

Efficiency Maine Trust Board Meeting Minutes August 21, 2013

Trust Board Members:

- James Atwell, Chair
- Al Hodsdon, Vice-Chair
- David Barber
- Brent Boyles
- John Gallagher
- Naomi Mermin
- John Rohman
- Doug Smith
- Patrick Woodcock

Efficiency Maine Trust (EMT) Staff:

- Paul Badeau
- Ian Burnes
- Elizabeth Crabtree
- Dana Fischer
- Constance Packard
- Anne Stephenson
- Michael Stoddard

Other Attendees:

- Alan Richardson, Bangor Hydro/Maine Public Service
- Stacy Fitts, Summit Natural Gas
- Michelle Moorman, Summit Natural Gas
- Jean Guzzeti, Office of Policy and Legal Analysis
- Lisa Smith, Governor's Energy Office
- Steve Ward, Maine
- Brooks Winner, Island Institute
- Dave Ireland, Dave Ireland Builders
- Tom Snyder, Dave Ireland Builders
- Richard Burbank, Evergreen Home Performance
- Mark Lambert, Unutil
- Will Beck, MEMA
- Beth Nagusky, ENE
- Josh Wojcik, Upright Frame Works
- Bob Howe, MABEP
- Jim Labrecque, SMF
- Bill Bell, Maine Pellet Fuels Association

1.0 Welcome and Introductions

Mr. Atwell called the meeting to order at 9:35 a.m. The Board and attendees introduced themselves.

2.0 Approve Draft Agenda and Minutes

ACTION: Upon a motion duly made (Mr. Hodsdon) and seconded (Mr. Boyles), the Board voted unanimously to approve the draft agenda. Upon a motion duly made (Mr. Hodsdon) and seconded (Mr. Smith) the minutes from the previous meeting were unanimously approved with a motion to correct the date listed in the minutes from August 22nd to August 21st.

3.0 Public Comment

- 3.1 Stacy Fitts, of Summit Natural Gas of Maine, thanked the Efficiency Maine staff for working with Summit to develop a simple rebate process for homeowners hoping to move forward with efficiency upgrades while becoming Summit Natural Gas customers. He mentioned that the organization has been great to work with.
- 3.2 Beth Nagusky, of ENE, asked if the Trust will need to submit the RGGI proposal to the PUC if it is not reflected in the Triennial Plan. Ms. Nagusky's added that Efficiency Maine's partnership with utilities, like the Summit partnership, are an valuable opportunity but that she remains concerned that high-efficiency equipment will be installed without a building assessment. She urged the board to consider partnering building efficiency measures with heating upgrades. Mr. Stoddard briefly replied to Ms. Nagusky that the residential heating section of the Triennial Plan was the framework for the current program plan and, as such, would not require further filing with the PUC.
- 3.3 Bob Howe, on behalf of the Maine Association of Building Efficiency Professionals, echoed Ms. Magusky's points about building envelopes, and added that building performance should be included in the program design.
- 3.4 Jim Labrecque of SMF commented on Mr. Howe and Ms. Nagusky's points about envelope performance and suggested that 1,000 gallons of oil avoided from a building efficiency measure or a heating system upgrade are equal. Mr. Labreque also added that measures should be prioritized by the best Return-on-Investment.
- 3.5 Richard Burbank of Evergreen Home Performance expressed his hopes that the RGGI program will be based on a performance approach moving forward.
- 3.6 Josh Wojcik from Upright Frameworks directed the Board's attention to an Op Ed published in the Portland Press Herald, by Peter Troast of Energy Circle. In it Troast indicates that the performance-based approach has been the most proven model in other states. Mr. Wojcik added that limited funds should be directed to those measures that can provide significant results. Mr. Wojcik thanked the Board for the opportunity to contribute to the process and asked if there would be another opportunity to comment on the details of the plan. Mr. Stoddard replied that there will not be any more public workshops and that the staff will work with the Board to finalize details. Some of the program may be rolled-out in phases. He added that, like other programs, necessary changes will be made as the program is implemented.
- 3.7 Brooks Winner of the Island Institute indicated that the Island Institute hopes that the Board and staff will consider prioritizing program access by underserved and/or high energy cost communities. He also added that the Island Institute has

found do-it-yourself projects to be an important mechanism to start homeowners on the path to larger energy projects.

- 3.8 Dave Ireland of Dave Ireland Builders shared that 80% of his company's customers participating in the RDI program would not have received an energy assessment if not for the incentive program. Many of those homes are modest, with homeowners of modest means.

4.0 Executive Director Report

Mr. Stoddard began his report by beginning with the Business Program. The new delivery team started on July 1st and that transition has gone smoothly. The Multifamily Program team is working to identify barriers to project completion with contractors and participating building owners. The team plans to identify potential program modifications to allow more building owner participation in the final months of the program.

The small business direct install pilot has closed many projects in the pipeline but the number of projects is less than staff had hoped. There are a number of lessons learned from the pilot that the staff plans to reflect in a new delivery RFP that will come out this fall.

Mr. Stoddard then briefed the Board on the Large Customer Program. Applications are now being submitted on a rolling basis. Board members will be contacted to serve on a review team. Mr. Woodcock suggested that DECD might be helpful in sharing the information with potential customers.

Mr. Stoddard next discussed the Residential Program. He mentioned that the RDI program is having the desired effect of driving more interest in PACE and PowerSaver Loans: 46 loan applications were processed over the last two weeks. The Lighting and Appliance Programs are ahead of goal. Mr. Stoddard shared that appliance sales are up all over the country and increased participation in the rebate program is one indication of a recovering economy. Mr. Atwell asked if the Appliance Program included a rebate on heat pumps. Mr. Stoddard answered that hot water heat pumps are included in the program, and ductless heat pumps will be added soon.

Mr. Stoddard shared that the Low Income Program is a little behind pace but it is expected to catch up. 44 heat pumps have been installed through the program this year.

The Lighting and Appliance Programs are currently being evaluated and the final evaluation of the PACE and RDI programs will be completed soon. The preliminary results of those evaluations indicate that the cost-benefit ratio of RDI is well over 2:1. The evaluation team has found that customer satisfaction is high.

Mr. Stoddard closed his briefing with congratulations to the Administrative and Finance teams who have closed out multiple federal grants. The final paperwork has been submitted to the Department of Energy. Ms. Mermin added that she wanted to share her thanks to the staff, who continue to ensure that current programs are well-run while undertaking the time-intensive process of developing a new program and facilitating the stakeholder process.

5.0 Reports

a. **APPROVE Executive Director Partnering with Summit Natural Gas of Maine to Administer Efficiency Rebates and Receive Funds to Cover Costs of Administration**

Mr. Stoddard explained that a provision in the statute requires the Board to approve new sources of revenue. The motion would allow Efficiency Maine to accept payment from Summit Natural Gas to cover the costs of administering an incentive program for Summit Natural Gas customers. Mr. Stoddard explained that, as Mr. Fitts mentioned at the beginning of the meeting, partnering with Summit to help homeowners choose high-efficiency heating equipment furthers Efficiency Maine's mission and is a natural fit. The table included in the Board memo shows a list of items that customers may buy; the efficiency standards were developed by Summit and Efficiency Maine during Summit's rate case, and approved by the PUC. The incentive processing will be performed through pre-existing administrative contracts for another Efficiency Maine rebate program.

Mr. Barber asked if there were plans to administer programs with other utilities. Mr. Stoddard replied that this will be a test case for other program administrative opportunities, but that the rebates built into the Summit rate case at the PUC were unique. Mr. Woodcock added that with the changes to the law, Efficiency Maine will need to be reaching out to the other natural gas utilities. Mr. Stoddard agreed and noted that the Summit case was a little different since all of the customers will be new customers.

Mr. Hodsdon added that Kennebec Valley Natural Gas might also be a potential partner but that some of the financing available for their customers will be through TIFs. Mr. Rohman asked to clarify how costs for administration will be absorbed by Efficiency Maine. Mr. Stoddard answered that Summit Natural Gas will be billed, at cost, for staff time, delivery partner administrative costs, and incentives. Mr. Smith asked if Mr. Stoddard anticipated any changes to staffing levels, and Mr. Stoddard replied that no staff will be added to administer the Summit contract at this time, but that the most recent budget approved by the Board included two staff positions to accommodate the growing incentive programs and workload in the office.

Mr. Woodcock added that this partnership makes a lot of sense and that fine-tuning it over the next year will be a good opportunity for the staff and Board to evaluate if there were opportunities with other utilities. He recommended that the Board support this partnership.

ACTION: Upon a motion duly made (Mr. Gallagher) and seconded (Mr. Rohman), the Board unanimously authorized the Executive Director to enter a contract with Summit Natural Gas of Maine, Inc., and approved the deposit of

funds from that contract in a dedicated account, to cover the costs of processing incentives (rebates) on new gas equipment for Summit’s residential customers.

b. Strategic Planning Committee and Finance Committee Report APPROVE Budget Allocation as Presented in RGGI Residential Straw Proposal

Mr. Stoddard directed the Board’s attention to a memo dated August 20, 2013 that reflects the Staff’s recommendation for the allocation of the \$7.3 million budgeted Residential Heating Project funds that were approved at the last board meeting. Staff recommends that the Board approve a budget allocation for the use of RGGI funding for Residential Heating Project in FY14 as follows and that the FY14 budget be adjusted accordingly:

<u>Residential Heating Project FY14</u>	
Incentive Initiative	\$6.2 million
Low Income – CHIP Supplement	\$0.5 million
Loan Loss Reserve	\$0.3 million
Marketing, Education, Training	\$0.2 million
Program Evaluation	\$0.1 million
TOTAL	\$7.3 million

Mr. Stoddard then explained that these allocations reflect stakeholder feedback and recommendations from the Board. He briefly described each line in the budget. Mr. Woodcock asked Mr. Gallagher to tell the Board more about the CHIP heating program. Mr. Gallagher replied that the CHIP program funds the replacement of heating equipment that cannot be repaired, but that the program is restricted in how much it can spend on each individual piece of equipment and that cost restriction limits the program’s ability to install higher-cost, high efficiency equipment. The federal funds used for the program also currently limit system upgrades within the same fuel type, and the additional funds from RGGI might be used to help customers switch to alternative heating fuels. Mr. Gallagher added that he appreciated the opportunity to team with CAP agencies to consider how to best allocate these additional funds. Ms. Mermin asked how the program had been administered in Unutil territory. Mr. Gallagher replied that, in general, there haven’t been funds available for fuel switching. Mr. Hodsdon added that there may be a need to direct additional funds to the CHIP program in the future. Mr. Stoddard replied that the goal is to coordinate the full range of services and funds available for these customers included the natural gas conservation funds.

Regarding the Incentive Initiative, Mr. Stoddard explained that the majority of incentives will be administered through two pathways – modeled and prescriptive -- which accommodates a range of industry recommendations and allows for homeowners to access incentives from different directions. The prescriptive measures chosen will meet the statute’s call for the highest benefit to cost ratio.

All will involve some customer cost sharing. Most incentives will range between 10 to 30% of incremental cost, which the Staff believes will conserve funds and reduce free ridership. This range is consistent with other Efficiency Maine and national programs.

The staff will continue to insist on a combination of tools to maintain quality assurance, in addition to evaluations. Inspections will be used in a targeted way, and targeted to situations in which the staff identifies concerns, whether with a particular contractor or type of measure. Contractor insurance and professional licensure requirements will also be part of the QA/QC process.

Mr. Boyles asked Mr. Stoddard to say more on the cap per household. Mr. Stoddard answered that the Staff believes that \$1,500 per household is enough to entice people to participate and undertake retrofit projects, while conserving funds enough to serve as many homes as possible.

Mr. Hodsdon asked Mr. Stoddard to clarify the way in which the program hoped to address free ridership. Mr. Stoddard replied that identifying and reducing free ridership is an organic process where the Staff takes into consideration recommendations by the evaluation team. Ms. Mermin added that the mechanisms to evaluate free ridership were strict and statistically valid. Mr. Stoddard added that the staff will be watching the market closely and evaluating if homeowners were buying the product before the program came along. If so, incentives may not be necessary for some measures.

Mr. Atwell suggested that free ridership be added to the agenda at a future meeting and that Dr. Nixon could facilitate the discussion.

Mr. Woodcock asked Mr. Stoddard to clarify the process for determining the incentives and when the incentives will be rolled out. Mr. Stoddard replied that he predicted that the prescriptive incentives will look very similar to the strawman proposal but that some incentive amounts may change. Those incentives will be rolled out in the next 2 to 4 weeks. The CHIP conversation has just begun and Efficiency Maine will need to work with MSHA to discuss implementation of that part of the budget.

Mr. Stoddard noted that the elements of program design outlined in the August 20th board memo reflect the high-level policy decisions to be made by the Board regarding program design including two pathways for accessing incentives, availability of incentives statewide, and cost-effectiveness considerations. He added that everything in the straw proposal is consistent with the Triennial Plan.

Mr. Woodcock asked that the Board would be made aware of the final program design in advance of it being released to the public. Mr. Smith suggested that the Board be notified 24 to 48 hours in advance of the program announcement and

that if there was sufficient board concern, a strategic planning committee meeting could be convened to discuss and element of program design.

ACTION: Upon a motion duly made (Mr. Hodsdon) and seconded (Ms. Mermin) the Board voted to approve the budget allocations as presented in the August 20th memorandum and that the board will receive 24 to 48 hours' notice before release of program details to the public with opportunity to comment and raise issues and, if needed, call for a board committee meeting to determine program release.

Mr. Woodcock shared that the staff has done a terrific job in designing the program in a transparent way and engaging the public in the process. A number of comments have also been sent to the Governor's Office and Mr. Woodcock offered to share them with other board members if they were interested. Mr. Woodcock added that he has four concerns that he hopes might be included in conversations around program design. The first is that additional funding be shifted to low-income Mainers, which aligns closely with the CHIPs funding Mr. Stoddard previously described. The second is that funding for RDI incentives be capped or that the incentive be reduced. Third, that the use of Natural Gas SBC funds for air sealing be reconsidered in light of other heating system incentives. The fourth is that Efficiency Maine should continue to monitor the number of heat pump installations and ensure that the technology gains traction in the marketplace.

Mr. Stoddard thanked Mr. Woodcock for his suggestions and noted that the RDI incentive level is an ongoing topic of staff discussion. The program was initially designed as a promotional tool for PACE and PowerSaver loans but is admittedly shifting to advance multiple objectives. Ms. Mermin added that she appreciated that a significant number of RDI participants were low-income and that the air sealing measures also fulfilled the program's desire to serve low-income Mainers. She mentioned that air sealing has a high benefit to cost ratio.

Mr. Stoddard concluded that he looked forward to additional feedback from the board before and after the launch of what will hopefully be a very successful program.

6.0 New Business

7.0 Next Meeting Agenda and Scheduling

ACTION: The Board set the date to meet on September 25th at 9:30 a.m. with committee meetings scheduled in the interim.

9.0 Adjournment

ACTION: Upon a motion duly made (Mr. Smith) and seconded (Ms. Barber) the Board voted unanimously to adjourn at 12:03 p.m.