

**Efficiency Maine Trust
Board Meeting Minutes**

**November 30, 2011
Governor Hill Mansion
136 State Street, Augusta, ME**

Trust Board Members

✓ Adam Lee, Chair	✓ Dale McCormick
✓ Naomi Mermin, Vice Chair	✓ Glenn Poole
✓ James Atwell, Secretary	✓ John Rohman
✓ Al Hodsdon	✓ Doug Smith
✓ Ken Fletcher	

Efficiency Maine Trust Staff:

- Michael Stoddard
- Elizabeth Crabtree
- Peter Roehrig
- Paul Badeau
- John Quartararo
- Dana Fischer

Partial List of Other Attendees:

- Jamie Py
- Richard Burbank
- Ann Goggin
- Gerry Chasse
- Sam Zaitlin
- Tony Buxton
- Tim O'Conner

1.0 Approve Draft Agenda and Minutes

Ms. Mermin called the meeting to order at 9:45 am.

ACTION: Upon a motion duly made (Ms. McCormick) and seconded (Mr. Atwell), the Board voted unanimously to approve the minutes from the October 12, 2011 meeting with noted changes.

ACTION: Upon a motion duly made (Mr. Rohman) and seconded (Mr. Atwell), the Board voted unanimously to approve the Agenda for today's meeting.

2.0 Public Comment

Ann Goggin expressed appreciation to Staff for making the agenda more accessible in advance of meetings.

Dylan Voorhees (Natural Resources Council of Maine) provided comments on Bangor Hydro's electric heating proposal. NRCM shares the goal of identifying cost-effective, energy efficiency strategies and evaluating them carefully in context of Triennial Plan goals. Mr. Voorhees cited the importance of understanding a wide variety of technologies and their market feasibility for

widespread adoption. Mr. Voorhees stressed the importance of considering implications on utility transmission and distribution costs and issues relating to electricity cost increases from electric load growth. Mr. Voorhees voiced his concern that shifting away from this focus of saving energy might have consequences for Efficiency Maine's mission and goals worth careful thought and consideration. Mr. Voorhees presented to the Board a letter addressing these concerns.

Tony Buxton (Industrial Energy Consumer Group) offered comments regarding proposed cuts to the Low Income Home Energy Assistance Program (LIHEAP). Mr. Buxton offered to provide assistance to the Board as this complex matter is being considered and pointed out the challenges of this difficult issue. Mr. Buxton urged the Board to not raid Efficiency Maine funds, including Regional Greenhouse Gas Initiative (RGGI) funds, to purchase oil and suggested that we should be using that money to reduce oil consumption.

Richard Burbank (Evergreen Home Performance) offered comments on the LIHEAP matter and the risk that the discussion could negatively impact the nascent residential energy efficiency industry. Mr. Burbank cited the need for greater support for both LIHEAP and market based residential efficiency programs such as those offered by Efficiency Maine. Mr. Burbank thanked Efficiency Maine for the programs that have helped to build his business and the emerging energy efficiency industry in Maine over the past five years.

3.0 Executive Director Report

Mr. Stoddard reported highlights of the prior month and cited the kickoff of Efficiency Maine's education and awareness campaign (Save Like A Mainer). Mr. Stoddard discussed the campaign's value proposition in telling success stories of how businesses and homeowners have reduced energy costs to help encourage these groups to participate in the Trust's programs.

Mr. Stoddard discussed the final audit report from the Trust's independent auditor. Mr. Stoddard pointed out that the audit report favorably recognized that Efficiency Maine had dealt appropriately with the Maine Green Energy Alliance matter by strengthening the Trust's monitoring and compliance handbook used by Staff whenever entering in new relationships with sub grantees.

Mr. Stoddard next reported on programs, and pointed out that the Business Incentive Program, for which staff has voluntarily increased its targets (compared to the Triennia Plan) from 22.5 MWh to 35.5 MWh savings, is already 38% toward goal for FY 2012 and on track.

Mr. Stoddard updated the Board on the Competitive Bid Program solicitation for proposals, for which Efficiency Maine received 18 applications totaling \$5 million in grant requests. A review team is scheduled to meet in December to review applications and make awards.

Mr. Stoddard updated the Board on the recently launched commercial Direct Install Program with Kennebec Power & Light (expected to also launch in Maine Public Service and Bangor Hydro territories). Mr. Stoddard also pointed out that the Trust re-launched the Natural Gas Program.

Regarding the residential financing program -- Maine PACE Loans – Mr. Stoddard reported that the program has already loaned out \$1.25 million and is averaging 15-25 applications per week, with more than 550 applications to date distributed across the state in more than 90 towns. The average loan closing is at \$13,100 with almost 100 loans closed to date. Mr. Atwell asked what percentage of applications have turned into loans, to which Mr. Stoddard reported amounts to approx 60%.

4.0 Committee Reports

1. Finance Committee

a. PACE Marketing Contract Amendment

Mr. Stoddard requested Board approval for a \$500,000 contract adjustment for PACE marketing to the Trust's existing marketing contract in order to pay for paid media at the beginning of the year's heating season.

The Board raised several questions. Mr. Rohman cited his concern for adding this amount to the existing contract. Mr. Stoddard pointed out that Staff has had several months working with this vendor to determine a high level of satisfaction to date, and indicated that the vast majority of this additional contract budget will be used for paid media air time/space, not for services at the marketing firm. Several questions focused on whether the services being procured were beyond the original scope of the marketing RFP. Mr. Stoddard confirmed that it is not beyond the original scope of issues that the marketer was hired to work on, but it is beyond the deliverables and budget that the vendor was asked for and offered to provide. It is effectively a change order request. The Board members requested to see a copy of the original contract and scope of work which was provided by Staff.

Ms. Mermin asked to clarify how much of the \$500,000 is going to additional work so the Board can ensure that this is not a windfall and that most of this allocation it is not going to the marketing vendors but rather to purchase advertising space. Mr. Lee pointed out that the Staff had negotiated a very favorable commission rate. Mr. Hodsdon asked to require Staff to obtain Board approval for marketing budgets moving forward. Mr. Stoddard responded that that is what the contract amendment under consideration intended to do.

Ms. Mermin observed that the Board is seeking to uphold its fiduciary duty and requested monthly updates on expenditures of the funds spent under this contract. Mr. Smith asked for a schedule of paid media expenditures.

Upon reviewing the original marketing contract, Mr. Smith suggested that the matter ought to be handled as a change order and indicated that he would approve it as such.

ACTION: Upon a motion duly made (Ms. Mermin) and seconded (Ms. McCormick), the Board voted to approve the PACE marketing contract amendment, with Mr. Fletcher opposed.

(b) Independent Auditor Contract Amendment

Staff requested Board support for an adjustment of the Macdonald Page & Co., LLC contract in order to provide additional funding for completion of the FY 2011 audit of the Financial Reports and the Federal Single Audit Report.

Mr. Quartararo asked the Board to approve an adjustment of \$97,000 for payment for additional services that the Staff and vendor did not originally anticipate.

ACTION: Upon a motion duly made (Mr. Smith) and seconded (Mr. Rohman), the Board voted unanimously to approve the adjustment.

(c) Acceptance of USDA Grant

Mr. Quartararo reported that the non-profit Maine Rural Partners (MRP) had sought out Efficiency Maine to be the fiscal agent for a grant proposal. The proposal was to help Maine farms receive energy audits to assess facilities for energy efficiency improvements. MRP was subsequently awarded the USDA grant, for which it is also responsible for 50% in matching funds.

Ms. Mermin observed that there are two actions being requested: (1) To accept the appropriation and (2) To authorize a contract back to MRP.

Mr. Smith asked if this undertaking will add any additional administrative costs on part of Efficiency Maine. Mr. Quartararo confirmed that it would be only de minimus in nature. Mr. Quartararo provided a brief overview of the organization's mission and organization. Ms. Mermin suggested that when such an arrangement is being contemplated that at that stage it should be considered by a committee of the Board so as to allow time to consider whether to approve such an arrangement. Ms. McCormick noted a potential concern: that committee consideration could have the result of delaying nonprofits to respond to time sensitive solicitations.

ACTION: Upon a motion duly made (Ms. Mermin) and seconded (Ms. McCormick) the Board voted unanimously to approve the proposed requirement.

ACTION: Upon a motion duly made (Mr. Smith) and seconded (Mr. McCormick), the Board voted unanimously to accept this arrangement.

2. Strategic Planning Committee

a. Approval of 2011 Annual Report

Mr. Stoddard reported that the draft of the Annual Report addressed past year activities. Mr. Stoddard indicated that the Staff would be adding a sentence or two about each program to indicate whether the program would be continuing in the next year, and if so what the nature of the future activities and budget would be. Mr. Stoddard also indicated that the Staff was preparing to attach the FY 2012 budget as an appendix along with additional data points (including the effective price per unit of energy saved, annual savings, and a breakout of Efficiency Maine costs), as had been requested by Mr. Fletcher.

Mr. Fletcher conveyed appreciation for Staff's speedy response to his inquiries.

Mr. Hodgson expressed appreciation for the report and asked for Staff to consider including simple payback calculations in future such reports.

Ms. Mermin recognized the significance of the milestone as Efficiency Maine's first year operating as an independent trust and how impressed she was with the annual report and the product of our work this past year and thanked Mr. Fletcher for helping to create the Trust in his work at the Legislature.

ACTION: Upon a motion duly made (Ms. Mermin) and seconded (Ms. McCormick), the Board voted unanimously to approve the annual report.

b. Approval of 2001 Triennial Plan Annual Update Report

Mr. Stoddard indicated that the Triennial Plan Annual Update Report is designed to report updates and give notice of significant changes in budgets, performance metrics or plans. As a result of concerns raised surrounding federal LIHEAP funding levels this year, the Staff, with strong support from the Board, has proposed to redeploy \$5 million in Efficiency Maine funding that was previously planned to promote high-efficiency refrigerators for low income customers. The Staff plan is to shift those funds to weatherize homes of LIHEAP eligible homeowners who heat with electricity.

Mr. Stoddard suggested that redeployment would remain consistent with the strings that are attached to the source of funds (*i.e.*, it will benefit electric ratepayers and be cost-effective in terms of avoided energy costs) while enabling Staff to get the money out in a timely manner at a time when the need is greatest. Mr. Stoddard pointed out that this is not a change in budget but rather a change in strategy to address concerns of Governor LePage and other key stakeholders. Mr. Poole asked if these recipients would be those eligible to receive LIHEAP, which Mr. Stoddard confirmed.

Mr. Fletcher commented that there is \$26 million more funding to be potentially expended in FY 2012 than was planned in the Triennial Plan and asked if the total FY2012 budget was indeed

\$88 million, which Staff confirmed was the amount the Board had approved when the budget was originally considered and approved. Mr. Fletcher discussed the LIHEAP matter, suggesting that if we have 64,000 households in need, the ultimate goal is keeping them warm and believes the proposed expenditure to be a good solution.

ACTION: Upon a motion duly made (Mr. Smith) and seconded (Mr. Atwell), the Board voted unanimously to approve the Annual Update Report.

3. Other

a. Presentation by Bangor Hydro Electric, Electric Heating Proposal

Gerry Chasse, (President and COO of Bangor Hydro Electric) discussed Maine's dependence on heating oil and need for greater investments in efficiency. Mr. Chasse suggested that we look at electricity as one of the options. Mr. Chasse suggested that Efficiency Maine has the expertise to deliver on the promise of the Bangor Hydro proposal to give customers more options, and predicted that their proposal would realize annual savings of \$1,000 per participant by increasing heating energy efficiency by 60% at a cost of \$400 per home.

Mr. Rohman asked if it is intended to take any action at this meeting, and Ms. Mermin indicated that the purpose of today's presentation is to better understand the proposal but not to take action at this time.

b. Public Comments on Bangor Hydro Presentation

John Logan approves of a hybrid heat pump given its cost efficacy and suggested that thermal storage is cheaper to run either than propane or oil.

Sam Zaitlin urged Board to think about enormity and importance of what the proposal consists of by way of a comprehensive approach by one of the state's largest utilities to deal with Maine's energy dilemma using on bill financing.

Fortunat Mueller conveyed reservations about the proposal and highlighted the importance for ratepayers to understand how this could subvert the SBC by increasing load while benefiting some ratepayers and utilities but not the majority of ratepayers. He cited the Trust's Maine PACE Loan program as a current program offering that works well and questioned the need for a new program design such as presented by Bangor Hydro. Mr. Mueller suggested that this would be a bad time for state to pick a technology winner given the fact that states don't have a good track record doing so, especially when load reduction through Efficiency Maine programs is working.

Steve Ward, retired Public Advocate, described several concerns. One is diversion of SBC funds from other Efficiency Maine programs and related implications to undermine the ability of the Trust to realize the goals of the Triennial Plan. He asked what if anything could help to make up for reduced funding. Second, Mr. Ward expressed concern that the rate of return on the funds to

the utility -- of 12% -- which Mr. Ward believes to be relatively high. Third, that Bangor Hydro will have to eventually ask for higher rates in a future rate case to make up for the \$20 million in proposed funding, which he feels brings into question whether there is any net benefit to ratepayers in the long term.

Dylan Voorhees expressed that he was encouraged by parts of the proposal but asked the Board to look at cost effectiveness test and apply it to this and think about the Maine PACE program and how that program is sufficiently meeting the need to create opportunities for ratepayers.

Jamie Py offered to help the Board contemplate the proposals implications.

Ms. Mermin indicated she assumed that this is only the first iteration, and that proposal may change and encouraged attendees to provide comments to Mr. Fletcher on the broader questions, concerns and opportunities raised by this proposal.

Mr. Lee asked Bangor Hydro why they need Efficiency Maine to conduct this work. Mr. Chasse answered that their core business is not really involved with marketing efficiency in the state and not a core competency of their business since deregulation. Mr. Lee asked if the utility should pay the Trust for conducting this work rather than charging the Trust to implement it. Mr. Fletcher suggested that this proposal would allow Efficiency Maine to fulfill its core mission to provide "alternative energy sources."

Ms. McCormick questioned the 12% loan fee rate. Mr. Atwell commended Bangor Hydro for being proactive for coming forward with this idea. Mr. Fletcher agreed and believes we should encourage others to come forward with options.

Ms. Mermin made a motion to move this to the Strategic Planning Committee to create a subcommittee on this subject and forward all questions to Mr. Atwell. The motion was approved unanimously.

5.0 New Business

1. Scheduling Board Meetings
2. Rulemaking for Renewable Resources Fund

Ms. Mermin asked if we have people signed up for the Renewable Resources Fund rulemaking. Mr. Stoddard suggested that we do not but conveyed the value of this forum. Mr. Lee and Ms. Mermin confirmed attendance.

6.0 Next Meeting Agenda

Confirmed for the morning of January 25th.

ACTION:

7.0 Adjourn

ACTION: Upon a motion duly made (Smith) and seconded (Poole) the board voted unanimously to adjourn.