Efficiency Maine Trust
Board Meeting Minutes
August 22, 2018

Trust Board Members:

- David Barber
- Brent Boyles (via phone)
- Dan Brennan
- Herbert Crosby, Secretary
- Al Hodsdon
- Don Lewis
- Steven McGrath
- David Stapp, Chair

Efficiency Maine Trust (EMT) Staff:

- Ian Burnes
- Emily Cushman
- Peter Eglinton
- Monte Haynes
- Greg Leclair
- Laura Martel
- Michael Stoddard

Other Attendees:

- Donald Bresnahan, ESG
- Dylan Voorhees, NRCM

1.0 Welcome and Introductions

Mr. Stapp called the meeting to order at 9:30 a.m.

2.0 Approve Agenda and Minutes

<u>ACTION</u>: Upon a motion duly made (Mr. Lewis) and seconded (Mr. Hodsdon), the Board voted unanimously to approve the agenda and the amended July Board Meeting Minutes.

3.0 Public Comment on Agenda Items

None.

4.0 Executive Director's Report

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

- Staff continued with the rulemaking process for its proposed amendments to the electric and natural gas rules, holding a public hearing on July 31 and receiving written comments through August 10. After considering stakeholder input, Staff prepared a proposal for Board discussion and approval at today's meeting.
- The PUC opened a docket to receive background information related to Triennial Plan (TP) IV, including EMT's Technical Reference Manuals (TRMs) and the updated Avoided Energy Supply Cost (AESC) Study. Through this docket, PUC

staff will have the opportunity to review pieces of foundational evidence in advance of the formal triennial plan proceeding. EMT is also monitoring the Portland Loop transmission and distribution (T&D) upgrade case to stay abreast of any non-transmission alternative (NTA) discussion.

- The Commercial and Industrial (C&I) Prescriptive Program (CIP) transitioned to a focus on retrofit lighting measures in FY2019. Staff is communicating the implications of this shift to the contractor community through various channels, including the Qualified Partner (QP) recertification process. Staff expects to see project activity pick up after the first quarter of the fiscal year.
- The Small Business Initiative (SBI) launched Region 10 (Ellsworth) and is laying the groundwork for Region 11 (Orono/Old Town).
- The number of rebates in the Home Energy Savings Program (HESP) is up 16% from July 2017, due in part to higher incentives and streamlined eligibility criteria.
- Staff received five bids in response to the latest Renewables RFP. The Review Team selected three projects that will demonstrate ways in which the economic benefits associated with renewable energy can be transferred to tenants in affordable housing units.
- The FY2018 audit is underway.
- Mr. Stapp asked if EMT might share more success stories in the form of video and audio promotions to market its programs. Mr. Stoddard explained that all things equal. the organization prefers to direct its funds towards customer incentives as a means of marketing the efficient products. Staff has found this tends to have a greater impact on program participation. Nevertheless, each year EMT also generates a number of case studies and testimonials, which it posts to social media or prints for distribution.
- Mr. Stoddard provided a brief overview of EMT's recent challenges with a Bangor-based insulation contractor running negative radio ads on WVOM characterizing EMT programs as a "scam." Having spoken multiple times to this contractor, Staff has learned that this individual is frustrated that EMT requires all Residential Registered Vendors (RVs) offering building envelope measures to be Building Performance Institute (BPI)-certified (or have a BPI-certified contractor sign off on their installations). This requirement ensures that all projects involve a test-out to check carbon monoxide (CO) levels and adequate air exchange, avoiding problems associated with CO poisoning and mold buildup. This is a national standard adopted by energy efficiency programs across the country. The contractor refuses to acquire BPI certification or enter into an exclusive subcontract with another BPI-certified contractor, and therefore cannot offer EMT incentives to his customers. Nevertheless, he would like to be listed on the EMT website to gain access to referrals. He has said that he would not offer EMT incentives even if listed on the website.

5.0 Planned Business

(a) APPROVE Designation of Confidentiality for Sensitive Information Protected in Public Utilities Commission Proceedings and Protective Orders

Mr. Stoddard explained that Staff is requesting a blanket determination that certain sensitive information provided to EMT in PUC proceedings and Protective Orders shall be treated as “confidential.” This includes settlement negotiations and energy infrastructure information. Mr. Burnes noted that this should designation should extend to information EMT receives from ISO-New England.

ACTION: Upon a motion duly made (Mr. Lewis) and seconded (Mr. Barber), the Board voted unanimously to designate as “confidential” information provided to the Trust that is protected in Public Utilities Commission proceedings and protective orders, or treated as confidential by ISO-New England, for purposes of satisfying §35-A MRS #10106(1)(A).

(b) APPROVE Proposed Amendments to Natural Gas Energy Conservation Programs Rule

Mr. Stoddard explained that the majority of the Staff’s proposed rule changes involve housekeeping matters, including entity name changes and various updates to reflect current statute. With respect to the natural gas rule, the substantive changes included: 1) an amended definition of a low-income residential consumer, and 2) a clarified discount rate for calculating the net present value of costs and benefits.

The revised “low-income” definition codifies the agreed-upon standard set forth in the settlement of the Trust’s Third Triennial Plan. Stakeholders did not voice any concerns over this adjustment. With respect to the discount rate, Staff originally proposed expanding the definition from the weighted cost of capital of one natural gas utility to the average of all utilities to reflect the fact that more suppliers have entered the market. Commenters expressed concern that this was inconsistent with the electric rule, which uses to 10-year U.S. Treasury security yields adjusted for inflation. Mr. Stoddard explained that these options represent two extremes; the utility cost of capital is a high-end estimate, while the 10-year U.S. Treasury is a low-end estimate. He said Staff was persuaded by the stakeholders’ comments advocating for consistency across both rules, and their preference for avoiding a fixed number; the discount rate will always fluctuate based on economic activity. Staff is therefore proposing a middle ground – a discount rate indexed to a national standard, plus a certain percentage, adjusted for inflation.

The Trustees discussed a number of options, including the prime lending rate, the LIBOR, and municipal bond rates. Mr. Burnes clarified that EMT is not applying this discount rate to capital, but rather to the savings associated with energy efficiency projects. The risk in this case is the reliability of those savings. Uncertainties come more from the validity of energy forecasts than the performance of the measure. Mr. Voorhees pointed out that the law calls on EMT to consider best practices in the region. With that in mind, he said EMT should draw upon the regional AESC study, which uses the 10-year U.S. Treasury rate plus inflation. Mr. Stoddard pointed out that, in practice, other states use a variety of discount rates.

Mr. McGrath urged the Board to consider the meaning of “adjusted for inflation.” Mr. Burnes clarified that EMT’s cost calculations are adjusted for inflation. The Board agreed that using the 10-year U.S. Treasury rate, plus two hundred basis points, adjusted for inflation, seemed like a reasonable approach for estimating savings.

ACTION: Upon a motion duly made (Mr. Stapp) and seconded (Mr. Barber), the Board voted unanimously to accept the following amendments to §4.3 of Chapter 4 and Chapter 3: The discount rate to be used for present value calculations shall be the current yield of long-term (10-years) U.S. Treasury securities, plus two hundred basis points, adjusted for inflation.

Mr. Stoddard highlighted other changes to the draft rule that resulted from consideration of stakeholder comments. The original draft noted that EMT would allocate a "reasonable percentage" of program funds to low-income and small business consumers, mirroring the statutory language. Commenters felt this was overly vague. Staff therefore added "considering these consumers share of gas load and the cost-effective opportunity." Commenters also raised questions about §8 of the rule on waivers and exemptions, noting that the drafted provision allowed EMT overly broad discretion in waiving requirements of the rule. Staff added an additional Board approval step.

ACTION: Upon a motion duly made (Mr. Lewis) and seconded (Mr. Barber), the Board voted unanimously to approve the following decisions and directions:

1. That Chapter 4, Natural Gas Energy Conservation Programs, as amended with new discount rate language, is hereby adopted;
2. That the Executive Director shall submit the adopted rule and related materials to the Attorney General for review and authorization; and
3. That the Executive Director shall notify the following of the adoption of the rule:
    a. All natural gas utilities in the State
    b. All Persons who attended the public hearing or commented in this Rulemaking.

(c) APPROVE Proposed Amendments to Electric Efficiency and Conservation Programs Rule

Mr. Stoddard explained that, based on stakeholder comments, Staff made many of the same adjustments to the draft electric rule as it did to the draft natural gas rule. Stakeholders did, however, have specific comments about the definition of a "small business consumer" within the electric rule. The original draft attempted to move away from a definition based on the number of employees (50 or fewer) to one based on energy use. Commenters said the draft rule's initial language was overly restrictive, noting that small business programs in other states incorporate much larger businesses. The Staff looked at electric utility data and found that incorporating medium-sized customers would extend the definition to approximately 10,000 additional accounts using between 10% to 20% of statewide load. Staff indicated that by adding this ratepayer class to the definition the Trust can benefit from the administrative simplicity of referring to a utility classification. Mr. Hodsdon asked Mr. Voorhees if this satisfied his concerns. Mr. Voorhees said it was a reasonable change.

ACTION: Upon a motion duly made (Mr. Hodsdon) and seconded (Mr. Brennan), the Board voted unanimously to approve the following decision and directions:

1. That Chapter 3, Electric Efficiency and Conservation Programs, as amended with new discount rate language, is hereby adopted;
2. That the Executive Director shall submit the adopted rule and related materials to the Attorney General for review and authorization; and
3. That the Executive Director shall notify the following of the adoption of the rule:
   a. All transmission and distribution utilities in the State
   b. All Persons who attended the public hearing or commented in this Rulemaking.

(d) PRESENTATION on Triennial Plan IV (FY2020-2022): Proposed Regional Greenhouse Gas Initiative (RGGI) Funding Allocation

Mr. Burnes provided an overview of historical RGGI revenues and market trends. Because the original emissions cap did not account for the shift to natural gas-fired power plants and an economic recession, revenues dropped from FY2010-2012. They rebounded in FY2013 when the cap was adjusted. FY2017 saw a second significant dip due to uncertainty over whether the program would be extended through 2030 and new indications that the Clean Power Plan would not come into effect. With the recent RGGI extension, revenues have again rebounded.

Mr. Burnes reviewed the statutory requirements for RGGI funding allocations. He highlighted the magnitude and timing of the "Affected Customer" disbursement for specific energy-intensive manufacturers, and the shifting requirements for sector-specific (i.e., residential vs. C&I) funding divisions. He presented the Staff's proposed budget allocations by program for the three years of TPIV and pointed to potential decision points for the Board in terms of prioritizing certain channels or measures.

6.0 New Business

Mr. Stoddard proposed moving next Board meeting to October 3 to allow Staff time to process TPIV stakeholder comments and finalize the audit.

7.0 Next Meeting Agenda and Scheduling

The next Board meeting will be scheduled via email.

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