



Memorandum

October 25, 2023

To: Board of Trustees
From: Peter Eglinton, Deputy Director
Greg Leclair, Director of Finance and Administration
Re: Proposed FY2024 Budget Adjustment for New Revenues

Staff proposes amending the FY2024 budget to:

1. incorporate Regional Greenhouse Gas Initiative (RGGI) revenues from the September 2023 auction in excess of forecasted amounts;
2. add new alternative compliance mechanism payments into the Thermal Energy Investment Program and Innovation program;
3. add funds, to be reflected in the current fiscal year's revenue and expenditure budget, that were allocated by the Maine Jobs and Recovery Plan (MJRP)/American Rescue Plan Act (ARPA) to continue supporting low-income initiatives; and,
4. update the funding available for the Agricultural Fair Assistance Program.

Background and Recommendations

Add New RGGI Proceeds to Revenue Budget

The September 2023 auction of the Regional Greenhouse Gas Initiative yielded approximately \$2.7 million more than what the Trust had forecasted in the budget for the first quarter of FY2024.

Staff suggest allocating \$500,000 of the new revenue to support a targeted campaign to retrofit heat pump water heaters as replacements for existing non-electric water heaters through the Retail Initiatives and Distributor Initiatives programs. The campaign was last run in the final quarter of FY2023, but the current budget does not yet include RGGI funds to continue the initiative.

Staff proposes to leave the remainder of the approximately \$2.7 million of new revenue in fund balance so that it can be available for heat pump retrofits later in the year, if needed. The recent shift in our residential and commercial programs to whole-building heat pumps, and the offer of significantly larger rebate amounts per project (on the residential sector), has introduced uncertainty as to how much market demand and program cost we should expect for the next several quarters. Moreover, Staff forecasts a gap in time, lasting most of this fiscal year, before the program can get Maine PUC approval to fold beneficial electrification measures into the Electricity Procurement budget (anticipated in FY2025).

Incorporate Alternative Compliance Payments for Innovation Program

Although recently repealed by the state legislature, Maine statute had previously directed the Trust to administer the Energy Efficiency and Renewable Resource Fund (EERF). The statute authorized the Trust to use this fund for the purpose of funding renewable resource research and development, community demonstration projects of renewable energy technologies, and rebates for cost-effective renewable energy technologies. This fund had received annual revenues from voluntary ratepayer contributions and alternative compliance payments made through the Renewable Portfolio System. In the fourth quarter of FY2023, existing EERF funding was allocated to a hydronic heat pump pilot project. Although the EERF provision was repealed, the

Trust nonetheless received one final payment of approximately \$50,000 under its authority after the beginning of FY2024. Staff proposes to add this payment to the Innovation program budget to support the ongoing hydronic heat pump pilot project.

Incorporate Funding for Thermal Energy Investment Program

In 2021, the Legislature enacted LD 597, An Act to Establish the Thermal Energy Investment Program (TEIP), requiring the Trust to establish a new program to provide incentives and loans to businesses, municipalities, educational institutions, and nonprofit entities for the installation of new thermal energy-derived projects with the goal of strengthening the state’s forest products industry and lower energy costs by increasing the efficient use of thermal energy production. Thermal energy-derived projects are defined in the statute as projects that produce thermal energy and thermal renewable energy credits (TRECs) under Maine’s renewable portfolio standard, such as wood-fueled combined heat and power or the conversion of fossil fuel-fired boilers to wood-fueled boilers or boilers using biofuels derived from wood. The new law provided that the Thermal Energy Investment Fund will be funded through alternative compliance payments from electricity suppliers who fail to secure their required quota of TRECs. The Trust has received a remittance of slightly more than \$1.3 million for FY2023, and Staff proposes to add it to the revenue and expenditure budgets for the TEIP.

Add MJRP/ARPA Funds to Low Income Initiatives

In July 2021, the Maine Legislature enacted a bill reflecting its plan to invest the discretionary portion of State of Maine’s allotment of MJRP/ARPA funding: LD 1733, An Act to Provide Allocations for the Distribution of State Fiscal Recovery Funds. The bill allocated \$50 million (\$15 million in FY2022 and \$35 million in FY2023) of these funds to the Trust, of which \$25 million was designated for accelerating weatherization and efficiency upgrades for homes in the State, especially for low-income, older residents and renters. The Trust has been adding funds to the current fiscal year operating budget as needed, recognizing that all funds must be committed by December 2024 and spent by December 2026. The expenditure budget for Low Income Initiatives currently includes \$6,790,000 of MJRP/ARPA funding. Staff proposes to add \$2,210,000 to the budget to support accelerated commitments and deployment of the funds by the deadline.

Update Funding for Agricultural Fair Assistance Program

At its May 2023 meeting, the Board approved a base budget for FY2024 that aligned with the budget submitted to and approved by the Maine Public Utilities Commission (PUC) as part of Triennial Plan V. That budget included anticipated carryforward for the Agricultural Fair Assistance Program. Since then, the Trust has received new revenues for the program and the Board formally incorporated carryforward from FY2023 into FY2024 (at the October 4, 2023, meeting). Staff proposes to update the final program budget to reflect the net impact of these changes.

See the tables below for details on the budget adjustments.

Proposed Amendment to the FY2024 Revenue/Source of Funding

Funding Source	2020	2050	2051	2052	3030	Total
	RGGI Fund	Renewables Fund	Agricultural Fairs Fund	Thermal Energy Investment Fund	ARPA Low Income Weatherization Fund	
RGGI Proceeds	2,748,322	-	-	-	-	2,748,322
Alternative Compliance Mechanism	-	50,100	-	1,314,475	-	1,364,575
Agricultural Fair Assistance Program	-	-	(524,480)	-	-	(524,480)
Federal Revenues - ARPA	-	-	-	-	2,210,000	2,210,000
Total - Funding Source	\$ 2,748,322	\$ 50,100	\$ (524,480)	\$ 1,314,475	\$ 2,210,000	\$ 5,798,417

Proposed Amendment to the FY2024 Expenditure Budget

Program Budgets	2020	2050	2051	2052	3030	Total
	RGGI Fund	Renewables Fund	Agricultural Fairs Fund	Thermal Energy Investment Fund	ARPA Low Income Weatherization Fund	
Low Income Initiatives	-	-	-	-	2,210,000	2,210,000
Retail Initiatives	165,000	-	-	-	-	165,000
Distributor Initiatives	335,000	-	-	-	-	335,000
Agricultural Fair Assistance Program	-	-	(524,480)	-	-	(524,480)
Thermal Energy Investment Program	-	-	-	1,314,475	-	1,314,475
Renewables	-	50,100	-	-	-	50,100
Total- Program Budgets	\$ 500,000	\$ 50,100	\$ (524,480)	\$ 1,314,475	\$ 2,210,000	\$ 3,550,095

Proposed Motion

Move to adjust the FY2024 source of funding (revenue) and expenditure budgets as described above, resulting in a total FY2024 source of funding (revenue) and expenditure budgets of \$163,862,821 and \$161,524,679, as shown in the tables above, respectively.