

From: Adam R. Cote <ACote@dwmlaw.com>

Sent: Thursday, March 7, 2024 10:13 AM

To: Michael Stoddard <michael.stoddard@efficiencymaine.com>

Subject: Pellet Boiler Rebate: Request to not switch to income-tiered qualification requirement

Michael,

Thank you for meeting with me to discuss our request to not implement the proposed income-tiered changes to the pellet fuel boiler rebate currently being considered by Efficiency Maine.

In support of our request, you asked that I provide you with a summary email outlining the key points raised. Specifically, you asked for the following information: (1) a general overview of why we believe changing the existing pellet rebate program to a tiered income-based approach would disproportionately harm Maine's pellet boiler industry; and (2) an update on progress, support and "momentum" within the pellet boiler market in Maine. Please see our response for the requested information below:

1. Why changing the pellet boiler rebate program would be disproportionately detrimental to the Maine pellet fuel industry:

We continue to believe that the pellet fuel industry is incredibly important for Maine. It is the only heating option based upon a traditional Maine industry – forestry – derived from sustainably harvested waste products from the logging industry. For the homeowner that can afford the initial investment, it's the least expensive approach to whole home heating.

We recognize that Efficiency Maine favors heat pump technology as the primary means of transitioning heating systems away from fossil fuels. However, we believe pellet boilers deserve an important place in the clean home heating options for Mainers, especially for those with homes or businesses that rely upon forced hot air or forced hot water systems. Efficiency Maine's \$6,000 rebate has been important, not only in dollar terms but also in terms of implied "stamp of approval" for the technology. Cutting back on the pellet boiler rebate via an income-tiered approach directly affects the primary purchasers of pellet boilers in Maine, sending a devastating message to our marketplace.

While we continue to believe pellet boilers enjoy significant technological and environmental advantages over other non-fossil fuel heating options, the biggest roadblock for purchasers continues to be the upfront cost of installation. Based upon survey data and review of internal customer information from Maine Energy Systems and True North Energy Services (formerly ReVision Heat), the vast majority of pellet boiler customers are in the \$100k to \$150k median household income category, which is the exact income category negatively affected by the income-tiered approach contemplated by Efficiency Maine for changes to the rebate program.

We are attaching for your review the summary report of a four-state (including Maine) survey on factors affecting the purchase of pellet boiler heating systems. That survey revealed the following:

- 81% of pellet boiler **purchasers** listed "financial incentives and rebates" as the most important factor influencing their purchasing decision (see Question 12).

- 80% on **non-purchasers** indicated they would have purchased pellet boilers if there had been a “higher level of financial incentives and rebates” (see Question 15)
- 80% of survey respondents reported annual income under \$150,000, with a significant proportion of respondents in the \$100k to \$150k annual income category (see Question 25)

We note that this survey was conducted five years ago and with the simple addition of inflation, the highest proportion of potential purchasers would easily be in the \$100k to \$150k annual income category. The 2019 survey results are consistent with the assessment of today’s top pellet boiler installers in Maine:

“The vast majority of my customers are in the \$120k - \$150k median household income category, so the amount of rebate incentives becomes the most important factor for them in deciding whether to purchase a pellet boiler system.”

Lee Landry
True North Energy Services
Hampden

“Our typical customer is a two-income household with a combined income of around \$130k. The biggest roadblock for them is the upfront cost, so the amount of the Efficiency Maine rebate becomes a very important determining factor.”

Jared Mulliner
Maine Energy Systems
Bethel

A quick glance at Efficiency Maine’s proposed changes could lead to the illusory conclusion that the income-based tiered rebate creates consistency among the various incentives. However, that is clearly not the case because of the combination of two factors most affecting pellet boiler installations: (1) the upfront costs are higher; and (2) the primary purchasers of pellet boilers are in the exact income category being reduced by Efficiency Maine’s proposed changes. In other words, the proposed changes to Efficiency Maine’s rebate program disproportionately hurt the pellet boiler industry relative to other industries qualified for the rebate.

Moreover, if Efficiency Maine reduces the incentive to \$4,000 for most residential purchasers of pellet boilers, Maine residents would be at less than half that provided to New Hampshire residents (40% of cost up to \$10,000 ceiling) and also well below the support provided in Vermont (\$6,000, available for commercial installs as well as residential). In speaking with the sales team at Maine Energy Systems, sales of pellet boilers in New Hampshire are already significantly higher in New Hampshire (approximately 30% higher than Maine) and approximately 10% higher in Vermont. Given the polling data referenced above, we believe the higher sales in those states are a direct reflection of the fact that those states provide better incentives for pellet boilers than Maine. If the proposed changes to Efficiency Maine’s rebate are implemented, this sales gap will undoubtedly widen even further.

2. Update on Progress, Support and “Momentum” for the Pellet Boiler Market in Maine.

In support of our request that Efficiency Maine not change the existing pellet boiler rebate, we offer the following for your consideration: (1) the Maine legislature has consistently shown strong bipartisan support for the pellet fuel industry, recognizing the value it provides Mainers looking to replace fossil fuel heating technologies in their homes or businesses; (2) the pellet fuel industry has made significant investments to improve its training and distribution network; and (3) pellet boiler technology continues to improve.

A. Maine Legislative and MPUC Support:

In the last few years, the legislature and MPUC have shown great support for the pellet fuel industry with the creation of Thermal Renewable Energy Credits (“T-RECs”) under LD 1494 (the 129th Legislature in 2019) and the subsequent enactment of the Thermal Energy Investment Program in LD 597 (130th Legislature in 2021). As a result, the economics for pellet boiler systems is steadily improving:

- The industry helped initiate the first-of-its-kind residential wood pellet system petition to make homeowners eligible to earn T-RECs in Maine. The MPUC approved showing the strength of state support for the technology. RECs sell for market value up to a cap of \$25; during the last round they were near the top.
- In a ton of pellets, there are about 3.6 RECs. At \$22/REC, that’s about \$50-\$60 back to the homeowner as the program is designed, per ton. If the average person burns 10 tons of pellets a year, that’s about \$500 per year back in the homeowner’s pocket for using renewable fuel. Over a twenty-year period, that’s \$10,000, and over the 30-year warrantee life of pellet boiler systems, it’s up to \$15,000.

B. Industry Investments in the training and distribution network:

- In the past several years, the pellet fuel industry has trained over 100 additional technicians, bringing the total number of trained technicians statewide to approximately 800.
- The distribution network to deliver fuel has nearly doubled to include the majority of the state of Maine.

C. Improvements in Technology: There have been several exciting advancements in wood pellet heating equipment, making them more efficient and environmentally friendly. Here are some key areas of improvement:

- **Increased Efficiency:** New models boast higher efficiency ratings, reaching up to 107.3% with condensing technology. This means more heat is extracted from the pellets, reducing fuel consumption and costs.
- **Automated Systems:** Automatic ignition, output adjustment, and daily cleaning enhance convenience and ensure optimal performance.
- **Smart Controls:** Integration with WiFi and smartphone apps allows for remote monitoring and control, providing greater comfort and peace of mind.

- Complying with Stringent Standards: Pellet boilers consistently meet or exceed the latest EPA emission standards, ensuring cleaner operation and minimal environmental impact.
- Focus on Sustainability: Utilizing renewable and CO2-neutral wood pellets aligns with increasing demands for sustainable heating solutions.

Michael, I am hopeful you find the above information responsive to your request. In addition to reading this email and the attached survey results, I would encourage you to call **Lee Landry** at True North Energy Services (cell is (207) 570-4222) or **Jared Mulliner** at Maine Energy Services (cell is (207) 200-5763). They work in this industry every day and are very passionate about the negative repercussions this proposed change in your rebate program will have on their industry.

I would also enjoy the opportunity to discuss this with you in person or on the phone at any time.

Thanks for your consideration of this request.

Adam

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