Appendix H

Statutory Budget Allocation Requirements

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By Michael D. Stoddard
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Introduction

1. What is the purpose of this testimony?

The Efficiency Maine Trust Act (or "the statute") requires the Trust to allocate budgets and deploy strategies for the Electric Efficiency and Conservation Fund and the Natural Gas Conservation Fund in a manner that gives all customers a "reasonable opportunity to participate" in its programs.[1] The statute expressly directs the programs paid for through these funds to satisfy specific budget allocations for two customer groups: *low-income residential* customers and *small business* customers. This testimony provides an overview of the statutory budget allocation requirements for these customer groups and explains how the Efficiency Maine Trust (the Trust) will reach these targets in Triennial Plan V.

2. Who is introducing this testimony?

The testimony is provided by Michael Stoddard. Mr. Stoddard is the Executive Director of the Trust and serves as its general counsel.

3. Mr. Stoddard, please state your name, title and business addresses.

My name is Michael Stoddard, and I am employed by the Trust as the Executive Director. My business address is 168 Capital Street, Suite 1, Augusta, ME 04330.

4. Please summarize your educational and professional experience.

I hold a Bachelor of Arts degree from Williams College and a Juris Doctor degree from the University of Maine School of Law. I have served as Executive Director of the Trust since its inception in 2010. My duties include strategic planning, general counsel, government relations, and media relations. Before joining the Trust, I was an advocate and Deputy Director at the Acadia Center (formerly Environment Northeast). There, I was involved in electricity restructuring initiatives across New England, and worked on advocacy related to building energy codes, appliance standards, energy efficiency budgets, transportation systems, climate change action plans, and the adoption of the Regional Greenhouse Gas Initiative (RGGI). Earlier, I worked as an election law specialist at the Federal Election Commission, and at the National Democratic Institute for International Affairs on "free and fair" election projects in Africa and Latin America.

[1] 35-A MRS §10110(2)(B) and 35-A MRS §10111(1)(B).

Low-Income and Small Business Targets

5. **Generally, what are the Trust's statutory low-income and small business spending targets for the Electric Efficiency and Conservation Fund?**

For the Electric Efficiency and Conservation Fund, the statute states that the Trust must:

- Target at least 10% of funds or $2.6 million, whichever is greater, to low-income residential customers as defined by the board by rule; and
- Target at least 10% of funds or $2.6 million, whichever is greater, to small business customers, as defined by the board by rule.[2]

Chapter 3 of the Trust's rules, "Electric Efficiency and Conservation Programs," mirrors this language exactly.[3]

6. **Generally, what are the Trust's statutory low-income and small business spending targets for the Natural Gas Conservation Fund?**

For the Natural Gas Conservation Fund, the statute states that Trust must apportion funds such that:

- A reasonable percentage of the available funds is directed to programs for low-income residential consumers, as defined by the Trust. The Trust shall establish the percentage based on an assessment of the opportunity for cost-effective conservation measures for such consumers, including an assessment of the number of low-income residential consumers that may be eligible for such programs; and
- A reasonable percentage of the available funds is directed to programs for small business consumers, as defined by the Trust. The Trust shall establish the percentage based on an assessment of the opportunity for cost-effective conservation measures for such consumers.[4]

Chapter 4 of the Trust's rules, "Natural Gas Energy Conservation Programs," guide the Trust in implementing this statutory language. The Chapter 4 rules dictate that the determination of what is a "reasonable percentage" of funds to allocate to low-income or small business customer segments must take into consideration each customer group's share of gas load. Specifically, the rule states that the Trust shall:

- Target a reasonable percentage of available funds to programs for low-income residential consumers, considering these consumers' share of gas load and the cost-effective opportunity available at their homes;

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[2] 35-A MRS §10110(2)(B).
[3] 95-648 Code of Maine Rules (CMR) ch. 3, §3(A)(2).
[4] 35-A MRS §10111(1)(B).

- Target a reasonable percentage of available funds to programs for small business consumers considering these consumers' share of gas load and the cost-effective conservation opportunity available at their businesses. [5]

7. What is the definition of "low-income residential consumer" for the Electric Efficiency and Conservation Fund?

Chapter 3 of the Trust's rules provides the following definition:

"low-income residential consumer" means a customer of a transmission and distribution utility receiving benefits under the utility's program to assist low-income customers, or a household that has qualified at any time in the prior 12-month period to receive assistance through any state or federal program in which low income and/or limited assets are criteria for eligibility.

8. What is the definition of "small business consumer" for the Electric Efficiency and Conservation Fund?

Chapter 3 of the Trust's rules provides the following definition:

"small business consumer" means a non-residential customer of a transmission and distribution utility that is designated in the utility's distribution rates, based on the customer's energy usage at a specific location or on a specific account, to receive general service through the customer class reserved for small nonresidential users, including where applicable the small general service (SGS)[6] and the medium general service (MGS) customer classes. This excludes any commercial utility accounts designated for large customers, customers who take power at the transmission or subtransmission voltage, street or area lighting only, space or water heating only, municipal water pumping, agricultural produce storage, or snow making. If the utility does not make such designations in its accounts or billing, then the Trust may extend the definition to a business customer that employs 50 or fewer full-time equivalent employees across all locations in Maine, giving consideration to the average number of employees that the business employs annually.

9. What is the definition of "low-income residential consumer" for the Natural Gas Conservation Fund?

Chapter 4 of the Trust's rules provides the following definition:

"low-income residential consumer" means a customer of a gas utility receiving any special utility rates or programs designated for low-income customers or a household that is heated with natural gas from any natural gas utility and has qualified at any time in the prior 12-month period to receive assistance through any state or federal program in which low income and/or limited assets are criteria for eligibility.

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[5] 95-648 CMR ch. 4, §3(A)(2).

[6] SGS is a designation used by Central Maine Power, which delivers about 80% of load in the state. In Versant territory, "General Service" is the comparable designation for small business consumers. For purposes of determining eligibility in its programs, the Trust treats the General Service customer class as equivalent to SGS.

10. What is the definition of "small business consumer" for the Natural Gas Conservation Fund?

Chapter 4 of the Trust's rules provides the following definition:

"small business consumer" means a commercial customer of a gas distribution utility that has an annual usage of 40,000 centum cubic feet (CCF) or less.

11. What is the Electric Efficiency and Conservation Fund budget allocation for low-income consumers in Triennial Plan V, and how will the Trust meet that target?

In Triennial Plan V, the Electric Efficiency and Conservation Fund target for low-income customers is 10% of the Fund's total program budget.[7] The plan achieves this target by combining funding from three programs, as follows: (1) 100% of the electric procurement budget for Low-Income Initiatives; (2) the portion of program spending in Distributor Initiatives that is attributable to purchases by low-income customers; and, (3) the portion of program spending in Retail Initiatives that is readily attributable to purchases by low-income customers. Appendix J, *Heat Pump Water Heater Analysis and Considerations*, presents the Trust's analysis of the number of heat pump water heater sales attributable to low-income customers through the Distributor Initiatives and the Retail Initiatives. As shown in Table 1, the Trust anticipates that it will satisfy the statutory allocation requirement through the activities of these three programs.[8]

Table 1: Triennial Plan V Low-Income Electric Budget

Program	FY2023	FY2024	FY2025	Total
Low-Income Initiatives	$2,547,494	$2,627,972	$2,694,523	$7,869,988
Portion of Distributor Initiatives	$1,261,652	$1,261,652	$1,261,652	$3,784,956
Portion of Retail Initiatives	$1,048,859	$1,048,859	$1,048,859	$3,146,577
Total	**$4,858,005**	**$4,938,483**	**$5,005,034**	**$14,801,521**
10%	**$4,858,005**	**$4,938,483**	**$5,005,034**	**$14,801,521**
Variance	**$0**	**$0**	**$0**	**$0**

12. What is the Electric Efficiency and Conservation Fund allocation for small business consumers in Triennial Plan V, and how will the Trust meet that target?

For Triennial Plan V, the Electric Efficiency and Conservation Fund target for small business customers is 10% of the Fund's total program budget. The plan achieves this target by combining funding from three programs, as follows: (1) 100% of electric spending in the Small Business Initiative (SBI is a discrete initiative within the Commercial and Industrial Prescriptive [CIP] Initiatives); (2) a portion of the

[7] The program budgets for both the Electrical Procurement and the Natural Gas assessment are derived from the calculation of maximum achievable cost-effective energy efficiency (MACE) potential. After calculating MACE program budgets, the Trust derives budgets for Strategic Initiatives (including Evaluation, Measurement, and Verification; Public Information and Outreach; and Innovation) and Administration from the total program budget. To avoid circular references, the Trust derives the total statutory allocation for low-income and small business sectors by applying the 10% requirement to the program budgets.

[8] Low-income customers also benefit from the LEDs incentivized through Retail Initiatives, but because the precise proportion is difficult to quantify, the Trust is not attributing any portion of the budget for LEDs to meet the low-income allocation.

spending from the Fund for all other initiatives in the CIP Initiatives attributable to projects completed at small businesses; and, (3) a portion of the spending from the Fund for Retail Initiatives attributable to projects completed at small businesses.

In SBI, each participant's eligibility is verified, and the Trust keeps a record of the number of small business participants and the amount of spending associated with those participants. By contrast, the Trust does not have records from its other programs identifying whether a customer is a small business. This practice stems from Trust's view that it would be an impractical burden on the supply chain and the consumer to collect and report information to determine if the participant (e.g., in the Distributor Initiatives or in the Retail Initiatives) is a small business. Requiring the collection and reporting of such information would present a significant barrier to participation and would reduce overall efficiency gains. Instead, for programs other than SBI, the Trust relies on estimates of the level of small business participation.

A variety of factors inform the Trust's estimates of small business participation in non-SBI programs. First, the overwhelming majority of non-residential customers in Maine are small businesses. By way of illustration, data on the Maine Public Utilities Commission website indicates that more than 80% of the investor-owned utilities' non-residential customers are "small commercial customers."[9]

Second, the Trust has conducted surveys of historic participation in certain programs and been able to identify small business participation rates. A 2021 survey found that 22% of CIP participants installing electric measures were SGS customers, accounting for 22% of the incentives provided.[10]

Third, the Trust is aware that among commercial customers, small businesses (and to a lesser extent medium-sized customers) are more likely to be the purchasers of certain types of products or at certain types of stores than large commercial customers. For example, large industrial consumers generally do not shop for lighting at big box stores ("retail") but rather purchase through supply houses ("distributors"). But small businesses are presumed to do most of their shopping through retail stores. The most recent lighting evaluation found that assumed cross-sector sales for the retail lighting program should be 6.25% for non-residential sales,[11] nearly all of which the Trust assumes to be small business.[12]

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[9] Maine Public Utilities Commission, "Electric Rates," 2020, https://www.maine.gov/mpuc/electricity/delivery_rates.shtml, citing data from 2010.

[10] Direct Technology/ESG, *Small Business Data Analysis V 2.0*, April 16, 2021, p. 8.

[11] Demand Side Analytics, *Retail and Distributor Lighting Products Impact Evaluation,* Prepared for Efficiency Maine, March 2021, p. 43.

[12] Similarly, heat pump water heaters provide domestic hot water for small-scale use. And smaller models of electronically commutated motor (ECM) smart pump measures are used in relatively small heating systems that would not typically be found in use by large customers. The Trust finds it reasonable to assume that, both historically and in the next Triennial Plan, to the extent heat pump water heaters and smaller-model ECMs are sold through the Retail Initiatives or Distributor Initiatives to non-residential consumers, they are likely to be attractive to small businesses (as opposed to large consumers) given their low price point and high incentive levels. However, the precise proportion is difficult to quantify, so the Trust is not attributing any portion of the budget for these measures to meet the small business allocation.

The Trust finds that together with the dedicated budget for SBI, small businesses' participation in the Trust's other programs will occur in sufficient numbers so that the total spending on small businesses will significantly exceed the 10% target in each year of the Plan. As shown in Table 2, the Trust anticipates that it will satisfy the statutory allocation requirement across these three programs.

Table 2: Triennial Plan V Small Business Electric Budget

Program	FY2023	FY2024	FY2025	Total
C&I Prescriptive (CIP) Initiatives				
Small Business Initiative	$3,172,532	$3,459,235	$3,464,314	$10,096,081
Portion of CIP Initiatives Other	$1,586,610	$1,584,395	$1,568,731	$4,739,736
Portion of Retail Initiatives	$291,734	$291,734	$291,734	$875,202
Total	**$5,050,876**	**$5,335,364**	**$5,324,779**	**$15,711,019**
10%	**$4,915,064**	**$4,991,505**	**$5,041,624**	**$14,948,192**
Variance	**$135,812**	**$343,859**	**$283,155**	**$762,827**

13. What is the Natural Gas Conservation Fund allocation for low-income consumers in Triennial Plan V, and how will the Trust meet that target?

In 2021, the Trust received data from each local distribution company (LDC) on the percentage of load consumed by individual low-income customer accounts relative to the total load. For each of the four LDCs, this customer class represented significantly less than 1.0% of total load. This can be explained in part because large commercial and industrial users consume vastly more gas than low-income customers. It is also partly due to the fact that some low-income consumers, whose homes are heated by natural gas, do not have individual accounts but rather are tenants in multi-family apartments where they do not pay the natural gas bill. The Trust does not at this time have data on the share of total load that is represented by low-income tenants residing in multi-family apartments. Even if it did, the Trust's analysis has shown that the achievable cost-effective potential in low-income multi-family apartments is extremely low. Many of these units were developed through Affordable Housing tax credit programs that were required to meet relatively rigorous insulation standards. These units are typically small and have only one or two exterior walls, meaning that their individual units require minimal thermal load and therefore the potential load that can be saved is small.

Thus, for the period to be covered by Triennial Plan V, the Trust proposed to apply 1.0% of the total program budget for the Natural Gas Conservation Fund to the Low-Income Initiatives ($15,278 in FY2022, $15,591 in FY2023, and $15,339 in FY2024). For low-income tenants residing in multi-family units, the Trust will target cost-effective saving opportunities through its CIP Initiatives, working directly with property managers. In future Annual Updates, if the Trust has access to sufficient utility data on low-income customers, it will consider adjusting the budget allocations targeted specifically to this customer sector.

14. What is the Natural Gas Conservation Fund allocation for small business consumers in Triennial Plan V, and how will the Trust meet that target?

For Triennial Plan V, the Trust is assuming that the small business customers are getting their proportionate share through the CIP natural gas offerings. A 2021 survey found that 23% of CIP participants installing natural gas measures were SGS customers, accounting for 28% of the incentives provided.[13] In future Annual Updates, if the Trust has access to sufficient utility data on small business customers, it will consider adjusting the budget allocations targeted specifically to this customer sector.

15. Will the Trust budget additional funds for programs to support low-income and small business customers in Triennial Plan V, beyond what is described so far in this testimony? If so, please describe.

Yes. This testimony is intended to focus on the Trust's statutory budget allocation requirements with respect to procurement funds—the Electric Efficiency and Conservation Fund and the Natural Gas Conservation Fund. The Trust will allocate additional funding streams to programs to support low-income and small business customers.

For low-income customers, the Trust will allocate a portion of its Forward Capacity Market (FCM), New England Clean Energy Connect (NECEC) settlement, and American Rescue Plan (ARP) funds to Low-Income initiatives to support home weatherization, heat pump retrofits, and other non-electric measures. The Trust will also allocate a portion of the NECEC settlement funds to Electric Vehicle (EV) Initiatives to support enhanced EV rebates for eligible low-income customers. The full suite of funds allocated to low-income customers is summarized in Table 3.

Table 3: Triennial Plan V Low-Income Budgets (All Funding Streams)

Program	FY2023	FY2024	FY2025	Total
Low-Income Initiatives[a]	$10,010,439	$12,031,230	$15,007,528	$37,049,197
Portion of Distributor Initiatives	$1,261,652	$1,261,652	$1,261,652	$3,784,956
Portion of Retail Initiatives	$1,048,859	$1,048,859	$1,048,859	$3,146,577
Portion of EV Initiatives	$460,750	$460,750	$0	$921,500
Total	**$12,781,700**	**$14,802,491**	**$17,318,039**	**$44,902,230**

[a] The Trust's ARP funding allocations are based on the proposals set forth in Public Law, Chapter 483, 129th Maine Legislature, First Special Session, LD 1733, An Act to Provide Allocations for the Distribution of State Fiscal Recovery Funds, 2019.

For small business customers, the Trust will allocate $2,223,350 of Regional Greenhouse Gas Initiative (RGGI) funds annually to SBI specifically to support heat pump retrofits in small businesses. Another $5 million in ARP funds will be added to the SBI heat pump initiative over the Plan's three-year period. As described above, the Trust also assumes that small businesses represent a portion of participants in the CIP Initiatives. A 2021 survey found that 11% of CIP participants installing unregulated fuels measures were SGS customers, accounting for 3% of the incentives provided.[14] On top of this, the Trust will allocate RGGI and NECEC funds to CIP unregulated fuels incentives during the Triennial Plan V Period.

16. Does this conclude your testimony?

Yes.

[13] Direct Technology/ESG, *Small Business Data Analysis V 2.0*, April 16, 2021, p. 8.
[14] Direct Technology/ESG, *Small Business Data Analysis V 2.0*, April 16, 2021, p. 8.