EFFICIENCY MAINE TRUST

SECOND ANNUAL UPDATE PLAN

December 23, 2011

I. Introduction

Requirement to Submit Annual Update Plan

The Efficiency Maine Trust's (Trust) authorizing statute provides for reporting duties required of Efficiency Maine. These duties include a requirement that the executive director report significant changes from the triennial plan in an Annual Update Plan.

> Within 30 days of completion of the annual report …, the director shall submit to the board an annual update plan describing any significant changes to the triennial plan … related to program budget allocations, goals, targets, measures of performance, program designs, implementation strategies, timelines and other relevant information for the year ahead for all funds administered and managed by the trust. The director or any contractor, grantee or agency delivering programs may not execute any significant changes until the changes are approved by the board and, in the case of significant changes to programs using funds generated by assessments under this chapter, until the changes are also approved by the commission using the same standard as for the triennial plan.
>
> All annual update plans must be presented to the commission and the joint standing committee of the Legislature having jurisdiction over energy matters.

35-A MRSA §10104(6).

In response to a data request during the Commission's review of the initial Triennial Plan, the Trust indicated that "significant changes" would include more than 20% budget change between customer or market segments, a fundamental change in strategy, or changes to measures of performance. Efficiency Maine Trust, Docket 2010-116, Data Response to PUC 01-10, May 17, 2010. Concerning changes to measures of performance, or "metrics," the Trust assumes that only substantial reductions in measures of performance from what was originally projected are significant for purposes of a mid-year, mid-course review. Results that exceed measures of performance are assumed to be information that can be reported in the normal course of the Annual Report.

Efficiency Maine submitted its most recent Annual Report on December 1, 2011, and is submitting this update report within 30 days of the Annual Report's issue.

The Triennial Plan

The function of the Triennial Plan is to identify program initiatives, allocate budgets, and establish metrics by which to judge program effectiveness and efficiency. The Plan governs various revenues streams that come into the Trust, notably:

- Electric Efficiency and Conservation Fund;
- Regional Greenhouse Gas Initiative (RGGI) Trust Fund;
- Natural Gas Conservation Fund;
- Heating Fuels Efficiency and Weatherization Fund; and,
- "Any state or federal funds or publicly directed funds accepted by or allocated to the trust …"

35-A MRSA 10104(4).

The 10- and 20-year energy savings targets established by statute are far-reaching and were incorporated into the strategy and budgets of the Triennial Plan. Among others, the targets include:

- Capturing all cost-effective energy efficiency resources available for electric and natural gas utility ratepayers;
- Reducing electricity and natural gas consumption of 30 percent within a decade;
- Reducing in oil heating use of 20 percent in the same timeframe; and
- Weatherizing of 100 percent of homes and 50 percent of businesses by 2030.

The Trust's Board conceived of the initial Triennial Plan as an actionable plan that starts Maine on the path to achieving these targets. The Triennial Plan covers Fiscal Years 2011, 2012, and 2013, which spans the period from July 1, 2010 through June 30, 2013. The Plan was developed through public consultation, expert analysis of the options, and the combined vision of the volunteer members of the board. Work began on the plan in November, 2009. A first draft was completed in March, 2010 and approved unanimously by the Board of Trustees early the following month, whereupon it was presented for input to the committee of jurisdiction in the Maine Legislature.

On April 23, 2010, the Triennial Plan was filed for approval with the Maine Public Utilities Commission (the Commission), where it was assigned docket number 2010-116. The Trust provided responses to more than 50 data requests and answered questions during a technical conference. After taking additional public comment, on July 19, 2010, the Commission issued a conditional approval of the Triennial Plan. The order issuing the approval required the Trust to provide additional details by October 1, 2010. After the additional details were provided by the Trust in a Supplemental Filing, the Commission issued final approval of the Triennial Plan on February 2, 2011.

Concurrent with the Supplemental Filing process, the Trust also filed its first Annual Update Plan with the Commission and the legislative committee of jurisdiction on December 30,2010, as required by the statute, to report significant changes to revenues, budgets or performance metrics. The first-year Annual Update Plan reported the following significant changes that had occurred since the initial submission of the Triennial Plan:

- Changes in Revenue
  - Awarding of the MultiFamily Award from US Department of Energy (DOE) of approximately $4.5 million;
  - Receipt of BetterBuildings Award from DOE of approximately $30 million;
  - Receipt of the Benchmark Study Subgrant from Maine State Planning Office of approximately $230,000;
  - De-authorization of the Solar-Wind System Benefit Charge projected to reduce revenues by approximately $500,000 per year; and,
  - Likely reduction to RGGI revenues to $3-4 million per year, compared to original assumptions of $8.5 million, for the next year or two, as well as slightly lower SBC revenues compared to original assumptions due to the slow economy and reduced electric load;
- Changes in Performance Metrics
  - Efficiency Maine projected that fewer total homes than originally projected would be retrofit using the federal Home Energy Savings Program funds due to increased costs for customer incentives needed to spur lackluster demand in the slow economy.

The Triennial Plan was statutorily required to provide “measures of performance,” (also called “metrics”) by which the effectiveness and efficiency of the Plan and its component programs could be assessed. 35-A MRSA Sec. 10104(3). The overarching metrics of the Triennial Plan, covering the three years of FY2011, 2012, and 2013 are to:

1. Reduce more than 3.3 trillion BTUs per year of electric, natural gas and heating fuel energy consumption by Maine consumers by the third year of the Triennial Plan;
2. Achieve a benefit to cost ratio of not less than 2:1 as measured using the Total Resource Cost test;
3. Avoid 500,000 tons of CO_2 equivalent during the three year period;
4. From the base electric conservation assessment, expend at least 20% of for the benefit of low income customers and at least 20% for the benefit of small business customers.

The estimated benefits of the energy savings projected from full implementation of the original Triennial

Plan include:

- Result in nearly $840 million in energy savings to consumers and $1 billion increase in Maine's Gross State Product, net present value;
- Provide better than a 4:1 benefit to cost ratio for dollars invested by the Trust, and a 2.3:1 benefit to cost ratio for all costs invested, including the consumer's contribution spending (*i.e.*, using the "Total Resource Cost" cost-effectiveness test);
- Support more than 12,000 net "job-years" of employment over the life of the energy efficiency measures;
- Reduce nearly 300,000 tons of CO_2 emissions annually by the third year, the equivalent of removing 52,000 cars from circulation; and,
- Leverage as much as $281 million in private investment in Maine's building and energy infrastructure during a slow economy.

<u>Annual Update Plan Process</u>

To develop this Annual Update Plan, the Trust held two workshops open to the public on November 2 and November 9, 2011. The first meeting was held at the Governor Hill Mansion in Augusta, and the second meeting was held at the University of Maine Augusta campus and simulcast to members of the public at University of Maine campuses in Presque Isle, Farmington, and Portland. The workshops enabled the Trust to present updated information about the progress of Trust programs, issues impacting the Trust's budgets, and projections of significant changes that would be included in the Annual. At the workshops the Trust also answered questions from the public and received comments. Written comments were also solicited and received by the Trust. A summary of comments received at the workshops is attached to this report at Appendix 1.

II. Budget Updates

For Fiscal Years 12 and 13 (Year 2 and Year 3 of the Triennial Plan), the Trust can report the following projected budget updates.

<u>Heating Oil Program Budgets</u> -- The original Triennial Plan called for budgets of $14.3 million per year for FY12 and FY13 to pay for efficiency and alternative energy programs that would enhance the efficiency or otherwise enhance savings of heating oil or other unregulated fuels (such as kerosene and propane). The Triennial Plan did not presume to identify a funding source for these budgets other than the remaining funds from the federal American Recovery and Reinvestment Act (ARRA) and a small amount of money from the Regional Greenhouse Gas Initiative (RGGI) auctions. In the first session of the 125th

Maine Legislature, bill LD1066 was introduced proposing to establish a sustained system benefit charge on each gallon of heating oil sold in Maine. The bill was not approved in committee, and no other new sources of funds were authorized for the purposes of funding programs or measures that help customers lower their costs from consuming oil. This leaves the Trust with only the balances from federal funds and up to 15% of the RGGI funding of programs to reduce oil use. As a result, the budgets of the Triennial Plan for FY13 must be reduced by a total of $10.1 million.

Electric Efficiency and Conservation Budgets -- The original Triennial Plan called for budgets that assumed authorization of an increase in the mill rate of the electric SBC to 2.5 mills per kilowatt-hour (kWh) in FY12 and 3.5 mills per kWh in FY13. During the development of the State of Maine's biennial budget, wherein approval of electric SBC increases takes place, the legislature declined to authorize the increases. Over the two year period of FY12 and FY13, the Trust's revenues for electric efficiency and conservation programs therefore will be $24.1 million less than projected in the original Plan.

Solar and Wind Rebate SBC -- On December 31, 2010, the authorization for a solar and wind rebate SBC "sunset." In the 125th Legislature, a bill proposed to re-authorize the SBC to promote these small customer-sited renewable, but the bill was amended such that the authorization was not approved. Compared to the original Triennial Plan, this de-authorization translates to a reduction of $1.7 million over FY12 and FY13 period. A small but undetermined amount of funding will be available to promote this and related customer-sited renewable energy projects from any Alternative Compliance Payments made by load serving entities in lieu of purchasing Renewable Energy Credits, and Voluntary Renewable Contributions made by electricity ratepayers.

Regional Greenhouse Gas Initiative (RGGI) – The original Triennial Plan projected that the auction of RGGI carbon allowances would generate $8 million per year in FY12 and 13. Due to a slow economy, a dramatic drop in natural gas prices, and an initially inflated carbon cap, the demand for carbon allowances dropped. The revenues from RGGI are now estimated to be $5.9 million less than originally projected for the combined period of FY12 and FY13.

Maine Power Reliability Program (MPRP) Settlement – The final settlement of the MPRP included a commitment of Central Maine Power to pay $5 million for efficiency programs administered by the Trust during the FY12-13 period. These revenues were not contemplated in the original Triennial Plan.

US Department of Agriculture Grant – During 2011, the Trust partnered with Maine Rural Partners in applying for a grant from the USDA Rural Energy for America Program (REAP). USDA awarded the Trust $100,000 as a pass-through to Maine Rural Partners to perform energy audits for agriculture customers. This amount was not included in the original Triennial Plan.

For FY12, the most significant impact of the changes in revenue enumerated above is that there is insufficient funding to maintain the Trust's programs that help customers reduce heating oil costs by implementing energy upgrades. Some ARRA-funded programs targeting heating oil, such as the home energy retrofit ("Home Energy Savings Program"), the residential Efficient Heating Systems ("Replacement Heating Equipment Program), and a variety of industrial, commercial and municipal projects, were started in FY11 and stretched over into the beginning of FY12. However, once those projects are completed and the financial incentives are paid, the only funds in the Trust's budget to assist on heating oil savings will be from the federally funded BetterBuildings (PACE loan) Program and the Multi-Family Weatherization Program. For electric programs, the FY12 budget approved by the Trust Board is not substantially changed from what was in the Triennial Plan. This is because while revenues for electric programs are less than what originally projected, significant levels of spending for four programs – the low income appliance replacement program, the refrigerator recycling program, the competitive bid program for large impact projects, and the small business direct install program – were pushed from FY11 over into FY12.

The story is quite different for FY13, however. One scenario is that the Trust seeks and is awarded a long-term contract for delivery of electricity savings (avoided kWh) pursuant to the authority provided in 35-A MRSA Section 3210-C, and the legislature approves the contract. In this case, the Trust can maintain the level of programming, financial incentives, and performance measures contemplated in the original Triennial Plan for FY13. Another scenario is that the Trust does not receive a long-term contract to deliver electric savings, in which case the Trust's FY13 program budgets for electric efficiency programs must be reduced by approximately $16.7 million from the levels in the original Triennial Plan. The Trust refers to this as the Contingency Plan scenario.

The remainder of this report briefly provides updates, on a program-by-program basis, and identifies the Trust's projections of actual or potential significant changes.

III. Program Updates

A. Residential Programs

<u>Residential Low-Income Electric Program</u>

The Low-Income Electric Program aims to reduce electricity costs of LIHEAP-eligible customers using "Electric Efficiency and Conservation Program" funds derived from the System Benefit Charge. By law, at least 20% of the revenues from the "base" SBC assessment (of 1.45 mills per kilowatt-hour) are dedicated to the benefit of low-income eligible Maine electricity customers. The funds are received by and accounted for by the Trust. Since 2002, the programs have been administered and managed by MaineHousing.

In FY12 there is no change in the annual revenues targeted to benefit low-income customers from the Triennial Plan. However, there is significant accumulated balance from FY11 that has been carried forward into FY12, resulting in a one-time annual budget increase of 215%. Recognizing that Maine's Low Income Home Energy Assistance Program (LIHEAP) clients are facing a shortfall of federal funding during a time of high heating prices, and that electric utilities are seeing significant numbers of "high use" customers having difficulty paying their bills, the Trust is pursuing a significant change in strategy tying the one-time budget situation to the pressing need. Specifically, the Trust is seeking to weatherize the homes of as many LIHEAP-eligible customers who heat primarily with electricity as the FY12 budget will allow. Based on past experience with the WAP program, the Trust estimates this approach could achieve at least 25% energy savings for approximately 700 low-income homes in Maine generating 10,000 MWH of savings in FY12. This would mean a change from the targeted performance measures associated with replacing inefficient refrigerators, and will have the effect of shifting a significant amount of energy savings activity originally projected from FY11 into FY12.

For FY13 low-income electric programs, there is no change to the original Triennial Plan except to note the $300,000 infusion of funds for low-income weatherization from the MPRP Settlement.

A non-substantive change that warrants noting is that going forward, the Trust's Triennial Plan and Annual Update Reports will address the federal Weatherization Assistance Program (WAP), which is administered by MaineHousing, separately from other programs. To avoid confusion about which budgets are received by the Trust and about which performance measures the Trust is accountable for, the Trust will take steps to segregate the discussion of WAP programs while still providing information in a way that is helpful for readers to have a comprehensive context for energy saving programs in the state.

Home Energy Retrofit FY 2012

To address heating costs for Maine's relatively old and inefficient building stock, the Triennial Plan contemplates a category of residential "all-fuels" strategies for existing homes referred to as Home Energy Retrofit. The Trust staff branded two initiatives -- the Home Energy Savings Program or "HESP" and the PACE Loan Program – as the pillars of this strategy.

The original Triennial Plan called for whole-house weatherization to be promoted through awareness campaigns, introduction of quality control systems and training for energy auditors, and sizeable rebates. The Plan recommended promoting a "one-stop shop" interface for the customer, direct installation of low-cost measures, introduction of easier-access financing, and leveraging community-level resources such as faith-based networks and municipal governments.

The expectations of the original Plan were to use rebates to incentivize Maine homeowners to weatherize approximately 2,500 residential units per year in the Plan's third year, reducing energy use by an average of 25%.

The Trust can report that the federal ARRA funds used to provide rebates for home weatherization are spent and the rebates have been discontinued. Reservations for rebates were accepted through May 26, 2011, but not after that date, in order to ensure that the Trust did not over-commit its budget for HESP rebates. The Trust did honor all reservations made by that date on the condition that the work was completed and final forms were filed by September 30, 2011. As a result, 905 energy upgrades were completed in the first quarter of FY12. As noted above, LD 1066 was not advanced by the Maine Legislature, and as a result there is no funding available to continue delivering rebates for home energy upgrades under HESP now that the federal funds are exhausted. Instead, the Trust is relying on funds received through the federal BetterBuildings grant to promote home energy upgrades through continued awareness campaigns, technical support, direct install of low-cost measures, and easy-access loans. While the Trust is fortunate to have federal funds with which to promote the program and capitalize the loan pool, it must be acknowledged that the consumer uptake for loans – through which customers are obligated to pay the entire cost of the energy upgrades – is less than when rebates are offered.

As a result, the Trust is reporting a significant change in its projected performance measures for this program area. Whereas the original Plan projected treating 2,500 homes per year at an average savings rate of 25%, the Annual Update expects to treat only 905 homes per year for FY12-FY13 period. (This figure does not count low income homes treated through MaineHousing's Weatherization Assistance Program nor does it count the homes enrolled in the PACE program).

Residential Lighting

The original Plan proposed to continue providing incentives for Energy Star lighting and appliances consistent with the approaches employed at Efficiency Maine in recent years. During FY12 and FY13, the Plan envisioned intensifying marketing, expanding partnerships with market channels, and monitoring evolution of LED technology and costs.

In FY11, the Trust achieved its goals for lighting and the FY12 budget is funded consistent with the Triennial Plan and the strategies are not expected to change. Three issues are emerging that are affecting the assumptions of energy savings that should be noted for future reference. First, the cost of materials in compact fluorescent lights (CFLs) are rising significantly. While this phenomenon has not impacted retail costs as of the second quarter of FY12, there is a strong likelihood that the retail cost of CFLs will rise within this fiscal year. Depending on the amount of the cost increase, the Trust may need to adjust the amount of financial incentive it uses to discount the retail CFL price to customers, and/or to adjust its projections of the number of bulbs it can sell. Second, the federal Energy Independence and Security Act establishes tighter efficiency standards on performance of light bulbs to be phased in over the coming years. One result will be that the amount of lifetime energy savings the Trust can claim for each CFL installed will be reduced by 50% starting in January of 2013. Third, the Trust is updating the Technical Reference Manual to reflect findings of various program evaluations that suggest CFLs are operating for more hours per day than previously assumed. This could result in slightly higher estimates of energy savings associated with the installation of each CFL.

If a long-term contract is approved, the Trust's budget for Residential Lighting will be unchanged from the Triennial Plan. Under the Contingency Scenario, however, the Trust's lighting budget will be reduced to $3.8 million for FY13, and the corresponding loss of energy savings will place the program 32,000 MWH short of goal for that year.

On a clerical matter, in order to better track budgets and program performance, the Trust intends to separate the lighting and appliance program into two separate program lines going forward.

Appliance Program

The original Triennial Plan calls for the Trust to continue its Energy Star Appliance Rebate Programs. There is no change for FY12. If a long-term contract is approved, there will also be no change from the original Triennial Plan for FY13 in this program. However, if the Trust is operating under the Contingency Budget for FY13, then we will discontinue the residential appliance rebate program.

Efficient Heating Systems

The original Triennial Plan called for the Trust to promote the purchase of programmable thermostats and the replacement of inefficient heating systems with new, high-efficiency Energy Star conventional heating systems or advanced systems such as central wood pellet furnaces/boilers or ground-source (electric) heat pumps. (Solar heating systems are addressed in the Renewable Resources program discussion of this report.) In the Unitil natural gas utility territory, the Plan also called for promotion of efficient water and space heating system programs.

As with the HESP rebate program, the program branded as Replacement Heating Equipment exhausted all rebate funding by the first quarter of FY12. The Trust's efforts to promote improved heating system controls, such as programmable thermostats, are being advanced through the Residential Direct Install initiative in connection with promotion of the Home Energy Retrofit / PACE Loan Program. Further, the Trust is consolidating administration of the Natural Gas Conservation Program for residential customers with the Home Energy Retrofit programs and the Residential Direct Install.

The main change from the original Triennial Plan is that no ongoing revenue was authorized to fund incentives for full heating systems fueled by heating oil or other unregulated fuels. While some such heating systems may be eligible for incentives or loans through the PACE Loan Program, the Multi-Family Grant, or the Renewable Resource Program, generally there will be no funding to promote high-efficiency systems that use unregulated fuels. The Trust estimates that results for FY12 and FY13, combined, will fall 490,134 BBTU short of Triennial Plan performance measures.

Refrigerator Recycling Program

The original Triennial Plan noted that a typical existing refrigeration unit consumes 2-5 times more than today's efficient units, and that such typical units are projected to be present in 20-25% of households. The Plan called for the Trust to launch a program to retire and recycle old, operating refrigerators in FY2011.

Launch of the program was planned for late FY11 but was delayed due to uncertainty over the availability of funding. Having received Board approval in the FY12 budget for at least one year of program funding, the Trust is launching the program in the second quarter of FY12. With the delayed start the program will spend $1 million and deliver 4,500 MWH in FY 12. This amount reflects an increased savings-per-program-dollar, compared to the Plan's assumptions, a benefit of a very competitive bidding process to provide program delivery services. If fully funded the program will spend $4.6 million in FY13, delivering 20,700 MWH. If the Trust must deploy the Contingency Budget, then electrical savings will be further reduced to 11,500 with a budget of $2.5 million.

Residential New Construction

The original Triennial Plan called for the Trust to launch a program to promote efficiency upgrades during construction of new homes or major renovations starting in FY13. Contemplated Program activities included subsidizing training and support for construction contractors, financial incentives for contractors, and introduction of certification systems for new construction meeting certain standards.

In the event, there has been negligible market activity due to the very slow economy and the crisis in the home mortgage industry. More important, however, is the impact of having secured no sustained funding stream to promote savings of unregulated fuels which Staff projects would be the primary benefit of a residential new construction program. While the Trust intends to offer low-cost initiatives to provide new home builders and their customers information on best practices (*e.g.,* through links to on-line resources), this will not be sufficient to recoup the loss of 11 BBTU in energy savings projected in the original Plan.

B. Business Programs

Business Incentive Program

The original Triennial Plan organized business program offerings and budgets according to both business size (*e.g.*, large versus small) and also by the type of tool used to help the customer (*e.g.*, financial incentives versus direct install versus account management). The Plan called for a shift in strategy leading to more pro-active approaches to achieve deeper savings for participating customers and to pursue more complex projects. The program designs contemplated increased "account management" for large customers, a direct install approach for small businesses, and efforts to move up the supply chain to influence "market channels" to promote energy efficiency.

The Trust is pleased to report that one outcome of its first full year of program administration is a higher savings per program dollar rate than projected in the original Plan. Whereas the original plan projected that the suite of FY12 Business Programs would save 43,000 MWh lifetime, the Trust expects that these programs will actually save of 85,800 MWh lifetime. Whereas the original plan projected that the following year's Business Programs would save 53,000 MWh lifetime, the Trust now expects these programs will save 108,000 MWh lifetime. However, under a Contingency Budget in which there is no new electric program funding, the Trust projects that programs will save only 60,000 MWh through FY13 Business Programs.

In this Update Plan, the Trust introduces its preferred approach to re-organizing the numerous initiatives (and the associated budgets and performance measures) for Maine business customers under the single banner of the "The Business Program." The reorganization includes:

- The "Incentive Program" – is available for all Business/Institutional Customers, regardless of size. Efficient products are eligible for incentives from a fixed ("prescriptive") menu or through a "custom" approach in which the Trust's technical support team reviews special situations. This program was formerly referred to as the "Prescriptive Program." The design and total budget of the program are unchanged.

- The "Competitive Bid Program" – is available for large and medium-sized customers. The program entails periodic competitive solicitations in which customers propose energy upgrade projects of their own design that are awarded primarily on the basis of the most energy savings (or in some cases greenhouse gas savings) per Trust program dollar invested. This program was formerly referred to in Efficiency Maine reports as the Large Impact Program. The design and budget of the program are not changed.

- Maine Advanced Building (new construction) -- is available to large and medium-sized customers and is otherwise unchanged.

- The Direct Install / On-Bill Finance Pilot -- is available to Small Businesses in Bangor Hydro (and Maine Public Service) territory, as well as in Kennebunk Power and Light territory.

- Multi-Family Apartments -- is a new program being introduced in FY12 as the result of a successful application to the US Department of Energy. The program will offer technical support and financial incentives for weatherizing and energy upgrades to apartment buildings of between 5-20 units.

- High Performance Schools – is a program that is not being actively promoted, but contains sufficient budget to pay for projects previously awarded and in various stages of completion.

- The "Energy Solution Provider" strategy – will be delayed or cancelled. The original Plan called for a significant upfront investment in an account management approach to working with large customers. While the strategy is a good one for capturing the most difficult to reach cost-effective savings, it has a relatively longer payback time for projects, lower Benefit to Cost ratios, and may not pay longer term dividends if funding is not sustained over a period of several years.

C. Alternative Energy Program

The Trust is assigned certain responsibilities by statute related to the promotion of renewable energy or alternative energy. In the original Triennial Plan, the “Solar and Wind Program” was grouped among the Residential Strategies. It suggested continuing small rebates on the purchase of customer-sited renewable -- focusing mostly on solar hot water systems – and encouraging gradual market transformation through the support of professional associations, standards, and training.

The original Triennial Plan’s approach to organizing alternative energy programs did not fit well with the Trust’s statutory directives which include administering funds from the Solar and Wind Rebate system benefit charge (eligible for Business customers as well as Residential customers) and also for promoting demonstration and research and development (R&D) projects through the Renewable Resources Program.

The main items to report in this update relate to legislation. As noted above, the revenue stream that funded the Solar and Wind Rebate program was de-authorized by the legislature and efforts to re-authorize the funding in 2011 were not successful. Instead, legislation was passed directing the Trust to conduct a rulemaking to consolidate the various alternative energy funding streams (the accumulated balance of the Solar and Wind Rebate SBC, alternative compliance payments for the Renewable Portfolio Standard, and voluntary renewable payments made by electric ratepayers, and occasional funds received from the US Department of Energy) and administer them under a single, coherent vision. See, “An Act To Provide Rebates for Renewable Energy Technologies,” Public Law, Chapter 314, LD 761, 125th Maine State Legislature.

It is also worth noting that Staff’s analysis of the FY10 and FY11 renewable energy projects funded through Efficiency Maine did not satisfy the longstanding test for cost-effectiveness in terms of avoided or displaced energy.

The changes that the Trust intends to implement in FY12 and 13 are: (1) to add a stand-alone section of the Triennial Plan called the “Alternative Energy Program” and clarify that programs are available to both residential and business (or institutional) customers; (2) to establish a new cost-effectiveness test (likely the “participant cost test” that reflects the reality that this is not a resource acquisition program but rather a market transformation program and demonstration program; and (3) reflect reduced budgets resulting from the discontinued Solar and Wind SBC and the projection that alternative compliance payments will be 10% of prior year revenues.

D. Enabling Strategies

The Enabling Strategies component of the Triennial Plan laid out a broad array of activities expected to generally assist in the achievement of saving energy through efficiency and promoting alternative energy resources. Most of the initiatives were expected to not deliver energy savings by themselves, but to enhance the savings that would be generated and reported through the Residential, Business and Alternative Energy Programs described above. As such, the performance of these programs' impact on the benefit-to-cost ratios of the other programs or the Trust's overall programs is negligible.

The initiatives of the Triennial Plan's Enabling Strategies section include: Education and Awareness; Innovation; Market Support Strategies (such as the introduction of financing tools and training programs for market actors); and Evaluation.

In sum, there are no significant changes to report in this section of the Annual Update Report. Obviously, where revenues prove to be less than projected in the original Plan (*i.e.*, for unregulated fuels, for solar and wind rebates, and for electric programs in FY13) the Trust will reduce investment in the enabling strategies proportionately or discontinue them entirely. The one exception would be in the Evaluation programs, which the Trust has built up significantly from prior year budgets and increased budgets from the original Plan. In the past five years, Efficiency Maine completed three independent, third-party evaluations of its programs. By the end of the Trust's second year of operation, five new independent, third-party evaluations will have been completed.

Appendix 1 – Public Input

Triennial Plan Annual Update -- Public Workshops and Discussions:

Efficiency Maine held public workshops on November 2 and November 9, 2011 to present proposed updates to the Triennial Plan. The first workshop was held in Augusta and was attended by approximately 20 people. The second workshop was organized as an Interactive Television presentation which enabled the participation of approximately 10 people located at three University of Maine campus sites (Augusta, Portland, and Farmington).

The workshop format was structured with a presentation by Efficiency Maine staff on the proposed updates followed by an informal discussion session with attendees. In addition to the discussions, attendees were encouraged to submit written input to Efficiency Maine staff following the workshops.

The input gathered as a result of the workshops are summaries below.

1. **Recognition of Program Success**

   Several attendees noted the success of the FY11 program results, linking them to the growing awareness of and demand for these programs among Maine's business and residential consumers.

   One commenter (Northeast Energy Efficiency Partnership) observed that the stakeholder Board of Trustees, comprehensive and coordinated marketing and delivery of programs across the state, and efforts to deliver whole-building solutions for customers are "best practices" that are gaining recognition outside of Maine.

2. **Funding Impacts and Concerns**

   Several comments strongly supported sustained funding for all programs and initiatives as originally outlined in the Triennial Plan. Efficiency Maine was urged to demonstrate how the reduction in funding will adversely affect its ability to meet the legislative energy savings targets. One suggestion is to provide a qualitative assessment to demonstrate how the reduced funding affects the achievement of goals. An additional suggestion was to present this assessment in graphical format. Another commenter suggested including annual savings to help demonstrate each year's performance.

   Concern was raised regarding the need for stable, predictable program funding in order for the market to respond accordingly with minimal disruption. In addition, Efficiency Maine and the MPUC were urged to work together to find suitable funding to achieve all cost effective energy efficiency.

The lack of fuel neutral funding led one commenter (Maine Wood Pellet Association) to suggest Efficiency Maine should emphasize fuel switching from oil to wood pellets as a means for consumers to achieve savings. Their recommendation was *"*for the State of Maine, including Efficiency Maine, to adopt as official policy that *'no Maine home should replace its oil burner with another oil-fueled system.'"* They encouraged Efficiency Maine *"*to devise one or more mechanisms – possibly a revolving fund, initially bond-funded – with which to approach the Legislature with at least a partial solution, through fuel-switching, to the stated shortfall*."*

3. **Program specific suggestions**

The following program specific suggestions were brought forth at the public workshops:

a. Continue to focus on a holistic approach to the Business Programs (Commercial and Industrial or "C&I") sector and when funding allows, Efficiency Maine should focus on deep energy savings and custom energy savings projects;
b. Be ready to implement residential housing labeling when a clear model emerges among the competing labeling programs and to ensure that current data collection is adequate to do retrospective labeling, to the extent possible, once the programs are established;
c. Revisit the requirement for all residential auditors to be BPI certified;
d. Grandfather the Maine State Housing Authority audit certification as a qualification for becoming an Efficiency Maine Participating Energy Advisor; and,
e. Revisit the policy allowing home energy auditors to also perform the recommended energy efficiency improvements.

4. **Efficiency Maine Trust suggestions**

Several suggestions regarding the overall operation of the Efficiency Maine Trust and the Triennial Plan were provided at the workshops, including:

a. Demonstration and inclusion of more technical expertise in program development; and,
b. Increased focus on test and demonstration projects rather than production projects.

Appendix 2 – Performance Metrics

Fiscal Year 2012 (Original Triennial Plan)				
Program	Budget	GWH/year	BBTU/year	Lifetime Savings ($)
Business Programs*	$ 27,700,000	43		
Lighting	$ 3,900,000	100		
Appliance & Electronics	$ 1,800,000	2.8		
Refrigerator Recycling	$ 2,400,000	10		
Low Income	$ 2,600,000	4		
Efficient Heating Systems	$ 4,200,000		170	
Home Energy Retrofit	$ 5,500,000		90	
New Construction	$ 600,000		1	
Alternative Energy Program	$ 400,000			
Enabling Strategies	$ 5,900,000		25	
Total	$ 55,000,000	159.8	286	
Lifetime Savings Unavailable for Triennial Plan Metrics				

Fiscal Year 2012 (Updated Triennial Plan)				
Program	Budget	GWH/year	BBTU/year	Lifetime Savings ($)
Business Programs	$ 17,903,571	85.8		$ 106,344,202
Lighting	$ 3,505,591	101		$ 50,914,242
Appliance & Electronics	$ 2,406,068	2		$ 2,488,853
Refrigerator Recycling	$ 1,000,000	4.5		$ 12,554,982
Low Income	$ 5,600,518	10		$ 4,083,547
Efficient Heating Systems	$ 419,682		6.358	$ 1,306,085
Home Energy Retrofit	$ 1,900,000		50	$ 40,988,807
New Construction	$ -			$ -
Alternative Energy Program	$ 575,000		40	$ 1,500,000
Enabling Strategies	$ 4,571,480			$ -
Total	$ 37,881,910	203.3	96.358	$ 220,180,718

Fiscal Year 2013 (Original Triennial Plan)				
Program	Budget	GWH/year	BBTU/year	Lifetime Savings ($)
Business Programs	$ 24,700,000	53		
Lighting	$ 5,500,000	103		
Appliance & Electronics	$ -	0		
Refrigerator Recycling	$ 2,400,000	11		
Low Income	$ 2,600,000	4		
Efficient Heating Systems	$ 6,800,000		275	
Home Energy Retrofit	$ 6,300,000		107	
New Construction	$ 1,800,000		11	
Alternative Energy Program	$ 400,000		2	
Enabling Strategies	$ 5,900,000		40	
Total	$ 56,400,000	171	435	
Lifetime Savings Unavailable for Triennial Plan Metrics				

Fiscal Year 2013 (Updated Triennial Plan)				
Program	Budget	GWH/year	BBTU/year	Lifetime Savings ($)
Business Programs	$ 23,100,000	108		$ 136,464,416
Lighting	$ 3,800,000	75		$ 31,648,860
Appliance & Electronics	$ 2,600,000	2		$ 2,629,061
Refrigerator Recycling	$ 4,600,000	20.7		$ 29,874,124
Low Income	$ 2,900,000	4.46		$ 2,130,449
Efficient Heating Systems	$ -			
Home Energy Retrofit	$ -			
New Construction	$ -			
Alternative Energy Program	$ 575,000		40	$ 1,500,000
Enabling Strategies	$ 3,000,000			
Total	$ 40,575,000	210.16	40	$ 204,246,910

Fiscal Year 2013 (Contingency)				
Program	Budget	GWH/year	BBTU/year	Lifetime Savings ($)
Business Programs	$ 13,000,000	60		$ 75,216,310
Lighting	$ 3,200,000	63.2		$ 26,651,672
Appliance & Electronics	$ -			$ -
Refrigerator Recycling	$ 2,500,000	11.25		$ 12,281,055
Low Income	$ 2,900,000	4.46		$ 2,130,449
Efficient Heating Systems	$ -			$ -
Home Energy Retrofit	$ -			$ -
New Construction	$ -			$ -
Alternative Energy Program	$ 575,000		40	$ -
Enabling Strategies	$ 1,700,000			$ -
Total	$ 23,875,000	138.91	40	$ 116,279,487