIVENESS TESTS

The following tests will be used to determine whether a program is cost effective.

A. Cost-Effectiveness Test. Programs that are reasonably likely to satisfy the test described in this section are cost effective. The cost-effectiveness test is satisfied when the program benefits exceed the program costs. Costs and benefits shall be considered under this section regardless of whether they are paid or experienced by the program participant or by the Trust or any other individual, business, or government agency.

1. Program benefits. Program benefits will include the following:

   (a) Avoided natural gas commodity costs. These estimates may be differentiated by time periods that influence market prices, including but not limited to peak and off-peak periods and summer and winter periods.

   (b) Avoided natural gas transportation, distribution, and storage costs, using estimates of gas transportation marginal costs. These estimates may be differentiated by time periods that influence costs.

   (c) Avoided electric costs including any energy, capacity, and transmission and distribution costs avoided as a result of program implementation.

   (d) Other resource benefits, such as reduced water and sewer costs.

   (e) Non-resource benefits, including customer benefits such as reduced operation and maintenance costs, deferred replacement costs, productivity improvements, economic development benefits and environmental benefits, to the extent such benefits can be reasonably quantified and valued.

2. Program costs. Program costs will include the following:

   (a) Direct program costs, including program design, administration, implementation, marketing, evaluation and other reasonably identifiable costs directly associated with the program.

   (b) Measure costs. For new construction programs, measure costs are the incremental costs of the energy efficiency measure, including installation, over an equivalent baseline measure. For retrofit programs, measure costs are the full cost of the energy efficiency measure, including installation, less any salvage for the replaced measure.

   (c) Ongoing customer costs, including costs such as increased operation and maintenance costs, reduced productivity, and lost economic development
opportunities, and environmental degradation, to the extent such costs can be reasonably quantified and valued.

3. **Discount rate assumption.** The discount rate used for present value calculations shall be the current yield of 10 year U.S. Treasury securities, plus two hundred basis points, adjusted for inflation.

4. **Net present value.** Cost effectiveness of a gas efficiency measure will be calculated based on the net present value of the costs and benefits over the expected life of the measure.

5. **Post-program effects.** For programs expected to influence the development of self-sustaining markets, program cost effectiveness will be calculated for a reasonable additional period after the program is terminated in order to capture post-program market effects.

6. **Incentive Level Limitation.** When developing a program that satisfies the cost-effectiveness test, the Trust shall consider the value of the program savings associated with natural gas production and delivery when setting incentive levels.

B. **Unquantifiable Cost-Effectiveness Test.** The Trust may implement a program without satisfying the cost-effectiveness test prescribed in sub-section A of this section if approved by the Board based on a demonstration that:

1. program benefits are known to exist but cannot be quantified with sufficient accuracy to conclude that program benefits exceed program costs;

2. the program satisfies some unquantifiable statutory criterion or an unquantifiable goal or objective established in Maine statute; and

3. the entire portfolio of gas conservation programs taken together and including the cost of the unquantifiable program produces quantifiable benefits that substantially exceed total portfolio program costs.

The Trust shall not spend or commit to spend more than 5% of the annual conservation budget on any program found to be cost effective under this Subsection B without express Commission approval of the spending level.

§ 5 **FUNDING LEVEL**

The Trust shall undertake energy efficiency programs designed to operate within an annual budget sufficient to capture Maximum Achievable Cost-Effective Energy Conservation (MACE) pursuant to the Triennial Plan as approved by the Board and the Commission.

§ 6 **COST RECOVERY**

The assessments charged by the Commission to gas utilities pursuant to an approved Triennial Plan and this Chapter are just and reasonable costs for rate-making purposes.
§ 7 REPORTS

A. The Trust shall report by December 1\textsuperscript{st} of each year to the Commission and the Legislature a description of actions taken and progress made in the implementation of programs in the twelve month period ending on the prior June 30\textsuperscript{th}. Reports shall include at a minimum:

1. a description of each program offered;
2. the program’s projected cost effectiveness;
3. the program’s calendar year annual expenditures;
4. the number of customers who participate;
5. the estimated annual energy savings; and,
6. expenses incurred in overall program administration.

§ 8 WAIVER OR EXEMPTION

Upon the request of any person subject to the provisions of this Chapter or upon its own motion, the Trust may waive any of the requirements of this Chapter that are not required by statute. Where good cause exists, the Trust or its designee may grant the requested waiver, provided that the request has been made in writing and approved by the Board, and provided further that granting of the waiver would not be inconsistent with the purposes of Chapter 97 of Title 35-A.