Efficiency Maine Trust
Board Meeting Minutes
June 28, 2023

The June meeting of the Board was conducted in person at the Trust's office at 168 Capitol Street in Augusta, Maine. The option to participate by phone and online video conferencing was also available.

Trustees

- Dan Brennan
- Dan Burgess
- Heather Furth
- Mark Isaacson
- Suzanne MacDonald, Chair
- Glenn Poole, Vice Chair
- Joan Welsh, Secretary

Efficiency Maine Trust (EMT) Staff:

- Ian Burnes
- Emily Cushman
- Greg Leclair
- Hogan Dwyer
- Peter Eglinton
- Monte Haynes
- Hope Kohtala
- Laura Martel
- Sheldon Perkins
- Lauren Scott
- Michael Stoddard

Other Attendees:

- Ross Anthony, Governor's Energy Office (GEO)
- Christine Baillargeon, Alodyne LLC
- Phillip Borges
- Richard Burbank, Evergreen Home Performance
- Steve Fennell, LaPlante Electric
- David Korn, Ridgeline Analytics
- David Littell, Bernstein Shur Law Firm
- Kiki Tidwell
- Christie Whitcomb, Hometown Heat Pumps
- Bob Wolfer

1. Welcome and Introductions

Ms. MacDonald called the meeting to order at 9:03 a.m.

2. APPROVE Agenda and Minutes

ACTION: Upon a motion duly made (Ms. Furth) and seconded (Mr. Poole), the Board voted unanimously to approve the revised agenda and the May 24, 2023, Board Meeting Minutes.

3. Public Comment on Agenda Items

Mr. Burbank encouraged EMT to discuss its plans for future Inflation Reduction Act (IRA) funds with the contractor community. Mr. Stoddard commented that the federal government plans to issue specific guidance on how states should manage these funds sometime this summer. In the meantime, Staff has worked for the past several months, holding internal and external conversations about the most strategic way to comply with the statutory provisions of the IRA and how best to incorporate the new funds into existing programs and resources in Maine. When the federal guidance becomes available, these discussions will enter a more public phase and EMT will solidify concepts into a straw proposal on which to seek public input. Mr. Stoddard also noted that the IRA money will flow through the GEO and may involve MaineHousing and other state agencies with whom EMT is coordinating. Mr. Brennan stated that MaineHousing is similarly waiting on details from the federal government, noting that he appreciates the close working relationship between the relevant state agencies.

4. Executive Director's Report

Mr. Stoddard summarized the Executive Director's Report. Following are several items highlighted during his presentation:

- The Legislature passed a landmark piece of legislation in LD 1724 — the Beneficial Electrification Policy Act. This bill allows EMT to leverage electric procurement funds for fuel-switching measures where those measures are cost-effective and where they would, over the life of the measures, reduce rates and decrease greenhouse gas (GHG) emissions. In the past, EMT has paid for these types of measures with other funding sources such as Regional Greenhouse Gas Initiative (RGGI) revenues and New England Clean Energy Connect (NECEC) settlement funds. Mr. Isaacson commented that this is a significant change for EMT. He encouraged Staff to move swiftly on implementation and not to wait for the next triennial plan. Mr. Stoddard commented that EMT is confident that these measures (e.g., heat pumps, heat pump water heaters) will be cost-effective in the near term, but that this could change a decade in the future depending on future grid infrastructure demands. Ms. MacDonald asked about EMT's staff capacity to manage this change. Mr. Stoddard commented that he feels confident about EMT's capacity to manage all current programs and funds alongside the work that will come from LD 1724; the legislation shifts the legal rationale for funding of measures, most of which can be administered through EMT's existing programs. With respect to the incremental work to perform rate impact analysis, EMT has hired an outside consultant.
- The EMT-related provisions of the Governor's budget "Change Package," (LD 258), passed out of committee. This bill would amend the EMT Act by replacing "shall" with "may" in the current statutory language that directs EMT to oversee and administer funds received from: (a) the US Department of Energy (DOE) State Energy Program and (b) other federally funded programs and projects "related to trust programs." Ms. Welsh asked about who decides whether federal funds go to EMT or GEO. Mr. Stoddard said that federal funds typically go to GEO first. Where funds relate to EMT programs, GEO has historically passed those through to EMT through a memorandum of understanding. Where there is more than one entity that performs the intended activity, GEO must decide how to allocate it. Ms. MacDonald asked if there is any value in documenting some of these past practices for the record. Mr. Stoddard commented that he and Mr. Burgess discussed the possibility of adding such clarity through legislation in future sessions. Mr. Burgess commented that there are new DOE programs for which funds might not flow to the state if GEO does not apply for them. Mr. Brennan commented that it's hard to put anything in writing given the number of factors at play. Mr. Poole commented that he assumes that the state's objective is to avoid having multiple state agencies run the same

types of programs. Mr. Stoddard confirmed that the Legislature does generally prefer to avoid duplication and to foster administrative efficiencies.

5. Planned Business

a) UPDATE on Monthly Financial Reports

Mr. Eglinton and Mr. Leclair reported that revenues are generally on target, aside from one late monthly utility payment. EMT has received the 4th quarterly RGGI auction payment of this month; it came in at $3.2 million above the forecast.

b) APPROVE FY2023 Budget Adjustment

Mr. Eglinton explained that Staff is proposing a series of budget adjustments to strategically position the programs to transition to FY2024, and to take the first step in tidying up EMT's accounting to reflect actual spending in FY2023. As described in detail in Mr. Leclair's June 28 memorandum, these proposals include:

- removing a portion of the Maine Jobs and Recovery Plan (MJRP) funding originally forecasted in the expenditure budget to reflect the actual amount received during the year (plus the amount encumbered for approved projects);
- incorporating new, actual revenue from the RGGI auction conducted in June;
- shifting a portion of the expenditure budget in the electric conservation fund from the C&I Custom Program to the Commercial and Industrial (C&I) Prescriptive Initiatives, and shifting the do-it-yourself (DIY) winter prep program budget (originally shown in the Retail Initiatives program line) from the expenditure budget's RGGI fund to the line for Public Information and Outreach;
- shifting battery pilot funding from Innovation to fund balance;
- restoring certain electric procurement revenue that was inadvertently removed in January of 2023; and
- adjusting the expenditure budgets for one-time settlement (Volkswagen and NECEC) and state funding intended to span multiple years to remove unencumbered and unspent amounts so they may be pushed out of this fiscal year to be allocated to (and deployed in) future fiscal years.

Mr. Eglinton commented that he is working with Mr. Leclair to clarify EMT's budget spreadsheet by separating out operating and allocated funds. Mr. Burgess asked if EMT is planning on doing another DIY winter prep program for FY2024. Mr. Eglinton said Staff is discussing it and will revisit the issue with the Board at a later date.

ACTION: Upon a motion duly made (Mr. Isaacson) and seconded (Ms. Welsh) the Board voted to adjust the FY2023 source of funding (revenue) and expenditure budgets as described in Mr. Leclair's June 28 memorandum, resulting in a total FY2023 source of funding (revenue) and expenditure budgets of $156,886,232 and $144,412,532, as shown in the attached tables, respectively.

c) APPROVE FY2024 Budget Adjustment

Mr. Eglinton explained Staff's proposal to adjust the FY2024 budget to reflect "new" revenues derived from three categories of RGGI funds: the June 2022 auction, committed FY2023 carryforward, and a portion of uncommitted FY2023 carryforward. Staff also proposes re-allocating FY2024 RGGI funds to the Low Income Initiatives (LII), the Home Energy Savings Program (HESP), the C&I Custom Program, and CIPI for commercial customers. Mr. Eglinton explained that, when preparing the Triennial Plan V budgets, EMT assumed that LII would have NECEC settlement funding for heat pumps and heat pump water heaters. At this time, it remains uncertain whether and when the NECEC settlement payments may resume. Allocating these RGGI funds now will therefore fill an immediate budget gap for LII and avoid any program disruptions. Mr. Eglinton also highlighted the opportunity for heat pumps in multi-family units through CIPI, and strong demand for RGGI-funded C&I Custom projects (including both electric projects by transmission and subtransmission customers and thermal projects by others). He noted that HESP is seeing steady demand for weatherization and an increase in interest in biomass furnaces. Ms. Furth asked what might be driving this increase, and Mr. Stoddard suggested it might be related to federal tax credits. Ms. MacDonald expressed support for ensuring that LII remains well funded.

ACTION: Upon a motion duly made (Ms. Welsh) and seconded (Ms. Furth) the Board voted to adjust the FY2024 source of funding (revenue) and expenditure budget as described in Mr. Leclair's June 28 memorandum, resulting in a total FY2024 source of funding (revenue) and expenditure budgets of $121,972,358 and $121,882,537, as shown in the tables therein, respectively.

d) UPDATE on Governance Planning

Ms. MacDonald provided a report-back on the governance subgroup meeting attended by Ms. Furth, Ms. Welsh, Mr. Stoddard, Mr. Eglinton, Ms. Cushman, and herself. She noted that the subgroup identified two task tracks: 1) making relevant background information and resources more readily available to the Board (i.e., creating a "Board Orientation Packet") and formalizing the orientation process, and 2) initiating a broader discussion about the Board's roles and responsibilities with the goal of creating a guidance document. As a next step, the Staff plans to seek Board input on a draft table of contents for the Board Orientation Packet at the next meeting. The subgroup will also meet a second time to flesh out a path forward for the roles and responsibilities discussion. Ms. Furth commented that it was very helpful to hear about the different considerations for the board of a quasi-state agency versus a non-profit organization.

e) BREAK

f) UPDATE on Writing off Bad Debt

Mr. Eglinton stated that, in accordance with the Loan Accounting Policy, Staff requests approval to write off 36 unpaid and delinquent loans. He noted that this number is lower than in past years, and is a relatively small portion of all loans. For scale, EMT gives out 150 loans on average per month. Ms. MacDonald noted that 6 months seems like a short timeframe writing off bad debt. Mr. Stoddard commented that EMT's 120-day policy is consistent with the industry standard. He commented that most cases are related to death or bankruptcy. Ms. Furth asked if EMT advertises that it writes off bad debt after 120 days. Mr. Eglinton said no, and added that the failure to pay is reflected on the person's credit report. Mr. Eglinton also reminded the Board that EMT decided to limit its loans to low- and moderate-income customers to curb demand earlier this year; EMT's interest rates remained relatively low compared to the rising interest rates on the open market, thereby increasing the popularity of EMT loans. Mr. Stoddard commented that EMT expects to see more capital coming from federal grants for green bank programs in the near future.

ACTION: Upon a motion duly made (Mr. Isaacson) and seconded (Ms. Furth) the Board voted to authorize the trust to write-off as bad debt a total of $127,737.54 in accounts receivable for the loans referenced in Appendix A to Mr. Hayne's June 20 memorandum.

g) UPDATE on Survey of Natural Gas Equipment Distributors

Ms. Martel explained that when one of Maine's largest plumbing suppliers dropped out of EMT's Distributor Initiatives natural gas offering in FY2023, it provided EMT with a natural experiment opportunity to analyze the market baseline for these measures (combi boilers and on-demand water heaters). The analysis showed that the efficient measures continued to comprise a significant portion of the units sold at this distributor, even without an incentive. This supports EMT's hypothesis that the efficient measures themselves constitute the baseline, and that there is considerable freeridership in the natural gas program. Incorporating these findings into the cost-effectiveness calculation for these measures yields benefit-to-cost ratios below the threshold of 1.0.

Mr. Burnes observed that EMT had originally proposed omitting these measures from Triennial Plan V based on an earlier internal study that showing that the marketplaces was moving to combi boilers and on-demand water heaters as the baseline. In the Public Utilities Commission (PUC) proceeding, the natural gas utilities insisted that the study was insufficient, and pushed for these measures to remain eligible. EMT agreed to continue offering them and revisit the issue at a later date. Now, based on this new information, Staff has decided these measures will not be included in FY2024. Given that these measures comprise the majority of the natural gas measures in the program, the overall natural gas budget moving forward will be considerably diminished. Mr. Stoddard said this raises the question of whether it is worth the administrative expense to run natural gas programs at all. Staff plans to review FY2023 results in the coming weeks and will come back to the Board in the fall with more information to inform continued discussion of this issue.

h) PRESENTATION on Commercial Heat Pump Evaluation

Ms. Martel provided an overview of the methodology and results from a recent third-party evaluation of EMT's heat pump program for <u>commercial</u> customers. The study found that EMT's assumptions about the type and distribution of decision type ("retrofit" vs. "lost opportunity") being made by the commercial customer was inaccurate. The result is overly conservative energy savings projections. We had assumed that 100% of the purchasing decisions were "lost opportunity", in which we would only count electric savings (i.e., we assume the customer has already decided to install a heat pump and the program encourages them to purchase a more efficient model). However, evaluators observed a significant number of "retrofit" scenarios in which savings from various fuel types should be counted. At the same time, however, evaluators found that the heat pumps are not being used as much as EMT had assumed. Taken together, the net result showed slightly higher energy savings than EMT had estimated. The evaluation also confirmed that heat pumps work efficiently down to -20 degrees, and that customer satisfaction with heat pumps is high.

Based on these results, EMT will incorporate a blended baseline (some "lost opportunity" situations and mostly "retrofit" situations) into its Technical Reference Manual, and pivot commercial heat pump funding from electric procurement to RGGI and federal funding. It will also prioritize measures with the best opportunities for cost-effective projects (i.e., where heating output is high), adjusting program design/measure requirements to drive higher heat pump use. Staff notes that there remains an untapped potential for more heating with installed heat pumps in most facilities. Ms. Furth noted that educating customers about heat pump usage is key and that this should come from the contractors as well as EMT.

6. New Business

Mr. Stoddard stated that EMT is very busy this summer and would like to hold an August meeting if Board members are available.

7. Next Meeting Agenda and Scheduling

The next board meeting is scheduled for July 26, 2023.

8. Adjourn

<u>ACTION</u>: Upon a motion duly made (Ms. Furth) and seconded (Ms. Welsh), the Board voted unanimously to adjourn the Board Meeting at 1:09 p.m.