Advancing the Clean Energy Future

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Via e-mail

Michael Stoddard, Director and
Efficiency Maine Trust
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Acadia Center Comments on Efficiency Maine Trust Draft Rule Changes:
Chapter 3: Electric Conservation Programs and Chapter 4: Natural Gas Conservation Programs

Dear Mr. Stoddard:

Thank you for the opportunity to provide comments on the draft rule changes proposed by Efficiency Maine Trust ("Trust"). Though the administration of energy efficiency programs was transferred from the Maine Public Utilities Commission to the Trust in 2009, agency rules continue to reflect the original program structure. As a non-profit, research and advocacy organization committed to advancing the clean energy future, Acadia Center commends the Trust for its effort to update rules governing how it will implement electricity and natural gas conservation programs, pursuant to changes made by the Maine State Legislature, 35-A MRSA, Chapter 97.

Acadia Center recognizes that proposed updates and amendments incorporate statutory changes pertaining to the Trust's authorization to develop and administer program plans and budgets in a Triennial Plan for review by the Public Utilities Commission. While program design is best considered in the Triennial Plan process currently underway, this proposed clarification of two agency rules—Chapter 3: Electric Conservation Programs and Chapter 4: Natural Gas Conservation Programs—is reasonable and appropriate. Deeper discussion of the Trust's parameters, including the definition of cost-effectiveness and role of the Trust vis-à-vis Non-Transmission Alternatives is anticipated in the future. Acadia Center supports the proposed changes overall, offers additional clarifications, and cautions that certain details regarding program design should not be codified in rule.

Acadia Center recommends clarification of certain parameters around cost-effectiveness.

Acadia Center anticipates a broader and more extensive stakeholder conversation about the definitions and assessments of cost-effectiveness and recognizes that substantive changes are not appropriate for this rulemaking process. It is appropriate, however, to incorporate consensus understanding of program benefits that have evolved since the rules were last amended. Acadia Center appreciates the Trust's insertion of the definition of Maximum Achievable Cost-Effective Energy Efficiency ("MACE") in the Electric Conservation rules (§2, sub-D1) to include all cost-effective, reliable, and achievable energy efficiency savings, and recommends that the equivalent definition be added to Natural Gas Conservation rules.

Additionally, Acadia Center recommends that non-resource program benefits enumerated for both Electric and Natural Gas Programs (§§4, sub-A1) be expanded to include public health benefits and greenhouse gas reduction benefits not accounted for elsewhere.

Acadia Center objects to the inclusion of an arbitrary and high discount rate in cost-effectiveness assessment of electric efficiency and conservation programs.

Assessment of the cost-effectiveness of energy efficiency benefits hinges on the discount rate used to account for future benefits—including avoided costs of energy generation, transmission, and distribution—in present value terms. An appropriate discount rate is essential to determining which investments are cost-effective and ensuring that the value of future savings is appropriately calculated. Current rules and precedent direct the Trust to use the ten-year U.S. Treasury rate as the presumptive discount rate, reflective of the low-risk nature of efficiency and consistent with regional best practices. Acadia Center supports this practice, in part because it allows the Trust to review and update the discount rate, which will likely vary as economic conditions change, through the established Triennial Plan process instead of codifying a specific discount rate.

Acadia Center believes that the discount rate of 8.5% proposed by the Trust is out of step with regional best practices and will undervalue customer energy savings. It is unclear what has changed since the Third Triennial Plan, when the Trust proposed a discount rate consistent with current rules and precedent[1] and accepted a significantly higher rate only in settlement.[2] Acadia Center urges the Trust to maintain its support for rates that fairly value the future benefits of energy efficiency and support the statutory goal of MACE, and to reject the proposed changes.

Acadia Center objects to the codification of eligibility for the Trust's small business electric efficiency and conservation programs.

The proposed definition of small businesses (§2, sub-H) by utility rate classes is inconsistent with regional best practices, which typically consider annual usage as well. This overly narrow definition would shrink the pool of small businesses eligible for program participation, making it more difficult for the Trust to comply with its statutory mandate to spend 10% of program funds on small businesses. While the proposed changes align with current program design, Acadia Center finds no compelling need to lock eligibility for the Trust's small business programs into rule.

Thank you again for the opportunity to comment.
Respectfully submitted,

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[1] *See* Direct Testimony of Tim Woolf in Docket 2015-00175, at 13.
[2] *See* Stipulation in Docket 2015-00175 (Filing 283, May 25, 2016), at 16.