

**HOUSE . . . . . No. 2741**

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**The Commonwealth of Massachusetts**

PRESENTED BY:

***Frank I. Smizik***

*To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:*

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act further promoting energy efficiency and green jobs.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
<i>Frank I. Smizik</i>	<i>15th Norfolk</i>
<i>John J. Binienda</i>	<i>17th Worcester</i>
<i>Paul J. Donato</i>	<i>35th Middlesex</i>
<i>Steven M. Walsh</i>	<i>11th Essex</i>
<i>Kevin G. Honan</i>	<i>17th Suffolk</i>
<i>Michael J. Moran</i>	<i>18th Suffolk</i>
<i>Thomas M. Stanley</i>	<i>9th Middlesex</i>
<i>Peter V. Kocot</i>	<i>1st Hampshire</i>
<i>James J. O'Day</i>	<i>14th Worcester</i>
<i>Tom Sannicandro</i>	<i>7th Middlesex</i>
<i>William N. Brownsberger</i>	<i>Second Suffolk and Middlesex</i>
<i>Daniel A. Wolf</i>	<i>Cape and Islands</i>
<i>David Paul Linsky</i>	<i>5th Middlesex</i>
<i>Mary S. Keefe</i>	<i>15th Worcester</i>
<i>Jonathan Hecht</i>	<i>29th Middlesex</i>
<i>Denise Andrews</i>	<i>2nd Franklin</i>
<i>Denise Provost</i>	<i>27th Middlesex</i>
<i>Paul McMurtry</i>	<i>11th Norfolk</i>

*James B. Eldridge*

*Middlesex and Worcester*

*Jennifer E. Benson*

*37th Middlesex*

*William Smitty Pignatelli*

*4th Berkshire*

**HOUSE . . . . . No. 2741**

By Mr. Smizik of Brookline, a petition (accompanied by bill, House, No. 2741) of Frank I. Smizik and others for legislation to establish an oil heat energy efficiency fund from an additional assessment on home heating oil. Revenue.

**The Commonwealth of Massachusetts**

**In the Year Two Thousand Thirteen**

An Act further promoting energy efficiency and green jobs.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Chapter 10 of the General Laws is hereby amended by inserting after  
2 section 3500 the following section:

3 Section 35PP: There shall be established and set up on the books of the commonwealth a  
4 separate fund to be known as the Oil Heat Energy Efficiency Fund. The fund shall consist of  
5 amounts credited to the fund in accordance with sections 11J of chapter 25A and expended  
6 exclusively for the purposes of said section 11J of said chapter 25A. The fund shall be  
7 administered by the commissioner of energy resources, pursuant to section 11J(b) of chapter  
8 25A, in coordination with the secretary of administration and finance. The fund shall be an  
9 expendable trust fund and shall not be subject to appropriation or allotment. The commissioner  
10 shall report monthly by source all amounts credited to the fund and all expenditures by  
11 subsidiary made from the fund on the Massachusetts management and accounting reporting  
12 system. Amounts remaining in the fund at the end of a fiscal year shall not revert to the General  
13 Fund and shall be available for expenditure by the fund in the next fiscal year and thereafter.

14 SECTION 2. Chapter 25A of the General Laws is hereby amended by adding after  
15 section 11I the following new sections:

16 Section 11J. (a) For the purposes of section 11J, the following terms shall have the  
17 following meanings:

18 "Fuel oil industry" or "oil heat industry," persons in the production, transportation, or  
19 sale of oil heat fuel; and persons engaged in the manufacture or distribution of oil heat fuel

20 utilization equipment; provided that “fuel oil industry” or “oil heat industry” shall not include  
21 ultimate consumers of oil heat fuel.

22 “No. 1 distillate,” fuel oil classified as No. 1 distillate by the American Society for  
23 Testing and Materials (ASTM).

24 “No. 2 dyed distillate,” fuel oil classified as No. 2 distillate by the American Society for  
25 Testing and Materials (ASTM) that is indelibly dyed in accordance with regulations prescribed  
26 by the Secretary of the Treasury under section 4082(a) (2) of the Internal Revenue Code of 1986.

27 “Cost Effective,” with respect to an energy efficiency program, means that the program  
28 meets a cost-benefit test, which requires that the net present value of economic benefits over the  
29 life of the program or measure, including avoided supply and delivery costs and deferred or  
30 avoided investments, environmental benefits and avoided environmental costs, avoided operation  
31 and maintenance costs and other appropriate energy and non-energy benefits as determined by  
32 the department, is greater than the net present value of the costs over the life of the program.

33 “Energy Efficiency Advisory Council (EEAC),” refers to the energy efficiency advisory  
34 council established pursuant to section 22 of chapter 25 of the general laws.

35 “Oil heat fuel,” No.1 distillate and No.2 dyed distillate that is used as a fuel for  
36 residential or commercial space or hot water heating.

37 “Retail marketer,” a person engaged primarily in the sale of oil heat fuel to ultimate  
38 consumers.

39 “Wholesale distributor,” a person or business entity that produces No. 1 distillate or No. 2  
40 dyed distillate; imports No. 1 distillate or No. 2 dyed distillate; blends No. 1 distillate or No. 2  
41 dyed distillate with biodiesel or biofuels; or transports No. 1 distillate or No. 2 dyed distillate  
42 across state boundaries or among local marketing areas; and sells the products to retail home or  
43 commercial heating oil companies for resale.

44 (b)(1) Beginning, June 1, 2014, the department shall require a systems benefit  
45 assessment of two and one-half cents (\$.025) per gallon be placed on all gallons of oil heat fuel  
46 sold for residential or commercial use in Massachusetts in order to establish oil heat energy  
47 efficiency programs. The assessment shall be collected at the point of sale of oil heat fuel by a  
48 wholesale distributor to a person other than a wholesale distributor, including a sale made  
49 pursuant to an exchange. A wholesale distributor shall be responsible for payment of the  
50 assessment to the Commonwealth on a quarterly basis; and shall provide to the Commonwealth  
51 certification of the volume of fuel sold. No. 1 distillate and No. 2 dyed distillate fuel sold for  
52 uses other than as oil heat fuel are excluded from the assessment. Distillate fuel used by vessels,  
53 railroad, utilities, farmers and the military are exempt from the assessment.

54 (2) Such funds shall be deposited by the secretary of administration and finance into the  
55 Oil Heat Energy Efficiency Fund pursuant to section 35PP of chapter 10. The Fund shall be  
56 expended by the commissioner of energy resources, pursuant to this section, and subject to the  
57 approval of the energy efficiency advisory council (EEAC) for the sole purpose of designing,  
58 marketing and providing cost-effective energy efficiency programs through financial incentives  
59 and services for residential and small business demand-side management programs that improve  
60 energy efficiency and reduce consumption for residential and commercial customers who utilize  
61 oil heat fuel for space heat or domestic hot water heating, including but not limited to: replacing  
62 or upgrading older, inefficient oil heating or domestic hot watersystems; duct sealing and  
63 insulation, pipe insulation, building envelope sealing and insulation; storm windows; blower  
64 door air sealing services; research and design; and marketing of oil heat efficiency products or  
65 services. Program design for envelope measures and measures that will save electricity or  
66 natural gas, in addition to oil heat, shall be conducted by the EEAC and the program  
67 administrator(s), and result in integrated programs that serve all customers, regardless of heating  
68 fuel type. Program design elements that result in savings of multiple fuels shall be funded from  
69 the oil heat efficiency trust in an equitable manner and in proportion to the oil heat savings  
70 generated. No more than one percent (1%) of such funds may be used for training. No more than  
71 one percent (1%) of such funds may be allocated to the department for administration of the fund  
72 and coordination of the programs. Program design for heating system programs shall be  
73 conducted by EEAC and the program administrator(s), provided, however, that under the  
74 programs, any oil heating system eligible for replacement shall be replaced with a new oil  
75 heating system. The commissioner shall act as the fiscal agent responsible with ensuring these  
76 services are delivered as approved by the EEAC and in a cost effective manner that is  
77 coordinated with other energy efficiency programs, including the option of DOER to designate  
78 the delivery of some or all of the funds through the existing Program Administrators.

79 At least 20 percent of the funds collected shall be spent on comprehensive low-income  
80 residential oil heat energy efficiency and education programs. The commissioner shall designate  
81 that these programs be implemented through the low income weatherization and fuel assistance  
82 program network administered by the department of housing and community development.

83 (c) (1) The EEAC shall advise the department on all aspects of oil energy efficiency  
84 funds and programs in the commonwealth. Actions of the EEAC pertaining to disbursement of  
85 the oil heat efficiency funds and programs shall require a majority vote.

86 The EEAC shall establish a target budget designed to ramp-up over time to capture cost-  
87 effective energy efficiency for heating oil, and a corresponding annual assessment designed to  
88 recover enough money to fund the programs.

89 (2) To implement this section, the commissioner, with the approval of the EEAC and, is  
90 hereby directed and authorized to enter into contracts with appropriate organization(s) to serve as  
91 energy efficiency program administrator(s), selected through a competitive procurement process,

92 to deliver and operate, in a cost-effective manner, oil heat energy efficiency programs to be  
93 provided by retail heating oil dealers and other business entities, organizations and agencies with  
94 qualified technical personnel including oil heat technicians in good standing with the  
95 Commonwealth in possession of a certificate of competency as defined by Code of  
96 Massachusetts Regulation (CMR) 527 CMR 4.00. Programs shall be approved by the EEAC and  
97 shall be delivered in a cost effective manner that is coordinated with other energy efficiency  
98 programs.

99 (3) Every 3 years, in a manner consistent with natural gas and electric efficiency plans set  
100 forth in section 21 of chapter 25, on or before April 30, the program administrators shall jointly  
101 prepare an oil heat efficiency investment plan for approval by the department and the EEAC.  
102 Each plan shall provide for the acquisition of energy efficiency resources that are cost effective  
103 or less expensive than supply and shall be prepared in coordination with the energy efficiency  
104 advisory council established by section 22 of chapter 25. A program included in the plan shall be  
105 screened through cost-effectiveness testing which compares the value of program benefits to the  
106 program costs to ensure that the program is designed to obtain energy savings and system  
107 benefits with value greater than the costs of the program. Program cost effectiveness shall be  
108 reviewed periodically by the department and by the EEAC. If a program fails the cost-  
109 effectiveness test as part of the review process, it shall either be modified to meet the test or shall  
110 be terminated. The EEAC may allow for transitional, one year plans in order to achieve  
111 consistency with section 21 of chapter 25.

112 An investment plan shall include: (i) an assessment of the estimated lifetime cost,  
113 reliability and magnitude of all available energy efficiency resources that are cost effective or  
114 less expensive than supply; (ii) the estimated energy cost savings that the acquisition of such  
115 resources will provide to oil heat consumers, including, but not limited to, reductions in energy  
116 costs and increases in price stability and affordability for low-income customers; (iii) a  
117 description of programs, which may include, but which shall not be limited to: (A) efficiency  
118 programs; (B) programs for research, development and commercialization of products or  
119 processes which are more energy-efficient than those generally available; (C) programs for  
120 development of markets for such products and processes, including recommendations for new  
121 appliance and product efficiency standards; (D) programs for planning and evaluation; and (E)  
122 programs for public education regarding energy efficiency; provided, however, that not more  
123 than 1 per cent of the fund shall be expended for items (B) and (C) collectively, and not more  
124 than 2 per cent of the fund shall be expended for item (E) without authorization from the  
125 advisory council; (iv) a proposed mechanism which provides performance incentives to the  
126 program administrator(s) based on their success in meeting or exceeding the goals in the plan;  
127 (v) the budget that is needed to support the programs; (vi) data showing the percentage of all  
128 monies collected that will be used for direct consumer benefit, such as incentives and technical  
129 assistance to carry out the plan.

130 (4) The program administrator(s) shall submit the investment plan to the EEAC. Not later  
131 than 90 days after the submission of a plan, the department and EEAC shall approve, modify and  
132 approve, or reject and require the resubmission of the plan accordingly.

133 (5) Programs shall be designed to treat all energy use in a building in a comprehensive  
134 and coordinated fashion across the state with maximum use of common program designs,  
135 integrated programs, and a common pool of energy efficiency vendors and contractors who can  
136 treat all energy use in a building comprehensively.

137 The financial incentives used in said programs may be a combination of low or zero  
138 interest loans or direct rebates and other financial incentives. The EEAC shall solicit input from  
139 the oil heat industry, consumer groups, and low income advocacy groups regarding the  
140 implementation of this section and delivery of all program services.

141 (6) The department shall issue regulations implementing this section within 1 year of  
142 enactment of this section and the commissioner shall enter into contracts within 6 months after  
143 such regulations have been made final.

144 (7) From time to time, the EEAC shall undertake, or cause to be undertaken, an  
145 assessment of cost effective oil heat energy efficiency resource potential in the commonwealth.

146 (8) Evaluation, monitoring, and verification of the efficiency programs shall be  
147 conducted by an independent third-party selected by the EEAC. Said independent third party  
148 shall report its findings to the EEAC, the joint committee on telecommunications, utilities, and  
149 energy, and the public through the department of energy resources. Allocations for independent  
150 third-party monitoring and other consulting services shall not exceed 1 per cent of the fund on an  
151 annual basis

152 (9) The EEAC, in collaboration with the program administrator(s), shall prepare an  
153 annual report for submission to the joint committee on telecommunications, utilities, and energy  
154 and the public through the department of energy resources that includes, but is not limited to: a  
155 description of the amount and use of proceeds of the Oil Heat Energy Efficiency Fund collected  
156 under this section; a description of the cost effective energy efficiency programs funded through  
157 such proceeds; the demonstration of consumer savings, cost-effectiveness, and the lifetime and  
158 annual energy savings achieved by the energy efficiency programs funded; and the lifetime and  
159 annual greenhouse gas emissions benefits achieved by energy efficiency programs funded.