

**Executive Director's Summary Report
to the Board of Trustees
Efficiency Maine Trust**

January 23, 2012

I. Communications

a. Press

Efficiency Maine programs continued to garner good press coverage in recent weeks. WMTW Channel 6 ran a positive story recognizing the benefits of Efficiency Maine's initiative to donate compact fluorescent lights (CFLs) to low income Mainers by partnering with the Good Shepherd Food Bank system and their associated food pantries. (See, <http://www.wcsh6.com/news/article/186472/2/Pantries-soup-kitchens-distributing-CFLs-to-Mainers>). We are estimating that the donations will help these vulnerable customers lower their energy bills by a combined \$2.3 million per year. MPBN radio ran a positive story announcing the kick-off of the refrigerator replacement program.

The Kennebec Journal ran an editorial encouraging policymakers to support energy efficiency rather than take the Trust funds to pay for heating oil for LIHEAP customers. The editorial noted "most people are saying the right things," reporting favorably that "Energy Office Director Ken Fletcher ... said that conservation is an important part of the strategy."

This was one of a series of articles, editorials and TV stories about the LIHEAP issue and Efficiency Maine's responsiveness. A thorough treatment was provided in another Channel 6 story, providing an extensive interview of Mr. Fletcher in which he notes that he is working with Efficiency Maine to develop a Contingency Plan to help LIHEAP homes, and Efficiency Maine is quoted regarding its commitment of \$5 million for weatherizing electrically heated homes of LIHEAP-eligible customers. (See <http://www.wcsh6.com/news/article/183416/2/LePage-administration-wants-more-heat>); Mr. Fletcher gave further details of the LIHEAP Contingency Plan in a January 9, MPBN story, saying,

... because the Efficiency Maine Trust piece is going to come in and do equal, if not more, weatherization work this winter, the Maine State Housing is going to redirect [more of its funds] for immediate fuel assistance. The Efficiency Maine Trust piece provides an immediate \$5 million to weatherize homes heated with electricity this winter to reduce demand. In addition, the agency is making \$1 million in grants available for alternative heating units like wood pellet stoves.

A January 4 opinion editorial in the Portland Press Herald gave further evidence of Efficiency Maine's collaboration with the Governor's office in addressing Maine's heating situation. The OpEd, jointly authored by Mr. Fletcher representing the Governor's Energy Office, Dale McCormick representing MaineHousing, and Michael Stoddard representing Efficiency Maine, stated:

[T]he governor asked MaineHousing ... and Efficiency Maine ... to work together with his staff to develop options to address the short-term need this winter, and prepare a contingency plan if energy prices spike or supply is constrained.

In the plan we've advanced, MaineHousing continues weatherization programs while focusing on the immediate need to fill oil tanks this winter, and Efficiency Maine focuses on fast-track weatherization, prioritizing those most in need. That's quite different from "gutting" conservation to "burn oil wastefully," as you stated in your editorial.

The week after the OpEd was published, Efficiency Maine joined the Governor, MaineHousing, local CAP agencies and the United Way at a press conference to promote the Contingency Plan and the role that volunteerism and private donations can make through the Keep ME Warm initiative.

Several recent news stories covered Efficiency Maine indirectly. In one set of stories, the Governor reportedly vetoed LD 1264 (a bill to require that state building projects consider efficiency measures) on the grounds that the bill would give Efficiency Maine the power to craft rules without oversight by elected officials. It later emerged that the bill did not in fact give Efficiency Maine the power to craft rules. In another set of stories, the Governor is reported as saying that Efficiency Maine has not been cooperative with his energy proposals. A Bangor Daily News story describes the Governor as criticizing Efficiency Maine "for not working closely or effectively with his administration." This criticism was repeated in the Capitol for a Day meeting in Lewiston, in which the Governor said:

"80% of Maine homes are heated with oil. Oil is one of the most expensive forms of energy to heat a home. We need to change. We have a plan. We went to the Efficiency Maine Trust, which is a quasi-governmental agency, and asked them to join in, and they said "nah, we're not interested." So, we need to go to the legislature and ask the legislature to help us solve this problem... We're willing to do the work, but we need to have all the agencies of the state to work from the same page.

See, SunJournal.com, "Capitol for a Day in Lewiston", <http://www.sunjournal.com/news/city/2012/01/20/top-videos-sunjournalcom-week-jan-15/1143837>

Finally, Efficiency Maine was quoted in a December 22, 2011 USA Today recognizing the significant success of the Home Energy Savings Program, and also submitted an editorial that ran on Village Soup that described the growing interest in the PACE program.

b. Awareness and Education

The Trust was pleased to award two new projects involving in-home energy dashboards through its Innovation Program competitive bid process. One winner was Community Concepts and the other was a partnership between PowerWise Systems and University of Maine. Both programs will help advance our understanding of what role “smart meters” can play in saving energy and what types of training, education and related programs are most useful in maximizing savings through the use of an in-home dashboard.

c. Annual Report

Staff completed its annual report and submitted it to the legislature and the Public Utilities Commission by the statutory deadline of December 1. Presentations on the report have been made to the E2Tech trade association, to the Industrial Energy Consumers Group, and to Editorial Boards. Through the Annual Report, Efficiency Maine is touting the results of the FY2011 programs, including:

- Achieving electric energy savings at an average total cost of 3 cents/kilowatt-hour (kWh), compared to the 7.5-8.5 cents needed to purchase a wholesale kWh, from projects that will save an estimated 1.7 billion kWh over the life of the measures;
- Achieving heating oil savings at a total cost of \$1.16/gallon, compared to \$3.65 needed to purchase a gallon of heating oil;
- Helping Mainers’ lower their overall spending on energy by \$449 million compared to what would have been spent if there were no Efficiency Maine programs;
- Spurring \$116 of investment in the Maine economy;
- Significantly exceeding the Triennial Plan’s target benefit-to-cost ratio of 2.3:1 – in FY2011 the Trust’s electricity programs achieving a 2.58:1 ratio and the ARRA-funded programs (principally oil savings) achieved a 4.81:1 ratio;
- Received a clean audit report from the Trust’s independent auditor.

II. Finance and Administration Highlights

Confidential Information Management System (CIMS)

In order to receive utility data about customer energy usage and customer contact information, Efficiency Maine needed to demonstrate that it had a system for managing such confidential data. Working with the Vermont Energy Investment Corp. (VEIC) who had developed the CIMS system for Efficiency Vermont, Staff at the Trust developed a policy to ensure protection of confidential customer information. Subsequently, the Maine PUC issued an order that for utilities participating in the Small Business Direct Install & On-Bill Finance pilot project to share with Efficiency Maine, consistent with the terms of a Protective Order, data that would be useful in helping small businesses to access the program. The Trust has received delivery of the first set of requested customer data for the Small Business Direct Install pilot program.

III. Program Highlights

a. Business Program

i. Competitive Bid Program (Large Projects)

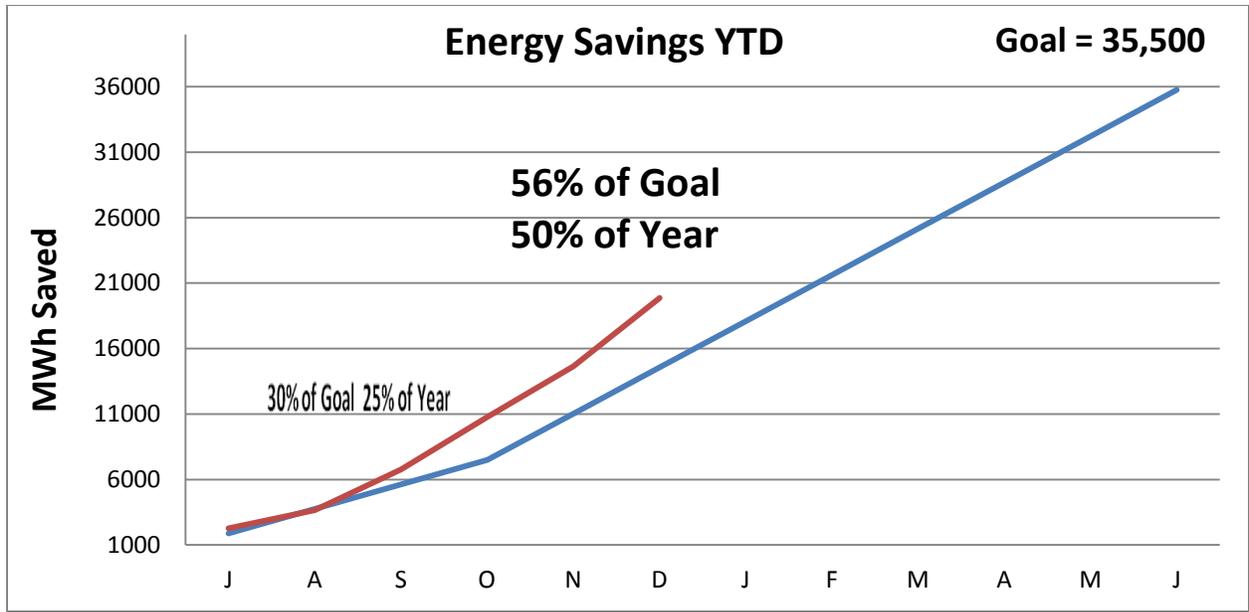
On September 19, 2011 staff issued an RFP seeking proposals for large projects. Eighteen proposals were received by the filing deadline requesting \$5.1 million in funding and offering private matching funds of \$7.5 million. The Review Team announced awards December 8, 2011, totaling \$3.8 million in awards.

<u>Applicant</u>	<u>Project</u>	<u>Estimated kWh Savings</u>
Madison Paper Industries	Grinding Stones	12,098,934
Verso Paper - Androscoggin	Multiple Measures	6,255,686
Verso Paper-Bucksport	Boiler Feed Water Pumps	4,145,250
Lewiston -Auburn Water Pollution Control Authority	Micro Turbines	2,892,518
Rumford Paper Company	Lighting	1,521,091
Twin Rivers Paper*	Pumping & VFD	3,791,400*
Irving Forest Products Inc	Kiln Controls & Upgrades	2,333,186
Shipyards Brewing Co	Tri-Gen Project	1,626,713
Mid State Machine	Lighting	858,215
University of Southern Maine	Lighting- Gorham campus	559,341
Mid Coast Hospital	Lighting Retrofit	489,833
Alodyne LLC for Hilton Garden Inn, Portland	CHP	700,000
Total		37,272,167

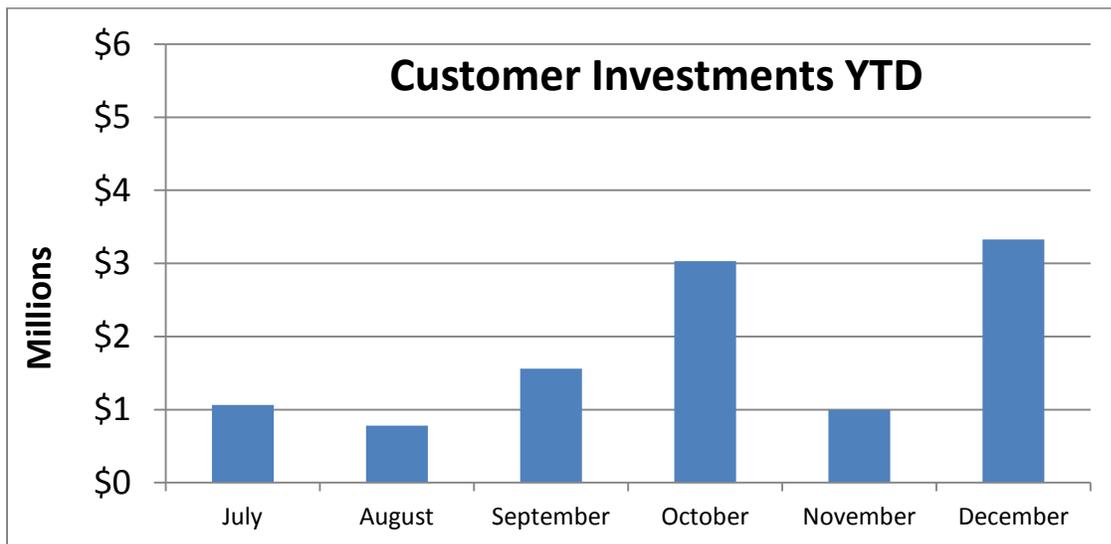
* - Twin Rivers Paper subsequently withdrew its project.

ii. Business Incentive Program

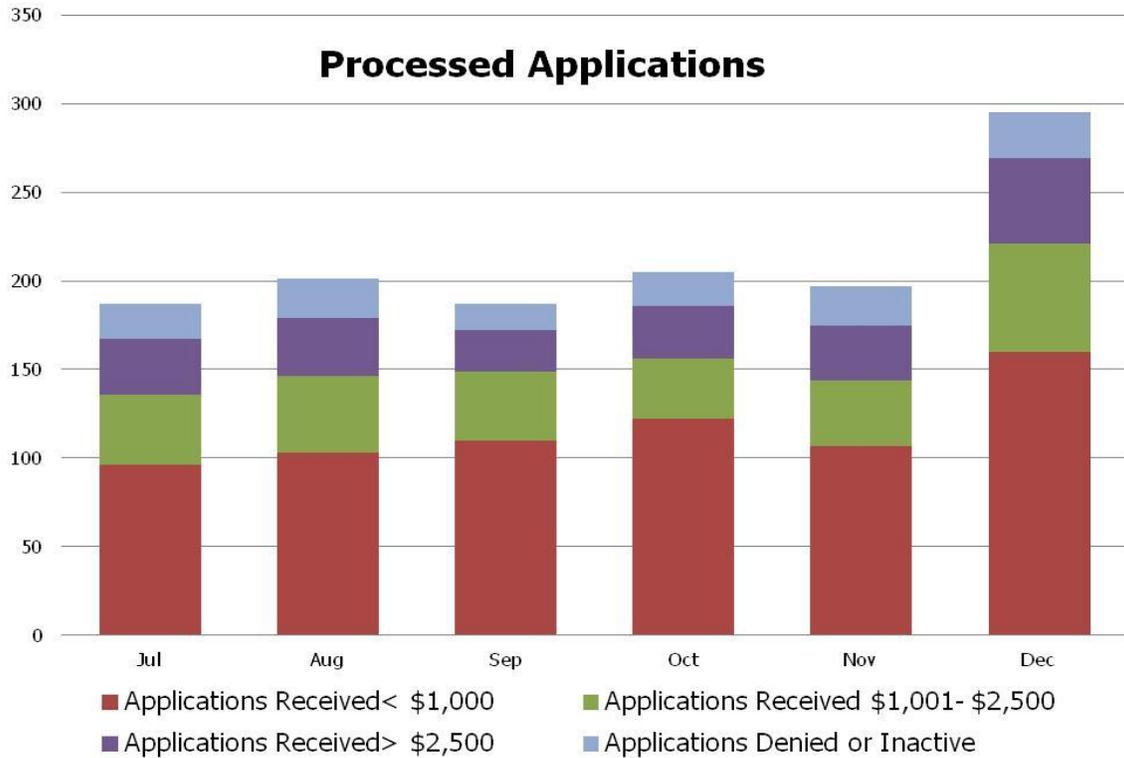
The Business Incentive Program is ahead of goal in terms of harvesting energy savings and spending its budget, year to date, as the following graphic illustrates.



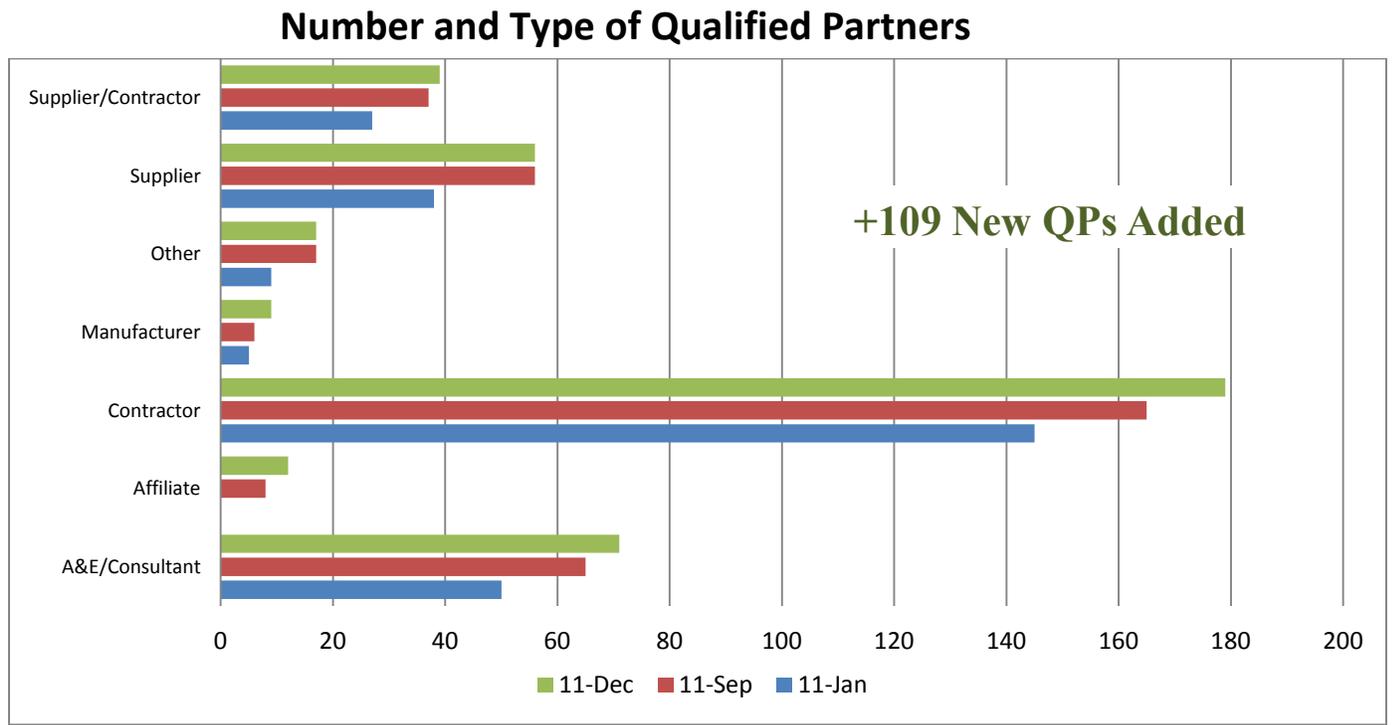
The steady push of incentives from the Business Incentive Program has leveraged more than \$10 million in business customer private investments to date.



The Business Incentive Program’s Delivery Team is processing approximately 200 incentive applications per month in an average month, more than half of which are for smaller projects requesting an incentive of less than \$1,000.



Efforts to strengthen the marketplace by enlisting and training trade allies in our Qualified Partners program added more than 100 new members during the calendar year.



iii. State House Audit

Staff and contractors at Efficiency Maine have completed the walk-through audit of the State House and much of the Cross building. Working with the facilities managers for both buildings, excellent opportunities for cost-effective energy savings have been identified and are being further analyzed for final presentation to and discussion with the Executive Director of the Legislative Council.

iv. Small Business Direct Install/On-Bill Finance

Efficiency Maine's pilot program is making progress. Efficiency Maine's request for access to utility customer data was approved by the Maine PUC, subject to a protective order.

b. Residential

i. Low Income

In response to requests from the Governor's Office of Energy Independence and Security (OEIS), Efficiency Maine staff worked through the holidays to contribute options that would help mitigate the impacts of the federal government's reduced funding levels for fuel assistance program for low income Mainers (LIHEAP). The resulting LIHEAP Contingency Plan includes the following contributions from the Efficiency Maine Trust which will help lower the short-term and the long-term heating burden among LIHEAP households and will use the Trust's funds in a way that is consistent with its mission, its statutory targets, and the three-year strategic plan that was approved by the Trust Board and the Maine PUC:

- \$5 million was redirected away from the Low Income refrigerator replacement program to weatherize electrically-heated homes of LIHEAP-eligible homes:
 - o 6 individual homes have already been weatherized
 - o a full list of electrically-heated multi-family units (constituting 85% of all electrically-heated LIHEAP homes) has been received by Staff from MaineHousing
 - o the Board authorized contractual arrangements with Conservation Services Group and MaineHousing, working with the CAP agencies, to help implement the program;
 - o outreach and walk thru audits are already underway to secure participation of landlords in multi-family units, establish work orders, and secure competitive bids to perform the installation work
 - o Staff projects an average annual energy savings of 20-25% per unit;
- The Staff requested and secured permission from the U.S. DOE to direct \$1 million from the Trust's BetterBuildings grant, which was to be used for air sealing of prospective Maine PACE Loan customers, instead to perform air sealing of LIHEAP-eligible homes and to conduct a pilot project promoting alternative energy supplemental heating systems:
 - o eligible heating systems must meet the definition of Alternative Energy in the Efficiency Maine Trust statute, which Staff interprets to include air-source heat pumps

- eligible heating systems must have a reasonable likelihood of achieving cost-effectiveness using the Total Resource Cost Test
- homes will be screened to establish appropriateness for hosting an alternative energy system, including a determination that such system is consistent with health and safety considerations and is a fit with the residents of the home.

ii. Alternative Heating Options – Bangor Hydro Proposal

Staff has now participated in four meetings with representatives of Bangor Hydro to continue developing the utility’s proposal to promote electric heating alternatives. Two meetings were held in conjunction with the Governor’s Office of Energy Independence and Security and two other meetings were organized separately by the utility and Efficiency Maine Staff. Additionally, the utility was offered a place on the agenda of the Trust’s November 30, 2011 Board meeting in which it presented its proposal and had the opportunity to answer questions from the Board and members of the audience.

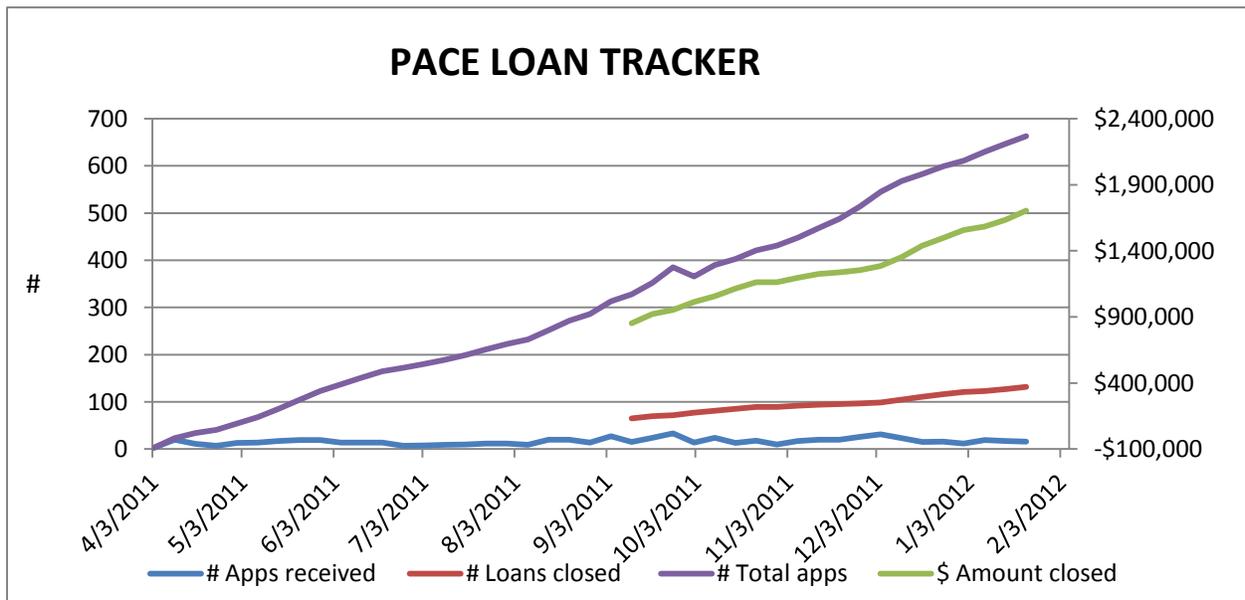
Good progress is being made. Bangor Hydro has revised some of its initial data points since its initial presentations, and Efficiency Maine’s Staff and consultants are working with the utility to get a handle on comparative analysis of operating costs, capital costs, and cost-effectiveness of competing heating options. Staff has begun discussing how the utility’s proposal, or some variation on it, could work its way into the Trust’s programs. In addition to the standard incentives that Efficiency Maine already offers customers considering air source heat pumps (i.e., for new construction or when replacing a burned out heating system or in conjunction with weatherization projects in the PACE Loan Program), other suggestions under consideration for increased program opportunities for supplemental systems using heat pumps include:

- Using a portion of the Direct Install initiative in the new Low Income Contingency Plan (as described in the prior section of this report) and gathering data on low-temperature performance, displacement of primary heating fuels, customer satisfaction, and cost-effectiveness;
- Encouraging the utility to submit a bid in the next competitive solicitation of the Innovation Program;
- Clarifying the circumstances under which supplemental air source heat pumps could be purchased with a loan funded through the Trust’s PACE Loan fund or the PowerSavers Loan Program using the US DOE BetterBuildings grant;
- Reviewing select program areas for further promotion of cost-effective alternative energy systems (and/or pilots for same) in the Trust’s FY13 budget during Board’s review and approval of the FY13 budget;
- Reviewing select program areas for further promotion of cost-effective alternative energy systems (and/or pilots for same) in the Trust’s upcoming stakeholder process to develop the next Triennial Plan.

iii. Maine BetterBuildings Loan Program

PACE Loan Results to Date (since April 2011)

- 108 towns participating = 60% of state population
- 135 loans closed = \$1.7M in projects
- \$12,900 = average loan size
- Deemed savings projected to be 45% savings (as modeled; a competing modeling program projects savings could be 90%)
- 650 applications received and processed; about half are being declined due to insufficient debt-to-income ratio or insufficient loan-to-value ratio



Outreach

- 200,000 inserts have been distributed in 32 communities to date
- 11 PACE Forums across the state
- community TV rotation of forums and 30 second spot
- new 22 minute show to be distributed
- webpage updated
- TV ads about half- completed, and radio campaign continuing
- Bucksport town meeting on natural gas distribution, opportunity to weatherize and increase efficiency if they change fuels

Next Phase – “Direct Install” Incentives

- For prospective PACE customers, install up to \$300 value in Blower Door-Directed Air Sealing for customers of BPI energy audits
- For certain LIHEAP-eligible customers, a pilot project to
 - o promote immediate energy and heating cost savings
 - o install up to \$1,000 value in Blower Door-Directed Air Sealing (and other approved Basic Measures) in +/- 1,000 LIHEAP homes

- install +/- 250 alternative energy space heating systems and study the cost-effectiveness of alternative energy (supplemental) space heaters (e.g., electric air source heat pumps, pellet stoves)

Next Phase - PowerSaver Loans

- Allows for smaller loans than PACE (below \$6,500)
- Allows for larger loans than PACE (up to \$25,000)
- Potentially allows customers to participate regardless of equity levels
- Potentially enhances access by simplifying process

iv. Residential Lighting and Appliance Program

Lighting

- The program has moved approximately 850,000 CFL's (91% of pace to reach goal)
- We are projecting to move 2.265 million total CFLs (112% of goal) by June 30
- The Good Shepherd Food Bank has already distributed all of the roughly 180,000 CFL's delivered to them by the Trust

Appliances

- 16,071 qualifying units have been sold with incentives (at 181% of pace to reach goal)
- We are projecting 32,000 units to be sold by June 30 (184% of goal for the year)
- Staff is considering ending the refrigerator rebates early to redirect limited funding to lighting which has a better benefit/cost ratio

Refrigerator Recycling Program

- The program was launched January 1, 2012 as planned
- Outreach and marketing started Tuesday January 17
- The first refrigerators have already been scheduled for pickup

c. Enabling Strategies

i. Education and Training

The Schools for Energy Efficiency in Maine (SEE) pilot program has nearly completed its recruiting of volunteer schools. With a target of recruiting 15 total schools, so far all of RSU #60 (North Berwick) and SAD #57 (Waterboro), representing 13 schools, have committed to the project. Trainings are underway with coordinators in each district.

ii. Innovation

The staff awarded two projects in December, 2011 pursuant to the RFP let in October. See Communications/Education-Awareness, above, for details. Staff is preparing for the second round RFP in this program in the very near future.