Appendix G

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 VI.

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;

[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 VI, and how will the Trust meet that target?

In Triennial Plan VI, 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 four programs, as follows: (1) the portion of the spending from the Fund for Income-Eligible Home Programs specifically attributable to low-income households; (2) the portion of the spending from the Fund for Retail and Distributor Initiatives attributable to purchases by low-income customers;[8] (3) the portion of the Electric Vehicle Initiatives budget specifically allocated to vehicle rebates for low-income customers; and (4) the portion of the spending from the Fund for the Demand Management Program attributable to low-income customer enrollment in managed EV charging. As shown in Table 1, the Trust anticipates that it will exceed the statutory allocation requirement through the activities of these three programs.

Table 1: Triennial Plan VI Low-Income Electric Budget

Program	FY2026	FY2027	FY2028	Total
Portion of Income-Eligible Home Programs	$12,700,049	$16,117,049	$20,740,049	$49,557,146
Portion of Retail and Distributor Initiatives	$1,328,320	$-	$-	$1,328,320
Portion of EV Initiatives	$542,400	$748,512	$943,125	$2,234,037
Portion of Demand Management Program	$89,280	$123,206	$155,240	$367,726
Total	**$14,660,049**	**$16,988,767**	**$21,838,414**	**$53,487,230**
10% of Fund's Total Program Budget	**$8,662,695**	**$9,993,416**	**$12,521,111**	**$31,177,223**
Variance	**$5,997,353**	**$6,995,351**	**$9,317,303**	**$22,310,007**

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

For Triennial Plan VI, 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 the

[7] The program budgets for both the Electric Procurement and the Natural Gas Procurement 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] Appendix N, *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 Retail and Distributor Initiatives. Beginning part way through FY2026 and for the remainder of Triennial Plan VI, the Trust will leverage Climate Pollution Reduction Grant funds to support heat pump water heaters through Retail and Distributor Initiatives. As a result, Table 1 reflects partial funding from the Electric Efficiency Procurement Fund in FY2026, dropping to zero in FY2027 and FY2028.

following programs: (1) a portion of the spending from the Fund for the Commercial and Industrial Prescriptive (CIP) Initiatives attributable to projects completed at small businesses; (2) a portion of the spending from the Fund for Retail and Distributor Initiatives attributable to projects completed at small businesses; (3) the Demand Management Program's budget for all small commercial batteries; and (4) the portion of the Electric Vehicle Initiatives budget specifically allocated to vehicle rebates for commercial customers.

In the Small Business Initiative (SBI) – a targeted initiative within the Commercial and Industrial (C&I) Prescriptive (CIP) Initiatives – 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 Retail and Distributor 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, recent Maine Public Utilities Commission filings indicate that approximately 86% of the investor-owned utilities' non-residential customers are small commercial customers and approximately 13% are medium commercial customers, for a combined total of over 99%.[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 Initiatives participants installing electric measures were SGS customers, accounting for 22% of the incentives provided.[10] Though the Trust has not performed a survey to determine the percentage of CIP Initiatives participants that are MGS customers, it assumes that they comprise the majority of the remainder. As noted above, over 99% of non-residential customers are SGS or MGS. Larger users are more likely to participate in the Trust's C&I Custom Program.

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 Trust looked at FY2023 and FY2024 program data to determine what portion of heat pump water heater incentives in Retail Initiatives and Distributor Initiatives were applied to commercial installations.

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[9] Maine Public Utilities Commission, Versant Compliance Filing, June 25, 2024; Maine Public Utilities Commission, CMP Compliance Filing, July 11, 2024.
[10] Direct Technology/ESG, *Small Business Data Analysis V 2.0*, April 16, 2021, p. 8.

Given that these heat pump water heaters serve relatively small buildings, EMT assumes that all of these commercial participants are small businesses. The analysis found that 3.7% of heat pump water heater incentives through Distributor Initiatives went to commercial buildings. In Retail Initiatives, 1.8% of instant rebates for heat pump water heaters and 0.7% of mail-in rebates for heat pump water heaters went to commercial buildings. The Trust therefore assumes that 2.9% (the weighted average) of spending in the combined Retail and Distributor Initiatives Program is attributable to small businesses. The Trust also assumes that 100% of commercial installations of mini-split heat pumps are in small businesses, as larger facilities are more likely to employ different heating solutions such as rooftop units.

Fourth, the Trust assumes that 100% of the Demand Management Program's budget for small commercial batteries applies to small businesses, given that being an SGS customer is a prerequisite to participation. It also assumes that 99% of the Electric Vehicle Initiatives' budget for commercial vehicle rebates is attributable to small businesses, mirroring the aforementioned share of non-residential electricity customers that are either SGS or MGS. Because the Trust will require that each entity receiving an EV rebate enroll in the Demand Management Program's managed charging initiative, it assumes that the corresponding portion of that program's budget is further attributable to small business customers.

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 four programs.

Table 2: Triennial Plan VI Small Business Electric Budget

Program	FY2026	FY2027	FY2028	Total
C&I Prescriptive (CIP) Initiatives				
Small Business Initiative	$1,002,698	$962,590	$924,086	$2,889,373
Portion of CIP Initiatives Other	$8,253,541	$9,550,183	$11,115,530	$28,919,254
Portion of Retail and Distributor Initiatives	$338,813	$63,661	$63,661	$466,134
Portion of Demand Management Program	$116,597	$161,552	$204,149	$482,297
Portion of Electric Vehicle Initiatives	$703,296	$970,548	$1222,891	$2,896,736
Total	**$10,414,944**	**$11,708,533**	**$13,530,317**	**$35,653,795**
10% of Fund's Total Program Budget	**$8,662,695**	**$9,993,416**	**$12,521,111**	**$31,177,223**
Variance	**$1,752,249**	**$1,715,117**	**$1,009,206**	**$4,476,572**

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

For Triennial Plan V, the Trust looked at low-income consumers' share of gas load to determine a "reasonable percentage" Natural Gas Conservation Fund allocation. 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 because some low-income consumers, whose homes are heated by natural gas, do not have individual accounts but rather are tenants in multifamily apartments where they do not pay the natural gas bill. The Trust does not have data on the share of total load represented by low-income tenants residing in multifamily apartments. Even if it did, the Trust's analysis has shown that the achievable cost-effective potential in low-income multifamily 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. Taking all this into account, the Trust applied 1.0% of the total program budget for the Natural Gas Conservation Fund to Low-Income Initiatives in Triennial Plan V.

In the end, the Trust suspended its natural gas programs during the Triennial Plan V period due to a lack of cost-effective opportunity. However, upon screening natural gas measures using the new avoided costs for Triennial Plan VI, Staff found that residential weatherization screens as benefit-cost positive.[11] The Trust has therefore budgeted Natural Gas Conservation Fund dollars to the Income-Eligible Home Programs in an amount estimated to capture the limited universe of cost-effective building envelope projects in single-family homes on natural gas ($100,000 specifically for low-income households in each year of the Plan) rather than using a load-based allocation. For low-income tenants residing in multifamily units, the Trust will target cost-effective saving opportunities through its CIP Initiatives, working directly with property managers using RGGI and Inflation Reduction Act (IRA) Home Energy Rebate funds.

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

As noted in Question 13, the Trust suspended its natural gas programs during the Triennial Plan V period due to a lack of cost-effective opportunity. Commercial natural gas measures were proving extremely cost-effective, such that they will persist in the market in the absence of an incentive. In addition to determining that the efficient measures effectively constitute the baseline, the Trust observed that the opportunity is drastically diminished, with activity declining considerably in recent years. That said, these measures will remain suspended during Triennial Plan VI. The Trust is therefore not setting a small business allocation target for this Fund. As a side note, the Trust seeks to work with the natural gas utilities to explore updated approaches to funding cost-effective projects through the C&I Custom Program, such as via project-based assessment). Should this come to fruition, the opportunity would be available to small business customers.

15. Does this conclude your testimony?

Yes.

[11] For more information, See Appendix M: *Natural Gas Programs*.