

Efficiency Maine Trust

Board Meeting
February 3, 2010

Meeting Minutes
Approved: February 24, 2010

Date: Wednesday, February 3, 2010
Time: 9:00 a.m. to 12:30 a.m.
Location: Ballard Room, PUC Offices, Hallowell, ME

Attendance:

| Trust Board Members | | | | Efficiency Maine Staff | |
|---------------------|------------------------------|---|---|------------------------|--------------------|
| ✓ | Adam Lee, Chair | ✓ | Dale McCormick | ✓ | John Brautigam |
| ✓ | Naomi Mermin, Vice Chair | ✓ | Jennifer Puser, on behalf of John Kerry | ✓ | Jean Guzzetti |
| ✓ | James Atwell, Secretary | ✓ | Glenn Poole | ✓ | Tim Vrabel |
| ✓ | Michelle Atherton, Treasurer | ✓ | John Rohman | ✓ | Elizabeth Crabtree |
| | | ✓ | Tom Tietenberg | | |

Other Attendees:

- Jerry Pieh, Isaacson, Miller
- Eric Belliveau, Optimal Energy
- Alek Antczak, Optimal Energy
- Sue Inches, State Planning Office
- Michael Stoddard, ENE
- Mark Murphy, Mark Murphy Solutions, LLC
- Cindy Carroll, Unitil
- John Hastings, CMP
- Judy Katzel, Burgess Advertising
- Kendall Kurz, Burgess Advertising
- Stephen Ward

1.0 Approve Draft Agenda and Minutes

The meeting convened at 9:08 a.m.

ACTION: Upon a motion duly made (Tietenberg) and seconded (Atwell) the Board voted unanimously to approve the agenda for this meeting.

ACTION: Upon a motion duly made (Atwell) and seconded (Tietenberg) the Board voted unanimously to approve the minutes of the January 21, 2010 meeting.

2.0 Executive Session

ACTION: Upon a motion duly made (Atwell) and seconded (McCormick) the Board voted unanimously to enter Executive Session, for the purpose of discussing the Executive Director search, at 9:08 a.m.

ACTION: Upon a motion duly made (Poole) and seconded (McCormick) the Board voted unanimously to end the Executive Session at 9:52 a.m.

3.0 Updates

3.1 Financial Report

Atherton presented financial statements to the Trustees.

3.2 IT Work Group

Lee reported that this group has interviewed five different computer experts and consultants. After these interviews, they concluded that the first step is to complete a Business Needs Analysis. They have received a proposal from Lynn Kinney and are meeting with her to discuss it. Atwell suggested a motion to empower the work group to contract with Lynn Kinney's company.

Discussion followed on the need to move quickly and to begin this work.

ACTION: Upon a motion duly made (Mermin) and seconded (McCormick) the Board voted unanimously to empower the IT work group to move forward with a contract for the Business Needs Analysis.

3.3 Transition Work Group

Lee has begun meeting regularly with Sharon Reishus, Karen Geraghty, and John Brautigam to assess details of the transition from Efficiency Maine to the Efficiency Maine Trust. McCormick will also be helping with the transition and will include Mermin, Atwell, and Poole when discussing the extension of Efficiency Maine's existing contracts.

4.0 Stakeholder Process Report

Stephen Ward provided a summary of the Stakeholder Process. Please refer to the notes from each meeting and the summary prepared by Ward, posted on the Trust's website.

The three meetings were very successful. In total there were 132 individual attendees, representing 90 organizations. The following is a summary of themes surfaced at the meetings:

- The Trust should take into account behavioral changes that energy efficiency services will trigger, and should focus on measurement and verification after the fact to determine net effects.
- Funding opportunities need to be fair. There were conflicting comments regarding whether entities paying into the fund should benefit from the programs or whether cross-funding would be necessary to achieve the Trust's goals.

- Auditor certification/training/experience was questioned and there were concerns regarding the correct certification and the potential role of the auditor as “gate keeper.”
- It is important that the Trust incorporate alternative energy into its programming and some commented that this wasn’t explicit in the Strawman. There should be a consistent cost-effectiveness analysis used for all projects.
- It is important to get incentives right to stimulate participation in EMT programs.
- The Trust needs to think about how it can be competitively neutral with respect to all fuels when recommending additional funding mechanisms.

Tietenberg noted a comment imploring the need for an adaptable management system, one that has flexibility to revise programs as new information is gathered and as the marketplace changes behavior.

McCormick noted the absence of the cord wood industry at the meetings. She also noted the lack of representation from agencies that support low-income residents and she hopes that there could be a lower System Benefit Charge (SBC) for low-income rate payers.

5.0 Triennial Plan Guidance to Optimal Energy

Eric Belliveau provided a summary of information reviewed by the Triennial Plan Work Group and their consultants to help establish a budget for the first three years, which will be reflected in the Triennial Plan. Please refer to the presentation materials posted on the Trust’s website.

Discussion followed regarding the budget guidelines recommended for the Triennial Plan. Lee asked what level of efficiency current programs were achieving. Brautigam replied that for electricity only, they are currently saving approximately 0.7 percent of the total load.

Tietenberg emphasized that the take away message is that, without additional funding, the chances of meeting the statutory goals are small. The approach proposed by the work group reflects conservative funding, with funds from new sources not being added until the third year of the Triennial Plan.

The budget recommendation for the Triennial plan includes implementing the following measures to increase energy efficiency funding over the current levels:

- Increase electricity SBC to 1.5 times the current level in 2011 and to 2 times the current level in 2012:
- Increase natural gas SBC to 1.25 times the current rate starting in 2011.
- Place an energy efficiency system benefit charge on heating fuels (heating oil, kerosene, propane) that is equivalent with the natural gas system benefit charge in terms of the heating value. For fuel oil this will amount to approximately \$0.024/gallon beginning in 2011.

Brautigam questioned the current funding amount of \$70 million in 2011 that was shown in the presentation. Belliveau noted that this amount includes current MSHA funding. It was pointed out that \$20 million in ARRA funding doesn't continue after 2011, and that it is difficult to project beyond 2013. There is \$12 million bond on the June 2010 ballot for weatherization and energy efficiency programs but it wasn't included in the current funding total.

Public comment/questions:

- Michael Stoddard questioned whether the solar/wind rebate charge was extended to 2015.
- Vrabel noted that the renewable resource fund has the potential to diminish over time.

ACTION: Upon a motion duly made (Mermin) and seconded (McCormick) the Board voted unanimously to direct Optimal to use the budget ranges presented to continue to prepare the draft Triennial Plan.

6.0 Board Vote on Support of Energy Credit Set Aside

At the January 21, 2010 Board Meeting, Jim Brooks, Director of the Bureau of Air Quality at the Maine DEP, presented information regarding the recommended carbon credit set aside. He asked the Board to support the DEP's recommendation to maintain the set-aside level at 2 percent; however, a quorum was not present at that time and therefore the vote was tabled until this meeting.

Tietenberg further explained this issue. When people buy "Renewable Energy Credits" (RECs), there could be double-counting. To prevent this, the Legislature dictated that some credits be set-aside to avoid double counting. The set-aside is currently set at 2 percent. The Trust is required to tell the Legislature whether the 2 percent set aside will be adequate for the coming year. Because the Trust currently has no independent capacity for assessing this adequacy, it has to rely on the analysis of the DEP, which has both access to the required data and staff familiarity with the issue. The DEP analysis found that the data are currently not adequate to assess whether the 2 percent cap is adequate or not, but the required information will be forthcoming sometime in the second quarter of 2010. Therefore, the DEP recommends maintaining the current cap until such time as the data suggest that voluntary credit purchases by Maine consumers have, or will have, exceeded the 2 percent set-aside.

ACTION: Upon a motion duly made (McCormick) and seconded (Atwell) the Board voted unanimously to support DEP's recommendation. Note: Poole was not present for this vote.

6.0 Alternative Energy Programs

6.1 Review of LD 1485

Michael Stoddard reviewed the EMT legislation to identify references to alternative energy to assist the Board in assessing how to address alternative and renewable energy sources in the Triennial Plan. His findings are provided in a memorandum dated February 2, 2010. He reviewed the highlights of his research of the legislation.

Mermin summarized Stoddard's findings as follows:

- Programs funded through the electric or gas SBC have to meet clear cost-effectiveness tests.
- The dedicated funding stream for small renewables specifies small-scale installations and does not apply to large generating projects such as wind farms, off-shore wind turbines, or tidal power projects.
- The statute specifies that programs aimed at reducing consumption of heating fuel must meet a cost-effectiveness standard. His interpretation is that alternative energy projects funded by the Trust must be competitively cost-effective as compared with traditional projects.

The Board discussed Stoddard's findings. It was noted that "small scale" is defined as less than 100 kW.

Stoddard interprets the statute to allow the Trust to make a policy decision to fund less cost-effective projects as long as they pass the baseline, cost-effectiveness test.

Tietenberg noted that it is important to have the small-scale alternative energy project fund because it is a good place to have money to help "prime the pump" on new technologies. He is concerned that it may be sunsetted. The definition in that program is specific; projects must be "small," and biomass projects are not included. The Trust has questions regarding that program and may need to assess whether the level of funding is appropriate and whether the restrictions should be lifted to include non-wind and solar technologies.

Discussion followed regarding the different cost-effectiveness analyses. Mermin will add this topic to a Triennial Plan Work Group agenda, and invite the full Board, so that everyone is clear on the formulas.

6.2 Current Efficiency Maine Alternative Energy Programs

Tim Vrabel provided a presentation on the existing Efficiency Maine alternative energy programs. Refer to the presentation posted separately on the Trust's website.

Vrabel emphasized that it is important to have strong relationships with partners, including universities, colleges, Maine Technology Institute, trade organizations, other state departments and agencies such as DEP and MSHA.

Brautigam added that the Ocean Energy Task Force has proposed legislation that envisions use of off-shore electricity generation to offset the use of liquid fossil fuels. Atwell asked whether the Trust will have responsibilities related to grid-scale generation. Brautigam responded that he doesn't think so.

Tietenberg asked Vrabel to identify any existing program or funding gaps. Vrabel replied that the public loves alternative energy and often wants to "leap over" the cost-effectiveness hurdles. Efficiency Maine considers their role as an objective source of information on costs and potential savings. They need more staff to respond to public questions on technologies pushed by the media; however, it is difficult to predict what the next 'hot' technology will be. He noted that they get a lot of calls on wood pellets.

Brautigam added that he believes Efficiency Maine's role is to prime the pump to give new technologies a chance to prove themselves.

Puser noted that the Office of Energy Independence and Security (OEIS) gets more calls when heating oil prices go up and that there is a current federal tax credit for wood pellet stoves.

Ward and Vrabel discussed the cost of fuel oil and its effect on applications for alternative energy incentives. The number of requests has dropped since the fuel prices have dropped.

Vrabel indicated that solar hot air systems are very cost-effective. Efficiency Maine offers rebates, but they don't get many applications and they don't know exactly why.

Puser is in the process of updating the OEIS's annual report and will distribute it to the Trustees.

Puser noted that there is a need for the Trust to monitor legislation and she volunteered John Kerry, with her support, to provide that information to the board.

Brautigam noted that the Large Impact Project Grant applications included some alternative energy applications, and he offered to make a presentation to the Board on these projects at the next meeting and will prepare a memo outlining these projects for the board to help in Triennial Plan development.

7.0 New Business

7.1 Process for Increasing Funding Mechanisms

Brautigam reviewed the process for increasing funding, especially through changes in the SBC for electricity and natural gas and instituting a charge for fuel oil.

Electricity: The electric SBC is currently \$0.00145 per kWh. The Triennial Plan may include a recommendation to increase the SBC to fund efficiency programs included in the plan. The increased assessment is subject to approval by the PUC. At this time, if the PUC approves a Triennial Plan and an increase in the SBC, legislative approval is the final step. LD 1647, now pending, would remove the legislative approval requirement.

Barring a special legislative session, the next opportunity for legislative approval of an increase in the electric SBC would be in 2011.

Heating Oil: The Trust must make a recommendation for a funding source and amount (including possible legislation) to the Legislature by the first Monday in January 2011. The Utilities and Energy Committee may then report out a bill. If a new heating fuels funding source is approved by non-emergency legislation, it would take effect 90 days after adjournment (likely September 2011).

Natural Gas: There is currently a natural gas assessment for efficiency. The PUC may assess a higher amount in accordance with the Triennial. The natural gas SBC only applies to Unitil because they are the only natural gas utility in Maine with more than 5000 customers. Ward noted that it is conceivable to imagine applying the gas SBC to other gas companies and that would need to be done through legislation.

7.2 Optimal Energy Contract

Mermin noted that tasks have been added to Optimal Energy's scope and that the Triennial Plan work group may come to the Board with a recommendation to approve additional scope and funding for Optimal.

8.0 Public Comment

- **Cindy Carroll, Unitil.** She referenced a letter from George Gantz, which has already been distributed to the Board.
- **Tietenberg.** He noted that carbon accounting would be important in the cost-effectiveness calculation. At the next RGGI board meeting a panel of experts will provide information on this topic. The meeting date is not set but he will inform the board when it is scheduled.

- **Fiscal Impact Statement.** The Efficiency Maine Trust has received requests from the Office of Fiscal and Program Review to complete a Statement of Fiscal Impact for each of three bills currently under consideration in the legislature. Efficiency Maine staff will help address this on behalf of the Trust Board.
- **Lee.** He will be making a brief “process” presentation to the Utilities and Energy Committee on Thursday, February 4.

9.0 Next Meeting Agenda

Wednesday, February 24, 9:30 a.m. to 12:30 p.m.

Maine Public Utilities Commission Office, Hallowell

- Efficiency Maine Presentation: Forward Capacity Markets
- Burgess Advertising
- Efficiency Maine presentation on Large Impact Fund grant applications

10.0 Adjournment

ACTION: Upon a motion duly made (Poole) and seconded (McCormick), the Board voted unanimously to adjourn the meeting at 12:30 p.m.