FINANCIALS

Table of Contents

A. FUNDING SOURCES ... 2

Electric Efficiency Procurement ... 2

Natural Gas Efficiency Procurement ... 2

Regional Greenhouse Gas Initiative ... 2

Forward Capacity Market ... 3

Federal Funds ... 3

American Recovery and Reinvestment Act (ARRA) ... 3

American Rescue Plan Act (ARPA)/ Maine Jobs and Recovery Plan (MJRP) Funds ... 3

National Electric Vehicle Infrastructure (NEVI) Program Funds ... 3

Charging and Fueling Infrastructure (CFI) Grant Program Funds ... 3

Energy Improvements in Rural or Remote Areas (ERA) Grant ... 3

Energy Efficiency Revolving Loan Fund (EERLF) Capitalization Grant Program ... 4

Inflation Reduction Act (IRA) Home Energy Rebates Funding ... 4

Greenhouse Gas Reduction Fund (GGRF) ... 4

Climate Pollution Reduction Grant (CPRG) ... 4

Volkswagen Settlement Funds ... 5

New England Clean Energy Connect Settlement Funds ... 5

Thermal Energy Investment Fund ... 5

State General Fund ... 6

B. EMT BUDGET PRACTICES ... 6

Budget Schedule ... 6

Making Adjustments ... 7

Addressing Carryforward ... 8

Multi-Year Commitments ... 8

C. PROCUREMENT ACTIVITIES ... 9

D. ACCEPTING EXTERNAL FUNDING ... 9

E. AUDIT PROCESS ... 10

A. FUNDING SOURCES

Electric Efficiency Procurement

Electric Efficiency Procurement funds come from payments that electric utilities make directly to the Trust for the procurement of (1) cost-effective electrical energy efficiency, and (2) beneficial electrification measures that are cost-effective *and* that reliably reduce electricity rates over the life of the measure.[1] The amount of funding the Trust receives is determined by the budget needed to capture the maximum achievable cost-effective (MACE) energy efficiency and beneficial electrification potential approved by the Maine Public Utilities Commission (PUC). The total procurement cannot exceed 4% of total retail electricity transmission and distribution sales in Maine (as determined by the PUC). Where available, the Trust allocates a portion of other funding sources to offset some of the utility procurement necessary to capture MACE potential.

Maine's electricity customers who take service at the transmission and sub-transmission (T&ST) level do not contribute to and are ineligible for funding from the Electric Efficiency Procurement, but are generally eligible for other funds.

Natural Gas Efficiency Procurement

Natural Gas Efficiency Procurement funds come from natural gas distribution utilities. Similar to the standard used to establish the appropriate level of funding for electric efficiency, the amount of the procurement set for natural gas efficiency programs is based on the amount needed to capture the MACE natural gas savings through energy efficiency and conservation.

Maine's very large manufacturers and very large agricultural and aquaculture businesses, whose usage exceeds 1 million centum cubic feet (CCF) of natural gas annually, are limited to paying the assessment for the Natural Gas Efficiency Procurement on their first 1 million CCF of usage. This limitation does not impact their eligibility for the Trust's natural gas efficiency programs.

Regional Greenhouse Gas Initiative

RGGI is a multistate initiative to limit carbon emissions from electricity generators. Maine joined RGGI in 2009 when it was established. Under RGGI, large generators are required to purchase "carbon allowances" in an amount equal to their annual carbon emissions. Allowances are sold at quarterly auctions for this purpose.

Maine law requires that 100% of the annual carbon dioxide emissions allowances be allocated for public benefit to produce funds for carbon reduction and energy conservation, and that the revenue resulting from the sale of allowances must be deposited in the Regional Greenhouse Gas Initiative Trust Fund managed by the Trust.[2]

The Trust must use RGGI funds for measures, investments, loans, technical assistance (TA), and arrangements that reduce electricity consumption, increase energy efficiency or reduce GHG emissions,

[1] Beneficial electrification measures were added in FY2025 after the passage of the Beneficial Electrification Policy Act. (See, Public Law, Chapter 328, 131st Maine State Legislature, First Special Session, LD 1724, An Act to Enact the Beneficial Electrification Policy Act.)

[2] 38 MRS §580-B(7).

and lower energy costs at commercial or industrial facilities and for investment in measures that lower residential heating energy demand and reduce GHG emissions.

Forward Capacity Market

FCM funds are proceeds from the Trust's capacity resources, which are bid into the Independent System Operator for New England (ISO-NE) markets. The compensation that the Trust receives from the FCM is for the reduction of demand delivered through qualifying efficiency projects that are tracked and reported by the Trust.

In FY2025, the Maine Legislature enacted LD 585 – An Act to Use Certain Regional Transmission Organization Payments for Beneficial Electrification to Reduce Electricity Rates – authorizing the Trust to use FCM revenues to supplement funding for beneficial electrification measures including heat pumps and EVs.[3]

Federal Funds

American Recovery and Reinvestment Act (ARRA)

The Trust received federal funds through ARRA in 2009 and 2010. These funds were disbursed through grants and through a revolving loan fund. The Residential Revolving Loan Fund continues to operate today.

American Rescue Plan Act (ARPA)/ Maine Jobs and Recovery Plan (MJRP) Funds

In FY2022, the Trust was named a recipient of $50 million of ARPA funds as part of the MJRP. The MJRP allocated these funds to Efficiency Maine to accelerate weatherization upgrades for low- and moderate-income residents, and to expand energy efficiency investment among local governments, schools, community organizations, businesses, and manufacturers. The MJRP also allocated $8 million to the Maine Department of Transportation (MaineDOT) to expand state, municipal, and other publicly accessible EV charging stations and related infrastructure in partnership with Efficiency Maine.

National Electric Vehicle Infrastructure (NEVI) Program Funds

In FY2023, Maine was awarded approximately $19 million of NEVI program funds [enabled through the 2021 Infrastructure Investment and Jobs Act (IIJA) — also known as the Bipartisan Infrastructure Law (BIL)]. The Trust was contracted by MaineDOT and the Governor's Energy Office (GEO) to administer the state's NEVI funds.

Charging and Fueling Infrastructure (CFI) Grant Program Funds

In FY2024, Maine was awarded a $15 million competitive grant under the CFI Discretionary Grant program, which was also established via an appropriation of the BIL. This grant complements the NEVI program, focusing on community-based charging, disadvantaged communities, and rural service centers. As with the NEVI program, the Trust administers the CFI program on behalf of MaineDOT.

Energy Improvements in Rural or Remote Areas (ERA) Grant

In FY2024, Maine was awarded a $10 million competitive grant through the U.S. Department of Energy's (DOE's) BIL-funded ERA Program to support the installation of whole-home heat pumps in

[3] Public Law, Chapter 45, 132nd Maine State Legislature, LD 585 – An Act to Use Certain Regional Transmission Organization Payments for Beneficial Electrification to Reduce Electricity Rates.

manufactured/mobile homes. The Trust collaborated with the GEO and MaineHousing in applying for this grant funding, but administers the grant directly.

Energy Efficiency Revolving Loan Fund (EERLF) Capitalization Grant Program

The BIL established the EERLF Capitalization Grant Program within DOE's State Energy Program. This opportunity provided capitalization grants to states to establish a revolving fund for loans and grants for energy efficiency audits and retrofits to increase energy efficiency of buildings. Maine's formula share of the funds totaled $863,110. Working with GEO, the Trust designed a targeted initiative to facilitate beneficial electrification projects in congregate living facilities that use fossil fuel-fired HVAC systems. GEO passes the funds through to the Trust to administer through the Efficiency Maine Green Bank.

Inflation Reduction Act (IRA) Home Energy Rebates Funding

The IRA, enacted in August 2023, allocated funding to DOE that DOE in turn provides to states for the administration of rebate programs to support residential efficiency upgrades. Approximately $72 million in formula funds is available to Maine under two programs: Home Efficiency Rebates (HER) ($35.9 million), and Home Electrification and Appliance Rebates (HEAR): ($35.7 million). The Trust administers these programs on behalf of GEO. At the time of writing, the HEAR funds have been awarded to Maine, while the HER funds have been "conditionally" awarded.

Maine's HEAR program deploys these funds toward installation of efficient heat pump and VRF systems in two categories of buildings occupied by low-income households: (1) new construction of multifamily buildings and (2) single-family manufactured/mobile homes being retrofitted with whole-home heat pump systems.

Should HER funds become available, Maine will invest it in retrofits of multifamily buildings. The program will target buildings with space heating systems suitable for replacement with efficient heat pumps or VRF systems.

Greenhouse Gas Reduction Fund (GGRF)

The IRA also authorized the U.S. Environmental Protection Agency (EPA) to implement a $27 billion GGRF. The GGRF is intended to support financing institutions in mobilizing investment in clean technology projects. The Trust was party to the Coalition for Green Capital's (CGC's) successful award under the National Clean Investment Fund (NCIF)—a subcomponent of the GGRF. The Trust is expecting to receive approximately $25 million ($15 million grant, $10 million loan) to capitalize the Efficiency Maine Green Bank. However, at the time of writing, these funds are frozen in federal litigation.

Climate Pollution Reduction Grant (CPRG)

The IRA also authorized EPA to implement the CPRG Program, providing $5 billion in competitive grants to states, local governments, tribes, and territories to develop and implement plans for reducing greenhouse gas emissions and other harmful air pollution. The Trust was party to a successful grant proposal awarded in July 2024.

The Trust collaborated with state agencies across New England, including Governor Mills's administration, as well as the Northeast Energy Efficiency Partnerships to develop a regional proposal to deliver more financial incentives for home electrification through measures such as heat pump water heaters and heat pumps. The State of Connecticut is the fiscal agent. During the Triennial Plan VI period, the Trust will administer a budget of approximately $48 million from the grant to provide incentives for eligible projects in Maine with the potential for additional funding.

Volkswagen Settlement Funds

In 2016 and 2017, VW agreed to settle allegations that it violated the federal Clean Air Act by installing "defeat devices" on certain diesel vehicles. Maine (through MaineDOT) received settlement funds from VW under consent decrees reflecting one settlement agreement. Through a Memorandum of Understanding, MaineDOT contracted with the Trust to administer approximately $3.15 million of these funds to promote EV charging infrastructure with the goal of reducing GHG emissions and improving the energy efficiency of transportation in the state. Separately, VW settlement funds were also awarded to the Office of the Attorney General for the State of Maine. Of these funds, $5.1 million were transferred to the Trust for running a program to reduce carbon and nitrogen oxides emissions through the promotion and increased use of EVs. Another approximately $3 million in funds were transferred to the Trust to help state government facilities reduce their carbon footprint through energy efficiency improvements as part of the Governor's "Lead by Example" initiative.[4]

New England Clean Energy Connect Settlement Funds

In 2019, the PUC approved Central Maine Power's request to build the NECEC—a 1,200 MW transmission line traversing Maine from the Quebec border to Lewiston.[5] As part of the settlement agreement approving the project, the project sponsors agreed to establish multiple funds to deliver benefits to Maine; three of the funds were to be fully administered by the Trust, and the fourth was to have been partially administered by the Trust. In FY2021 and the first part of FY2022, the Trust received settlement fund payments for a variety of initiatives—including EVs; EV chargers; variable refrigerant flow (VRF) systems for schools; and weatherization, heat pumps, and heat pump water heaters for low- and moderate-income households. From late 2021 to 2023, the NECEC project was put on hold pending a referendum and judicial review, during which time the quarterly payments of settlement funds to the Trust were suspended. Settlement payments resumed during the Trust's FY2024. During Triennial Plan VI, the Trust expects to receive and spend approximately $6 million to support EV charger installations and heat pump installations in low- and moderate-income homes and kindergarten to grade 12 (K-12) schools.

Thermal Energy Investment Fund

In 2021, the Legislature enacted LD 597, An Act To Establish the Thermal Energy Investment Program, 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. The new law established the Thermal Energy Investment Fund to support this program. The fund receives alternative compliance payments from electricity suppliers who fail to secure their required quota of thermal renewable energy credits (TRECs).[6]

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[4] Maine Executive Order No. 13, FY 19/20, An Order for State Agencies to Lead by Example Through Energy Efficiency, Renewable Energy and Sustainability Measures, November 26, 2019.

[5] Maine PUC, Orders Approving Transmission Line, Dkt. No. 2017-00232 as supplemented by Dkt. No. 2019-00179, May 3, 2019, and October 20, 2020, respectively.

[6] 35-A MRS §3210(9)(C).

State General Fund

In 2022, the Legislature enacted LD 1554, An Act To Provide Climate Change Transition Assistance for Maine's Energy-intensive Businesses, requiring the Trust to establish an "Industrial Climate Transition Initiative" to develop and support climate change mitigation strategies designed to reduce GHG emissions at industrial facilities in the state. The bill appropriated one-time funding of $500,000 from the State General Fund to support this initiative.[7] The Trust allocated these funds to the C&I Custom Program to support cost-effective energy efficiency projects at industrial facilities.[8]

Also in 2022, the Trust received $3.5 million in one-time funding through the state's supplemental budget (LD 1995) to support EV rebates.

B. EMT BUDGET PRACTICES

Budget Schedule

The Trust's Fiscal Year (FY) -- runs from July 1 – June 30. In general, the following are the recurring annual budget-related tasks/topics for Board Meetings:

MONTH	ITEM
SEP	• Allocate unbudgeted carryforward[9] to current FY once the Annual Audit is complete and exact financials clear.
FEB	• Approve any Significant Changes to incorporate in Annual Update to Triennial Plan (due to PUC March 1)
APR	• Approve Procurement Request for upcoming FY (due to PUC May 1)
MAY	• Approve Annual Operating Budget for upcoming FY ("Base Budget"[10]) • Adjust upcoming FY budget to allocate certain "anticipated" carryforward from prior FY to allow for uninterrupted program transition on July 1
JUN	• Tidy up current FY budget to reflect actual revenue and spending that did (or did not) occur • Adjust upcoming FY budget to (1) allocate certain "anticipated" carryforward from prior FY to allow for uninterrupted program transition on July 1, if not addressed in May, and (2) reflect new RGGI revenue for use in the upcoming FY

[7] Public Law, Chapter 716, 130th Maine State Legislature, LD 1554, An Act To Provide Climate Change Transition Assistance for Maine's Energy-intensive Businesses.

[8] Although the C&I Custom Program is managing the Industrial Climate Transition Initiative, the $500K appears in its own budget line (with that title) and the funds are in the RGGI bucket (per the statute).

[9] "Carryforward" refers to unspent funds from a prior year.

[10] Also referred to as the initial "operating" budget, the Base Budget reflects the budget as approved as part of the Triennial Plan plus amounts for the EMT Admin Fund and the Revolving Loan Funds operated by the Trust, as well as any adjustments to account for new laws that have been passed, new sources or changed forecasts of revenues that were not contemplated at the time the Plan was developed, or other kinds of updates or corrections.

Making Adjustments

The Triennial Plan is a three-year plan that contains budgets for all programs and related activities for each of the three years covered by the period. Once the Plan is approved by the PUC, the budgets contained in the Plan serve as the foundation for the Trust's annual operating budgets. Inevitably, things change. Adjustments need to be made to account for new laws that have been passed, new sources or changed forecasts of revenues that were not contemplated at the time the Plan was developed, changes in the marketplace, program uptake, or other kinds of updates or corrections.

Per the Stipulation approving Triennial Plan VI, there are certain budget adjustments that are considered "Significant Changes" requiring PUC approval before they may be implemented. These are outlined below. These apply to Electric Efficiency Procurement- and Natural Gas Efficiency Procurement- funded programs only. In the case of a Significant Change, the Staff first requests Board authorization to formally seek PUC approval for that Significant Change. Upon approval by the PUC, Staff prepares a formal budget adjustment for Board approval.

Significant Changes

1. A shift of more than 10% or $1,000,000 (whichever is less) from one program budget to another program budget. (This does not apply to shifts between the C&I Custom Program and C&I Prescriptive Initiatives or between Distributor Initiatives and Retail Initiatives, which can be made without limit.)
2. Modification of the total annual budgets approved by Commission order for electricity [and natural gas] programs;
3. Carrying forward unspent and uncommitted Electric Efficiency Procurement funds in excess of 1/6 (16.7%) of a program budget or 1/12 (8.33%) of strategic initiative budget into a subsequent fiscal year.
4. Carrying forward unspent and uncommitted Natural Gas Efficiency Procurement funds in excess of 1/2 (50%) of a program budget or 1/12 (8.33%) of strategic initiative budget into a subsequent fiscal year.
5. Carrying forward and redistributing to the program budget any unspent and uncommitted administrative funds in excess of 1/12 (8.33%) of the administrative budget.
6. C&I Custom Program awards in excess of $1 million per year per natural gas utility.
7. C&I Custom Program awards in excess of $1.5 million in aggregate per natural gas utility over the Triennial Plan VI period.

The Trust Staff will also seek Board approval for certain budget adjustments that are not considered Significant Changes. Generally, these include the following:

1. Funding shifts *between* programs (of any size or funding source).
2. Carryforward adjustments (of any size or funding source).
3. Incorporation of new funding/revenue above forecasts. Conversely, incorporating lost funding/revenue below forecasts.
4. Modifications of any discretionary funding source budgets or allocations (e.g., RGGI).

Addressing Carryforward

For most funding sources, if the Trust does not spend the full budget in a given fiscal year, it is able to roll those funds into future fiscal years without restriction. However, for ratepayer funds (Electric Efficiency Procurement and the Natural Gas Efficiency Procurement), the PUC sets more prescriptive rules for carryforward. These are outlined below.

The Trust is authorized to carry forward any <u>committed, but unspent,</u> ratepayer funds from the program budget or the strategic initiatives budget (i.e., Innovation, EM&V, Public Information and Outreach) to the same program or strategic initiative for next fiscal year. These "committed" procurement funds include:

1. All projected costs associated with individual projects that have been reviewed and awarded by the Trust, as of June 30, in the C&I Custom Program, regardless of whether they are under contract;
2. All projected costs associated with individual projects that, as of June 30, have been pre-approved under the C&I Prescriptive Initiatives or Low Income Initiatives;
3. Any amounts that have been put under contract or MOU by the Trust, by June 30 of a given year, for upstream distributors or retailers, evaluations, measurement and verification initiatives, innovation pilot projects, or public information initiatives, administration, or inter-agency transfers; and
4. Any amounts that are held in a loan fund, loan portfolio, or loan loss reserve.

The Trust is also authorized to carry forward any <u>unspent and uncommitted</u> ratepayer funds. If Staff determines that that program activity (reflecting consumer demand, workforce capacity, and supply chain capacity) will rebound from the prior year to fully invest all of the new year's revenue together with all of the prior year's unspent, uncommitted carryforward, then it will propose retaining these funds. As noted above, if the Trust wishes to carry forward funds in excess of certain thresholds (see Significant Changes, above), it must request a Significant Change.

Any unspent and uncommitted funds that the Trust does not carry over are effectively "returned" to the relevant ratepayers. In practice, the Trust retains those funds and credits them against the following year's utility revenue; the PUC reduces the following year's utility procurement accordingly. This reconciliation is reflected in the Trust's Procurement Request (~April).

Multi-Year Commitments

The Trust will occasionally receive lump-sum payments for funding it intends to expend over multiple fiscal years. These typically apply to settlement funds (e.g., NECEC), State of Maine funds, or occasional grant funds. In the past, Staff would incorporate all of those funds into the operating budget for the fiscal year in which they were received. At the end of the year, Staff would request approval to carry any balance forward into the next fiscal year. As a result, it appeared as though the Trust was not investing budgeted funds as anticipated. Moving forward, the Staff plans to reflect the portion of funds intended for future years in fund balance, rather than add them to the revenue and expenditure budgets. Staff will request Board approval to pull those funds into the operating budget as needed.

The Trust also has an approved mechanism for funding projects large battery projects with long development timelines that exceed the Triennial Plan period. The Trust pays for these projects using Electric Efficiency Procurement. It requests from the PUC (and pays out) those funds over time as the batteries demonstrate their performance. This allows the Trust to meet the market demand without forecasting the full amount of budget that will be needed to pay incentives up-front, in a lump sum, and carrying those funds on our budget for a span of seven or eight years.

C. PROCUREMENT ACTIVITIES

It is the policy of the Trust to use competitive solicitations for the procurement of covered goods and services except where a waiver is appropriate and the process for authorizing and recording a waiver is followed. The Trust's Procurement Policy details the conditions under which competitive procurement may be waived. These include instances where the relevant goods or services not conducive to competitive bidding (e.g., digital ads through Google) or where it is in the best interests of the Trust's mission. The Procurement Policy allows for some blanket waivers, some made at the discretion of the Executive Director, and others that require Board approval. It states that the Board of Trustees must approve a waiver for:

a. Contracts over $10,000; and
b. In the case of contracts for advertising, legal services, technical support or postage, for contracts over $25,000.

The Procurement Policy also requires Board approval for the Trust's annual "contributions" budget, which includes payments for membership dues and fees, gifts, donations and sponsorships.

D. ACCEPTING EXTERNAL FUNDING

Per the EMT Act, the Board must vote to accept new funds and may do so where the receipt of those funds is consistent with the purposes laid out for the Trust in the statute.

Title 35-A MRSA §10103(4) reads:

> The board may apply for and receive grants from municipal, state, federal and private sources for deposit into appropriate program funds, including funds for both residential and business programs. The board may deposit in appropriate program funds the proceeds of any bonds issued for the purposes of programs administered by the trust…The board may also deposit any grants or other funds received by or from any entity with which the trust has an agreement or contract pursuant to this chapter if the board determines that receipt of those funds is consistent with the purposes of this chapter.

E. AUDIT PROCESS

As a quasi-state agency, the Trust is required to have an independent certified public accountant conducted an annual audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. This audit assesses the organization's internal control over financial reporting and compliance with government accounting standards and financial statements.

The audit is performed soon after the close of the Trust's fiscal year (i.e., July-August). The Board receives a presentation of the audit report in September and votes on whether to accept it. The Trust must file the audit with the State by October 15 each year.