

**Efficiency Maine Trust
Board Meeting Minutes
September 26, 2012**

Trust Board Members

● Naomi Mermin	● Ken Fletcher
● Jim Atwell	● Peter Merrill
● Glenn Poole	● John Rohman
● Al Hodsdon	● Doug Smith
● Brent Boyles	

Efficiency Maine Trust Staff:

- Michael Stoddard
- Dana Fischer
- Elizabeth Crabtree
- Ian Burnes
- Paul Badeau
- Lucia Nixon

Other Attendees:

- Thomas Palma, Unitil
- Avery Day, Pierce Atwood
- John Hastings, CMP
- Dick Bacon, JACO
- Jim Mayer, TRC
- Adam Gifford, CSG
- Kim Kenway, TESM
- Clyde MacDonald
- James Labrecque
- Calvin Luther, Bangor Hydro
- Natalie Hildt, NEEP

1.0 Welcome and Introductions

Naomi Mermin called the meeting to order at 9:30 a.m. with the introduction of new board members and general introduction from people in the audience.

2.0 Approve the Draft Agenda and Minutes

ACTION: Upon a motion duly made (Mr. Atwell) and seconded (Mr. Hodsdon), the Board voted unanimously to approve the draft agenda.

ACTION: Upon a motion duly made (Mr. Rohman) and seconded (Mr. Merrill), the Board voted unanimously to approve the minutes from the August 2012 board meeting, with correction of Ms. Beam's name.

3.0.a Triennial Plan Presentation

Mr. Stoddard delivered a PowerPoint presentation explaining the assumptions, rationale, projections, and budget scenarios used to create the Triennial Plan draft currently before the board. He explained that earlier drafts of the Triennial Plan did not include representation of long-term targets enumerated in statute. He thanked staff and stakeholders for their feedback.

Regarding the goal to reduce heating oil use by 20 percent by 2020, Mr. Fletcher commented that the marketplace is reacting to the high price of oil. In 2009, there was a 45 percent reduction of fuel use in the span of 5 years. More people are switching fuel and seeking alternative energy systems. LNG has brought a 10 million gallon reduction per year. Huhtamaki and five or six paper mills alone would save \$50 million. When people have options, they switch, he said, and suggested that the target of reducing 20 percent liquid fossil fuel consumption by 2030 will happen largely because of the market switching to natural gas.

Mr. Fletcher said they should hit the target, but not without effort. These are forecasts, and EIA forecasts are only as good as their assumptions, and they don't reflect the faster rate of change between fuel switching from heating oil to natural gas. They will see the rate will be much different. Mr. Stoddard also noted an error on slide 9, and the 30 percent reduction isn't depicted correctly.

Mr. Fletcher added that if we're always moving the 20 percent target goal post based on what's occurring now, we would never get to the goal and so there should be a discussion about a better way to depict the goal.

Mr. Stoddard suggested the need to set the target from the beginning. Mr. Fletcher explained that this was the dilemma the committee faced getting legislation in place for the first Triennial Plan. He suggested that the Trust should be measuring success in units of energy. Instead, the authors of the first plan followed the legislation and ended up with percentages, i.e., 30 percent, 20 percent, etc.

Mr. Stoddard emphasized that the Trust wants something that is transparent and standardized per industry approach, so that three years from now, the future board can determine where the

Trust intended to go and compare that with the actual progress. As is the case with the annual report, the Trust should be able to set up the number of unit energy savings, establish a target, and gauge progress. Mr. Stoddard pointed to the way the savings targets are represented on megawatts per peak demand savings, and suggested this would be a good model for most of the targets.. This tells more of the story and shows the bigger picture, and gauges progress compared to targets.

Ms. Mermin said that in deliberations, we need to understand where we are in terms of the legislative targets referenced in legislation, and what our metrics are realistically with data we have control over.

Mr. Stoddard clarified that Slide 12 depicted just the Unitil service area, and not all natural gas potential.

After the PowerPoint presentation, Mr. Fletcher asked to clarify Maximum Achievable Cost Effective (MACE) assumptions and to quantify the savings percentage per year.

Mr. Stoddard explained that a model was created by contractors who led the study, and determined a 1.6 percent average savings increase per year under a MACE scenario. Although MACE doesn't show a huge incremental savings per year, over a ten year period.

Mr. Fletcher said that it appeared that MACE provides a 1.7 percent savings vs 1.2 percent with Base funding. That's a \$174 million budget vs. an \$80 million budget over three years. We would increase funding over a factor of 2 to achieve a 1.6 percent savings vs. 1.2 percent savings. Ms. Mermin suggested that the additional savings shouldn't only factor three years of saving, but the cumulative sum over 10 to 12 years. Mr. Burnes confirmed that the spread between base and MACE scenarios gets larger as you get further along past the initial years.

3.0.b Triennial Plan Public Testimony

Mr. Kenway testified that multifamily units are using inefficient oil-fired units, and when he asked if electrical thermal storage was applicable for incentives or program benefits, a program manager responded that because of program design, they can't qualify. Are there any changes being considered?

Mr. Stoddard responded that there were no changes anticipated in the program regarding thermal storage. The current position is consistent with the directives of the Triennial Plan and also with the current Multi-Family Program design (that uses EPA Portfolio Manager to screen potential measures and estimate energy savings), both of which consider "source" energy. When source energy is considered, it appears that electric thermal storage will not generate any actual energy savings. However, Mr. Stoddard said that electric thermal storage is eligible for residential PACE loans, consistent with the PACE Act, so long as it is bundled with other energy saving measures sufficient to meet the US Department of Energy's threshold energy saving requirement. Mr. Stoddard indicated he would be preparing a written explanation of how

electric thermal storage is treated in Trust programs and indicated he is open to discussing the issue further with interested parties.

A question was raised asking if analysts working on the recent Cadmus Opportunities Study were asked to perform a three-year analysis vs. the 10-year program assumption for MACE. These numbers assume a ramp-up over 10 years, which has a slower ramp-up than a three-year period.

Mr. Burnes explained that for the Trust's most mature and popular programs, such as Business and Residential Lighting, there was no significant ramp-up difference. The Trust is also looking at opportunities as they arise, when bulbs or equipment burn out. There isn't much difference between 3 and 10 years in terms of ramp-up for the mature programs. Mr. Burnes also noted that another important number is the lifetime energy benefit under base funding is 416 million, vs. a lifetime benefit in MACE of 900 million. That's double the lifetime benefit. The first years' savings are not always the best gage to measure results.

Ms. Hildt from NEEP said that MACE pursues more measures that, while cost-effective, are not captured under base funding. Compared to other states, Maine is presently focusing on low-hanging fruit with its limited budgets. The state has an obligation to get the most savings from ratepayers. Efficiency is still cheaper than supply.

Mr. Cunningham from Unitil added that there is a legal charge requiring a detailed plan from the Trust calling for detailed funding recommendations from the board in order to meet targets. Statutory targets call for achieving all cost effective measures. It is incumbent upon trustees to recommend to the PUC that MACE is appropriate. He said trustees were obligated to follow statutory targets, and have an obligation to fund all cost effective as identified by the plan. He said there were also legal requirements to attain goals such as reducing 30 percent natural gas consumption by 2020, which can't be achieved unless budgets are maximized. The Trust is also required to reduce energy costs to the maximum extent possible, which he also said can't be achieved without MACE funding. He added that it was important to not "just pass along the plan as an either/or option." Mr. Cunningham concluded that the PUC needs hard and fast numbers, and MACE numbers were appropriate.

Mr. Fletcher questioned whether recommending MACE funding, with 1.6 percent savings a year, would achieve a 30 percent savings. If the target for electricity/gas is to reduce dependence 30 percent by the year 2020, and all fossil fuel reduction target is 2030, then at 1.6 percent, with 8 years left, he commented that we won't reach our targets.

Natalie Hilt from NEEP testified and began by congratulating the board and staff for creating the draft Plan. She said that base funding won't get Maine to where it needs to be or wants to be. She urged the board to recommend to the PUC to pursue a plan with a budget that funds maximum cost-effective programs. She added that the Trust and PUC have an obligation to fully fund a plan that has the best interests of ratepayers in mind. The commission has to procure

energy that is cost-effective, reliable and feasible. Maine spends the lowest per capita on energy efficiency than anyone in the region.

Mr. Fletcher referred to the chart on page 3 of her testimony that shows per capita spending as a percentage of savings. Under the MACE scenario, he said the trust would spend considerably more money, but get incremental savings. Mr. Fletcher said that if you look at Massachusetts and dollars per percentage savings, Maine is enjoying a better energy savings rate while spending less. Ms. Hilt responded that the cost will incrementally increase, but it's still cost effective and less than the cost of generation.

Mr. Stoddard clarified that the 1.3 percent savings achieved at MACE level is only for the first year.

Mr. Labrecque delivered testimony questioning why rebates were needed at all for energy efficiency and questioning the use of the targets. He stated that efficiency is half the cost of generation, and that giving financial incentives for energy upgrades simply allowed a handful of companies, particularly appliance manufacturers and vendors, to reap profits.

Ms. Theberge from the National Resource Council of Maine delivered testimony, and said that she talked to their members every day about energy efficiency, and has visited many businesses across the state that have taken advantage of efficiency programs, from mills to mom and pop establishments. She hears the great value they place on energy efficiency. She has also talked to vendors, and heard concern that EMT will be ramped down because of funding issues and lack of federal dollars. She has urged stakeholders to submit comments as part of the PUC's public comment process. She added that many businesses have made investments on the production side and have to scale back work because of reduced funding.

Ms. Mermin thanked presenters for their testimony, and seeing no further testimony, concluded the public discussion of the plan.

3.0.c Board Discussion

Ms. Mermin said her review of the Triennial Plan has been to focus on whether the plan fulfills requirements that meet the standards of state statute, and as they look at statute targets, to consider realistic and honest measures. Furthermore, she said she was mindful to seek realistic ways to implement and deliver programs to Maine residents that provide Mainers with the most cost-effective measures possible, using realistic metrics. As the representative of low income stakeholders on the Board, she added that she was pleased at how low-income goals were addressed in this new plan. She recognized Mr. Fletcher's efforts in the past year to push the Trust to help meet the needs of low-income Mainers, and she also noted her satisfaction that the highly successful lighting program is benefitting low-income Mainers and is continued in the Plan.

Mr. Boyles asked how much latitude the board has with the statute. He thought the statute was fairly broad. To pursue realistic cost-effective measures, he said, you need a starting point. When the first plan calls for a 30 percent reduction, from what point do you measure? If you move the starting point, you'll never get there. He asked how much latitude there was in interpreting statute, and whether there might be a need to change legislation.

Mr. Stoddard answered that the statute includes various long-range targets and funds authorized to meet them. Within each, there are other directives. It imposes what the trust shall do, and how it must spend certain minimums, such as spending 20 percent of its budget on low income needs, and that the Trust may or may not spend on other things. That is where the notion of pursuing all cost-effective is mentioned. Another target outlines 100 percent weatherization of homes in Maine. The plan must advance these targets, but there is a fair amount of latitude. He suggested that the law does not make it an obligation to reach the targets, but rather requires the Plan to put forward programs that advance the targets.

Mr. Smith suggested they read the language, specifically subsection C of section 10104. He suggested that trustees need to come up with a finding that the targets in paragraph F are consistent with those targets. He said he thought that the board has to use caution in its findings. In some areas, it is not likely the targets will ever be reached. He said he wasn't sure what the implications would be to pursue a plan with impossible targets to achieve. He also asked whether it was the board's responsibility to advocate for an increase in revenue

Ms. Mermin noted that in the first plan, the Trust attempted to meet certain goals, but didn't have adequate funding levels to achieve them, and anticipated ramping up years later. She reported that it created challenges from a management perspective to propose and have approved a plan that did not comport with the budgets that were ultimately authorized.

Mr. Stoddard said that the Plan's program budgets, designs, and implementation strategies are consistent with targets listed in paragraph F of the statute, as the law requires. He said the Trust was not doing anything inconsistent with targets.

Mr. Poole asked what was in the law about maximum achievable cost-effective (MACE) funding. Mr. Stoddard said the section that applies to MACE is to capture all cost-effective for utility ratepayers, but noted that having performed a study on what the maximum potential is, the Trust is not now going to propose a budget exceeding what has been identified in the study.

Mr. Stoddard explained that the Plan reflects the board's advice from earlier in the process to describe programs and metrics, and to create a solid working plan using funds currently authorized or reasonably expected (i.e., with Base Funding Scenario), and also to provide a description of a scenario of what else could be accomplished with MACE funding.

Mr. Hodsdon said that even if trustees made a recommendation for higher funding, he questioned how likely those funds would be to become available, and asked whether trustees had an obligation to pursue the path that most satisfies the statute.

Mr. Rohman said over the past three years, he and other trustees have struggled with this issue of unattainable targets. He said trustees may come to the conclusion that they don't think they can achieve these targets with our existing budgets. If the legislature wants this to happen, they need to come up with the financial support to do this.

Mr. Fletcher said the morning's comments have been useful discussion. He observed that new analysis shows how we could theoretically capture all cost-effective efficiency resources, but they don't say how long it will take to accomplish. The Trust has gained valuable experience, and can talk about electric savings. One important finding is that MACE offers a 16 percent saving, not 30 percent. The legislature can then make a decision to change that language so it doesn't cause angst. Weatherization of 100 percent of homes, unless we give the Trust the power of eminent domain, is an unrealistic goal. If someone chooses not to weatherize, said Mr. Fletcher, the Trust can't reach the goal. Only 60 percent of those who get an audit go on to weatherize.

Mr. Smith said trustees need to give serious consideration to the law, and noted that the PUC would be in a different position than it was when it reviewed the first Plan. He noted that the PUC is obligated to reject parts of the plan if it doesn't meet standards in the statute.

Ms. Mermin suggested narrowing the scope of what the board can do to see where we're consistent with statute. She said she had some discomfort that the Plan doesn't demonstrate that long-term targets will be reached, but said she was comfortable that those targets are broadly defined and that the outline and budgets presented show how the Trust could work toward advancing those goals. She said she would like to structure the next Trustee meeting to plan for a more detailed finding session.

Mr. Smith said that creating a written finding could be generated by staff with additional discussion from the board, and he said he needed more guidance before approving the plan. He said the board needs to be clear and careful of what its message is and what it does and doesn't accomplish under the law, and that policymakers also need to do their homework.

Ms. Mermin said trustees have a statutory authority to meet budget requirements. The list of targets and best practices is occasionally in conflict with each other. She expressed the need for explicit exploration of conflicts. Some targets calling for 100 percent attainment, for example, are unachievable. She suggested asking staff to explicitly review these conflicts so we have a paragraph addressing them within the document, and submit a written finding.

Mr. Poole said that a 30 percent target (for natural gas and electric consumption) is not achievable. A finding is that it's not achievable pursuing maximum cost effective. We may be able to spend money crazily, but it's inconsistent with the target to achieve, but not exceed, harvest of the maximum amount of resource that meets the cost-effective test. Another inconsistency is the demand reduction and electric efficiency numbers: if electric efficiency continues, we will far exceed the demand reduction target.

Mr. Merrill shared that the board's approach should be both practical and efficient.

Mr. Rohman shared that trustees have an opportunity to tout its successes, as well as an obligation to show how in order to meet certain targets, this is the dollar amount required.

Mr. Atwell asked whether a “finding” would include specific recommendations where changes should be made, and whether the board was obligated to be advocates for MACE funding.

Mr. Fletcher added that some of these targets are lofty goals, and felt that some people took them as absolutes. This will be a discussion every time the plan is revised, so adjustments should be made.

Mr. Boyles said that goals shouldn’t necessarily be all targets that can be achieved. We may increase some of them. His experience before utilities committees has proven that commissioners tend to be very receptive, and don’t have all the answers. There’s no harm in having qualified findings.

Ms. Mermin said that staff has excelled at delivering quality consumer-oriented programs, and has done a remarkable job. Regardless of budgets, she wants the PUC and other stakeholders to see from the Plan and annual reports and evaluation reports that staff runs excellent, cost-effective programs.

Ms. Mermin suggested scheduling a Strategic Planning Committee to review a draft of a bulleted qualified findings section, not more than one page, that would include high-level points to discuss at the full board meeting, so trustees can vote on specific language. The document should be short, tight, and succinct.

3.0 Presentation of Phil Hastings Award

Mr. Stoddard presented the Phil Hastings Award to Timothy Vrabel, Strategic Initiatives Specialist for Efficiency Maine. Mr. Stoddard said that Mr. Vrabel exemplified the spirit of the late Phil Hastings in many ways. The award is presented to an individual or organization that demonstrates extraordinary support for energy efficiency, advances the mission and principles of Efficiency Maine, provides superior service or support to Maine’s energy efficiency community, and makes a positive impact through more rapid adoption of energy efficient practices or technologies.

4.0 New Business

There was no new business.

5.0 Next Meeting Agenda

The next meeting will be held on October 24, at 9:30 a.m., at the Governor Hill Mansion.

6.0 Adjourn

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

Respectfully submitted by: Paul Badeau