Memorandum

February 22, 2024 (Updated February 27, 2024)

To: Board of Trustees

From: Ian Burnes, Director of Strategic Initiatives
Peter Eglinton, Deputy Director

Re: Proposed Significant Change for FY 2025

SECTION 1 – SUMMARY

For the upcoming Annual Update to the Triennial Plan that will be submitted by March 1 to the Public Utilities Commission (Commission), Staff of the Efficiency Maine Trust (the Trust) proposes to adjust the budgets for fiscal year 2025 to reflect: 1) the increase in maximum achievable cost-effective (MACE) electric efficiency opportunity described in the Trust's Interim Beneficial Electrification Plan (described in Section 2.1, below), and 2) the suspension of Natural Gas Programs pursuant to Staff's finding that the current opportunity for cost-effective natural gas program activity is sharply constrained (described in Section 2.2, below).

Staff estimates that the $49.5 million investment in beneficial electrification identified for FY 2025 in the Interim Beneficial Electrification Plan would increase the FY 2025 electric efficiency procurement by ~~$10.9~~ $23.2 million after accounting for offsetting funds that can be identified and quantified at this time. This level of investment would deliver a total benefit, net of new electric cost, of $225 million to customers over the life of the measures, and would suppress electricity transmission and distribution (T&D) rates by $89 million over that same period.

SECTION 2 – BACKGROUND AND RECOMMENDATIONS

SECTION 2.1 – INTERIM BENEFICIAL ELECTRIFICATION PLAN

Section 2.1.1 – Introduction

L.D. 1724, *An Act to Enact the Beneficial Electrification Policy Act* (the Act), introduced several amendments to the statute governing the Trust's activities. These amendments clarify how the Trust's planning and programs shall advance the policy of beneficial electrification. Among other directives, the Act provides that:

> The trust shall develop a 3-year beneficial electrification plan for end uses of energy as part of the trust's triennial plan in accordance with section 10104, subsection 4 and provide annual updates to the plan in accordance with section 10104, subsection 6.[1]

Maine law defines "beneficial electrification" to mean the electrification of end-uses of energy that

[1] 35-A M.R.S.A. § 3803(2).

reduces the use of fossil fuels while providing benefits and without causing certain enumerated harms.[2] The Act requires that, when developing budgets for the Trust's Triennial Plan (and updates to that plan), determinations of MACE electric efficiency opportunity shall: "Include all beneficial electrification measures that are cost-effective and reliably reduce electricity rates over the life of the measures."[3] Further, the Act requires that the Trust consider all net energy costs when evaluating the cost-effectiveness of beneficial electrification measures, including savings associated with the avoided use of a fossil fuel.[4]

As discussed with the Board in meetings in 2023 and early 2024, Staff is developing a robust, comprehensive beneficial electrification plan to incorporate into Triennial Plan VI, which will be finalized over the course of calendar year 2024. However, before that process is completed, Staff sees both a need, and an opportunity, to file an interim plan for beneficial electrification as part of the annual update to the final year of Triennial Plan V.

Staff has undertaken several activities to support the preparation of this Interim Beneficial Electrification Plan (Interim Plan) and implement the requirements of L.D. 1724. For example, the Staff developed an analytical approach, presented herein, for evaluating beneficial electrification measures for potential inclusion in the FY2025 MACE efficiency opportunity. This effort is the product of Staff's research on other jurisdictions, engagement with a third-party consultant, discussion with interested stakeholders, and discussion with the Board. As part of its February 2024 meeting, the Board will consider the codification of this analytical approach in proposed updates to Chapter 3 of the Trust's rules.[5]

Trust Staff is focusing this analysis for the Interim Plan on the opportunity and budgets for FY 2025. The Interim Plan provides a sequential review of the following considerations, consistent with the statute and Chapter 3 rules, as proposed.

- First, the analysis must determine whether a beneficial electrification measure: A) is cost-effective *and* B) reliably reduces rates over the life of the measure (see Section 2.1.2);
- Second, the analysis must determine the budget required for the MACE opportunity for that measure in FY 2025, accounting for offsetting sources of revenue (see Section 2.1.3).

Section 2.1.2 *– Determination of beneficial electrification measures that are cost-effective and that reliably reduce electricity rates over the life of the measure*

[2] *See* 35-A M.R.S.A. § 10102(3-A), which provides the full definition: "'Beneficial electrification' means electrification of a technology or process that results in reduction in the use of a fossil fuel, including electrification of a technology or process that would otherwise require energy from a fossil fuel, and that provides a benefit to a utility, a ratepayer or the environment, without causing harm to utilities, ratepayers or the environment, by improving the efficiency of the electricity grid or reducing consumer costs or emissions, including carbon emissions."

[3] 35-A M.R.S.A. § 10110(4-A)(D).

[4] *Ibid*.

[5] Rulemaking materials are available at www.efficiencymaine.com/rulemaking.

Table 1			
Column A	*Column B*	*Column C*	*Column D*
Measure	***Reliably Reduces Rates?***	***Benefit-Cost Ratio***	***Included in MACE Budget?***
Whole-home Heat Pump (Any-income)	Yes	1.31	Yes
Whole-home Heat Pump (Moderate-income)	Yes	1.28	Yes
Whole-home Heat Pump (Low-income)	Yes	1.26	Yes
Whole-home Heat Pump (Manufactured Home Pilot)	No	1.46	No
Supplemental Heat Pump (Low-income)	No	1.56	No
Rooftop Unit Heat Pump	Yes	1.20	Yes
Multifamily Whole-building/Zone Heat Pump	Yes	1.92	Yes
Heat Pump Water Heater (Direct Install)[6]	No	1.75	No
Electric Bicycle	No	0.77	No
Variable Refrigerant Flow (VRF) (Commercial)	No	1.47	No
Commercial Whole-Zone/Building Heat Pump	Yes	2.34	Yes
Battery Electric Vehicle (Any-income)	Yes	2.52	Yes
Plug-in Hybrid Electric Vehicle (Any-income)	Yes	2.55	Yes
Battery Electric Vehicle (Moderate-income)	No	2.52	No
Battery Electric Vehicle (Low-income)	No	2.52	No
Plug-in Hybrid Electric Vehicle (Moderate-income)	No	2.52	No
Plug-in Hybrid Electric Vehicle (Low-income)	No	2.55	No
Battery Electric Vehicle (Commercial)	No	1.67	No
Plug-in Hybrid Electric Vehicle (Commercial)	No	2.43	No

"Column A" lists the beneficial electrification measures assessed in the Trust's Interim Plan. These measures incentivize the electrification of end-uses of energy for heating and transportation. As described in the Trust's Technical Reference Manuals (TRMs), these end uses would otherwise require energy from a fossil fuel.[7] As such, these measures meet the first requirement of beneficial electrification, as broadly defined in statute. Because they offer lower operating costs than their fossil-fuel alternatives, and in so doing tend to reduce carbon and other pollutants, they also meet the second requirement of beneficial electrification, (i.e., they "provide benefit to a utility, a ratepayer or the environment, without causing harm to utilities, ratepayers or the environment").[8] However, 35-A M.R.S.A. §10110(4-A) limits eligibility for inclusion in MACE budgets to *only* those beneficial electrification measures that are cost-effective and that reliably reduce electricity rates over the life of the measure.

"Column B" presents the findings of the Trust's assessment of whether each measure reliably reduces electricity rates over the life of the measure. To conduct this analysis, Staff determined the net present value of only those revenues and costs collected through the utilities' transmission and distribution

[6] Where the heat pump water heater retrofit is replacing a fossil fuel system.
[7] The Trust's Commercial/Industrial and Multifamily Technical Reference Manual and Retail/Residential Technical Reference Manual are available at www.efficiencymaine.com/policies.
[8] 35-A M.R.S.A. § 10102(3-A).

(T&D) rates that are attributable to the measure. Staff's methodology adheres to the structure proposed for adoption in Chapter 3 of the Trust's rules. Relevant revenues and costs factored into the calculation are summarized below:

i. Changes in utility revenue from incremental electricity sales attributable to the measure.

To determine this figure, Staff calculated the product of the incremental load from the annual consumption of the incentivized equipment (in kWh) and the T&D delivery rate ($/kWh) applied to that incremental load. Annual consumption figures are drawn from the Trust's TRMs, from measured program data, or from relevant analyses conducted by program administrators in other states. Staff calculated a statewide average T&D delivery rate for both residential rate and commercial customers using rates effective January 1, 2024, for Central Maine Power and Versant Power. Residential rates are averaged from the utilities' default residential rates. Commercial rates are averaged from the utilities' volumetric rates for smaller commercial customers. If the price of T&D delivery increases over the course of the life of each measure, the use of rates effective today is a conservative approach to assessing the change in the T&D utilities' revenues attributable to the measures.

ii. Changes in utility costs resulting from the marginal impact of the measure on T&D system costs, accounting for generic system-level avoidable T&D costs.

Consistent with the methodologies and assumptions (M&As) approved by the Commission for Triennial Plan V and the proposed requirements of Chapter 3 of the Trust's rules, Staff calculated the marginal impact of each measure on T&D system costs by leveraging approved values for avoided transmission and distribution.[9] Summer peak impacts (kW) of each measure are drawn from the Trust's TRMs and from Staff analysis and modeling. Staff did not consider winter peak impacts in this analysis and will update its approach at such time as the grid approaches conditions where winter peak determines T&D system needs.

iii. The Trust's costs incurred to offer a financial incentive and to administer a program to offer that incentive, where those costs are included in the electric efficiency procurement collected from ratepayers.

To determine the costs of incentives for each measure, Staff calculated a representative average incentive amount based on past program activity.[10] For the purposes of this analysis, Staff assumes that the full incentive amount is included in budgets that are procured from electric ratepayers. Based on planned budgets and experience from historical program activity, the Trust applies a cost adder to each measure, in the amount of 20% of the full incentive amount, to capture the cost of program administration and delivery.

The net present value of the changes in T&D costs and revenues attributable to each measure are determined using the Trust's discount rate for FY 2025. This rate is determined pursuant to the Trust's approved M&As for Triennial Plan V. Where the subtraction of the incremental costs from incremental

[9] *See* Appendix G to Triennial Plan V, available at www.efficiencymaine.com/triennial-plan-v/.
[10] For electric bicycles, for which the Trust does not have past program activity to draw from, the Trust has used the incentive offered by South Portland as a representative figure: https://www.southportland.org/departments/sustainability-office/buildings-energy/electrify/.

revenues produces a figure larger than zero, the measure is found to "reliably reduce electricity rates over the life of the measure." Such measures are identified with a "Yes" in "Column B" of Table 1.

"Column C" in Table 1 presents the results of the Trust's cost-effectiveness test These results reflect the application of Methodologies & Assumptions (M&A) approved for the Trust's Triennial Plan V, as reflected in the Trust's current TRMs as of Q2 of FY 2024. As required by L.D. 1724, the benefit-cost test for these beneficial electrification measures has been updated to account for all net energy costs, including savings from avoided fuels.[11] All measures with a benefit-cost ratio over 1.0 are found to be cost-effective.

Section 2.1.3 – Determination of the budgets required for MACE opportunity for beneficial electrification measures in FY 2025, accounting for offsetting sources of revenue

Table 2		
	Column A	*Column B*
	Measure	***Best-fit Budget***
1.	Whole-home Heat Pump (Any-income)	$13,605,080
2.	Whole-home Heat Pump (Low-income)	$11,394,928
3.	Whole-home Heat Pump (Moderate-income)	$18,351,376
4.	C&I Prescriptive Beneficial Electrification Measures	$1,372,560
5.	Battery Electric Vehicle (Any-income)	$3,600,000
6.	Plug-in Hybrid Electric Vehicle (Any-income)	$1,200,000
7.	**Total budget for new beneficial electrification procurement**	**$49,523,944**
	Estimated Offsetting Sources of Revenue	***Estimated Budget***
8.	Lost Opportunity Heat Pump Measures: FY 2025	$8,089,464
9.	Low-income Direct Install: FY 2025	$1,494,523
10.	Expected Electric Vehicle Rebate Carryforward: FY 2024	$2,000,000
11.	Regional Greenhouse Gas Initiative (RGGI): FY 2025	$10,000,000
12.	Forward Capacity Market (FCM): FY 2025	$5,825,500
13.	New England Clean Energy Connect Settlement Funds: FY 2025	$2,000,000
14.	**Estimated beneficial electrification procurement after offsetting revenues** (Offset calculation excludes Lines 8-9, which are accounted for in Line 18)	~~$20,114,457~~ $29,698,444
15.	**Total electric efficiency procurement (not for beneficial electrification)[12]**	~~$34,544,350~~ $35,744,350
16.	**Proportional funds (e.g., Admin, Innovation, M&V etc.)**	~~$7,105,645~~ $8,507,563
	Results	***Amount***
17.	**New FY 2025 Electric Efficiency Procurement Budget**	~~$61,764,452~~ $73,950,358
18.	**Approved FY 2025 Electric Efficiency Procurement Budget**	$50,774,338
19.	Carryforward of Electric Procurement and other funding from FY 2024	TBD
20.	**Incremental Electric Efficiency Procurement to Support MACE Beneficial Electrification Opportunity**	~~$10,990,115~~ $23,176,020

[11] 35-A M.R.S.A. §10110(4-A).

[12] This is the total amount from the approved Triennial Plan V FY 25 procurement amount not affected by beneficial electrification measures.

"Column A" of Table 2 lists only those beneficial electrification measures that are cost-effective and that reliably reduce electricity rates over the life of the measure.

To determine the budget adjustment to electric efficiency procurement required to support the achievement of MACE beneficial electrification opportunity under this Interim Plan, Staff projected measure uptake in FY 2025 based on historical program performance. Because the Trust's transition to a focus on whole-home and whole-building heat pump projects is recent – occurring within the current fiscal year – the pace of installations forecasted to apply through FY 2025 remains highly uncertain. Budgets needed to provide incentives on beneficial electrification measures for "any-income customers" (i.e., available to any residential customers, regardless of income eligibility, mainly those who do not meet or pursue rebates based on Efficiency Maine program definitions of "low-income" or "moderate-income") through the Home Energy Savings Program (HESP), are especially difficult to forecast. Nonetheless, the HESP budget for beneficial electrification will be a key variable in scoping future needs for electric efficiency procurement.

The "Best-fit" budget represents Staff's good faith estimate of the most likely project counts for all qualifying beneficial electrification measures in FY 2025. In preparing the "Best-fit" budget presented in "Column B", Staff first identified expected incentive amounts for each measure based on historical program data. These are the same incentive amounts used to assess the reliable reduction in rates. Staff then considered the likelihood of varying trajectories in the uptake of the measures. Staff will continue to refine these projections based on additional program performance data, which will be most impactful regarding whole home heat pumps, since that measure has less than a year of program data from which to forecast future trajectories in uptake. In preparation for the Trust's Request for Procurement filing, due to the Commission by May 1, 2024, Staff will present updated forecasts to the Board for consideration in April.

In the period between the filing of the Annual Update and the Request for Procurement, Staff will also refine its projections of unspent, uncommitted carryforward funds from FY 2024. These funds will contribute to the revenues expected to be available to offset requested budgets form the electric efficiency procurement. Further explanation of these expected sources of funds that could be used to offset the amount of the MACE budget to be paid from the electric efficiency procurement is provided below:

- "Lost Opportunity" Heat Pump Funding for FY 2025: The approved Triennial Plan V budgets for FY 2025 include a budget for electric efficiency procurement to incentivize "lost opportunity" heat pump installations.[13] Part-way through FY 2024, the Trust shifted its heat pump program to require whole-building installations and discontinued the use of electric efficiency procurement funds to pay for the electric lost opportunity heat pump projects. The current approved FY 2025 budget includes "lost opportunity" heat pump measures in both the Home Energy Savings Program and the Commercial Industrial Prescriptive Initiative, and the Staff proposes reclassifying the approved $8 million in Table 2 Row 8 for beneficial electrification measures to support MACE opportunity.

- Low-income Direct Install: The approved Triennial Plan V budget included $2.6 million for heat pump water heater measures under Low Income Initiatives Direct Install (LIDI). The program has

[13] *See* Triennial Plan V, Section 4.2.2, "Calculation of Benefits and Costs," at pages 25-27.

found it increasingly difficult to identify eligible low-income homes having the requisite baseline of an existing electric resistance water heater and a suitable interior space. As a result, the Staff recommends reducing the LIDI allocation and reclassifying the remaining $1.4 million, as shown in Table 2 Row 9, to whole-home heat pumps projects in low-income households, which have seen robust uptake in FY 2024.

- Electric Vehicle (EV) Rebate Funds (Expected FY 2024 Carryforward): The Trust will likely have approximately $2 million in carryforward from the EV Rebate program at the end of FY 2024. These funds came to the Trust through an appropriation made by the Legislature under L.D. 1995 (2022) to fund electric vehicle rebates. Staff will refine its estimate of funding that may be available to offset new procurement in the preparation of the Procurement Request filing.

- Regional Greenhouse Gas Initiative Funding (RGGI): As discussed at the January 2024 meeting of the Trust Board, Staff recommends increasing the revenue forecast for RGGI to be consistent with past performance. After ensuring that certain key initiatives are fully funded for FY 2025 (i.e., HESP weatherization, the C&I Custom Program and the C&I Prescriptive Initiatives), Staff proposes to allocate all remaining RGGI funds to offset the need for new procurement. The amount shown in Table 2 Row 11 is an initial estimate that will be refined when the Trust prepares its Procurement Request filing.

- Forward Capacity Market (FCM): The amount shown in Table 2 Row 12 reflects the FCM budget already captured in the approved budgets for FY 2025. As directed under 35-A M.R.S.A. § 10103(4), the Trust shall use FCM payments to promote high-performance air source heat pump technology through FY 2025. Staff proposes using this funding to offset the need for new procurement.

- New England Clean Energy Connect (NECEC) Settlement Funds (FY 2025): The Trust expects to have approximately $2 million in new funding from the NECEC Settlement available to provide incentives for heat pumps and electric vehicle rebates in FY 2025. Staff will refine its estimate of funding that may be available to offset new procurement in the preparation of the Procurement Request filing.

- Carryforward of Electric Procurement from FY 2024: Table 2 Row 19 is a placeholder; Staff will present an updated estimate of carryforward of unspent, uncommitted funds for Board review in preparation of the Procurement Request filing.

Section 2.1.4 – Significant Change to Triennial Plan V

The Maine Public Utilities Commission issued an order on May 17, 2022, that approved the Stipulation filed by the Trust on its Triennial Plan V (May 4, 2022). Attachment A to the Stipulation provides a process for the review of changes to the Plan. Increasing MACE to account for the findings of the Interim Beneficial Electrification Plan constitutes a significant change, as this adjustment leads to a "Modification of the total annual budgets approved by Commission order for electricity programs" (Section 4(d) of Attachment A).[14] Table 2 Row 20 (Bottom row) summarizes the proposed increase of $23,176,020 ~~$10,990,115~~ that Staff proposes to the electric efficiency procurement budget for FY 2025,

[14] Attachment A: Annual Update and Significant Change Process for the Fifth Triennial Plan of the Efficiency Maine Trust (Attachment A), Docket No. 2021-00380, May 4, 2022, at page 2.

consistent with the findings of this Interim Plan.

SECTION 2.2 – SUSPENSION OF NATURAL GAS PROGRAMS

Section 2.2.1 - Introduction

In updates delivered to the Board in June and November of 2023, the Staff reported its findings regarding the decline in cost effectiveness of natural gas measures recently offered through the Trust's programs. These findings had prompted Staff to suspend certain natural gas measures and to reconsider the continued delivery of remaining measures. In preparation for the filing of the Trust's 2024 Annual Update to the Triennial Plan, Staff returns to the Board with proposed adjustments to the Trust's budgets to reflect the suspension of all natural gas efficiency programs for the FY 2025 program year. This requested change is the result of sharply diminished potential for natural gas MACE. In short, the magnitude of cost-effective savings currently available in Maine is so small that it is not worth the costs of continuing to administer the programs for FY 2025. Staff proposes to suspend all natural gas measures until such time that the Trust has identified sufficient cost-effective opportunity to warrant the resumption of program activity.

Section 2.2.2 – Summary of Staff's Findings Regarding Cost Effectiveness for Natural Gas Programs

As described in prior briefings to the Board, Staff's analysis of historical program performance underlies this proposed suspension of the use of natural gas efficiency procurement. Staff has already taken action to suspend measures it has found are no longer cost effective. Remaining program activity is insufficient to warrant the administrative costs of procuring and delivering incentives to consumers under the Trust's natural gas programs. Other funding sources and measures may be available to provide opportunities for natural consumers to access incentives to undertake efficiency improvements.

- Residential (Home Energy Savings Program and Low- and Moderate-Income Initiatives): As of FY 2024, the Trust has suspended the use of natural gas efficiency procurement funds for Air Sealing and Insulation Measures under both HESP and Low-and Moderate-Income (LMI) Initiatives. Staff based this decision on the finding that weatherization projects in natural gas homes were not cost-effective – a result captured in the Trust's FY 2023 Annual Report.[15] Effective in FY 2024, air sealing rebates are no longer treated as a stand-alone measure, and instead have been incorporated as a component of weatherization rebates. This has significantly helped to simplify the marketing and administration of Trust's weatherization programs, aligns with Maine Climate Council goals to weatherize homes with deeper retrofits, and allows program benefits to claim reduced leakage resulting from the combination of these measures. Unfortunately, air sealing measures combined with insulation have not achieved cost-effectiveness as a means of saving natural gas. The size of air sealing projects is so small, and the natural gas savings is so minimal, that the measure does not warrant the administrative cost to deliver it.[16] Accordingly, Staff proposes to continue the suspension of HESP and LMI natural gas programs pending the availability of more cost-effective opportunity.

[15] Fiscal Year 2023 Annual Report, "Table 15: Home Energy Savings Program – Thermal Results," available at www.efficiencymaine.com/about/library/reports, at page 23.

[16] Note that the overall HESP Weatherization Program and the Low- and Moderate-Income Weatherization Program will both have an overall benefit-to-cost ratio larger than 1. Natural gas customers may still participate in weatherization incentives funded with Regional Greenhouse Gas Initiative (RGGI) funds.

- Distributor Initiatives: As of FY 2024, Staff also suspended the Distributor Initiatives measures funded with natural gas efficiency procurement based on the finding that the measures are not cost effective. In the first half of FY 2024, Staff conducted an analysis of sales of natural gas on-demand water heaters and combi boilers from Maine's largest distributor of those products. The study demonstrated that, even without the application of incentives from the Trust, the distributor's most popular models sold in Maine were ENERGY STAR models.[17] In other words, the efficient systems incentivized under the program have become the "baseline" equipment customers choose; continued program activity would see significant free ridership. Cost-effectiveness analysis updated to account for this baseline yields benefit-cost ratios under 1.0 for both tankless natural gas water heaters and combi boilers. These results align with the findings of a Trust assessment conducted in support of the preparation of Triennial Plan IV.[18] The combination of these two studies causes Staff to propose to continue the suspension of Distributor Initiatives funded with natural gas efficiency procurement through FY 2025.

- C&I Prescriptive Program Natural Gas Measures: Analysis of recent program activity has prompted Staff to propose the suspension of the remaining natural gas measures still active under this program in FY 2025. Current incentives are limited to large boilers and HVAC controls. As shown in the FY 2023 Annual Report, both measures remain cost-effective.[19] However, these measures so cost-effective (e.g., FY 2023 program results demonstrated a benefit-to-cost ratio of 14.81) and have such a rapid payback that they are likely to persist in the market without requiring additional incentives from the Trust. Notably, enrollments in both measures have decreased significantly over the past five years – numbering below 50 rebates per year in two of the past three years. Further, the controls that the Trust incentivizes under this program are now integrated into new boiler equipment available on the market today. These conditions indicate that Trust's incentives for the natural gas boilers and HVAC controls are no longer driving market transformation.

- C&I Custom Program Natural Gas Projects: While the Trust has continued to support projects under the Custom Program in FY 2024 using natural gas efficiency procurement, limitations of program's budgets and administrative structure constrain its effectiveness. At the request of the gas Local Distribution Companies (LDCs), the Trust has been required by Commission order to separately track budgets of each LDC and limit the use of each budget to projects located in the service territory of each LDC. The practical effect of this limitation is that the Trust must often wait years to accumulate sufficient funds to support projects in a given service territory. Once the Trust does have sufficient funds available, a small number of projects can easily exhaust that program budget in the relevant LDC territory. Requirements for the return of funds unspent or uncommitted within two years of their collection from consumers further contributes to this challenge.[20] Recent program statistics help to illustrate these dynamics: three of the four LDCs

[17] Fiscal Year 2023 Annual Report, at Page 18.
[18] Michaels Energy, "Midstream HVAC Potential Study," Appendix H in Triennial Plan for Fiscal Years 2020-2022 (Efficiency Maine Trust, 2018), H-13
https://www.efficiencymaine.com/docs/Appendix_H_Midstream_HVAC_Potential_Study.pdf.
[19] Fiscal Year 2023 Annual Report, "Table B-2: Benefit-to-Cost Ratios – Major Thermal Programs," at page 85.
[20] 35-A M.R.S.A § 10111(2).

have budgets of under $261,000 for the current fiscal year; in all of 2023, a total of only four Custom Program natural gas projects were completed.

A lack cost-effective natural gas measures under the Trust's other programs limits the size of overall budgets that could otherwise serve to distribute the overhead costs experienced by the Commission, the LDCs, and the Trust in procuring and administering funds from natural gas ratepayers. This administrative inefficiency has led the Trust Staff to propose to suspend the use of all natural gas efficiency procurement under this program beginning in FY 2025.

Staff does not expect to lose the opportunity to support cost-effective custom projects similar to those that have received incentives funded with natural gas efficiency procurement. Rather, the Trust expects it could serve such projects with alternative revenues, including from RGGI, at far lower administrative cost.

Section 2.2.3 – Significant Change to Triennial Plan V

As described in Section 2.1.4 of this memorandum, Attachment A to the Stipulation that settled Triennial Plan V provides a process for the review of changes to the Plan. Section 4 states that "Any changes not set forth in Section 3 [Non-Significant Changes] shall be considered significant changes." Because Staff finds that the reduction in budgets proposed in conjunction with the suspension of Natural Gas Programs is not described in Section 3 of Attachment A, Staff finds that the proposed changes to FY 2025 budgets for MACE natural gas efficiency procurement constitutes a significant change. This finding is consistent with Staff's understanding of Section 4(d), which explains that changes to total Commission-approved budgets for electricity programs constitute a significant change; it is Staff's assumption that the omission of Natural Gas measures from Section 4(d) was a drafting error.

The following table tracks the reductions to the MACE natural gas efficiency procurement budgets approved for FY 2025. The table also tracks the changes to Innovation, Public Information, Administration, Evaluation Measurement and Verification, and Interagency Transfers, which are determined as a percentage of the program budgets.

Table 3

Budget Line	**Reduction in FY2025 Natural Gas Efficiency Procurement**
C&I Custom Program Natural Gas Measures	$635,833
C&I Prescriptive Initiatives Natural Gas Measures	$229,329
Distributor Initiatives Natural Gas Measures	$77,037
Home Energy Savings Program Natural Gas Measures	$576,340
Low Income Initiatives	$15,339
Innovation	$22,000
Public Information	$11,000
Administration	$154,000
EM&V	$55,000
Inter-Agency Transfers	$22,000

Total Reduction	**$1,717,943**

35-A M.R.S.A § 10111(2) requires the Trust to return unspent, uncommitted natural gas efficiency procurement funds within two years of their collection. Consistent with this requirement, Staff proposes to return all unspent, uncommitted funds to the LDCs following the conclusion of the Trust's audit for FY 2024.

SECTION 3 – PROPOSED MOTION

Move to adjust the Triennial Plan V budgets for fiscal year 2025 as described above,

- Resulting in a total increase in the budget for MACE electric efficiency procurement of $23,176,020 ~~$10,990,115~~ in FY2025 as determined in the Interim Beneficial Electrification Plan's assessment of beneficial electrification measures that are cost-effective and that reliably reduce rates over the life of the measures, subject to further refinement in the Trust's forthcoming Request for Procurement; and

- Resulting in a reduction in the total budget for natural gas efficiency procurement of $1,717,943 for FY 2025 associated with the suspension of the Trust's Natural Gas Programs and the return all unspent, uncommitted funds to the LDCs following the conclusion of the Trust's audit for FY 2024.

Further move that the Trust shall return all unspent, uncommitted carryforward of Natural Gas Efficiency procurement from FY 2024 following the completion of the Trust's audit for FY 2024.