Comments of Natalie Hildt, Manager of Public Policy Outreach
Northeast Energy Efficiency Partnerships (NEEP)
Regarding the Efficiency Maine Trust Triennial Plan 2011-13
PUC Docket 2010-116

May 7, 2010

Sharon M. Reishus, Chairman
Jack Cashman and Vendean Vafiades, Commissioners
Maine Public Utilities Commission
18 State House Station
Augusta, ME 04333-0018

Commissioners Reishus, Cashman and Vafiades:

On behalf of Northeast Energy Efficiency Partnerships (NEEP)[1], I thank you for the opportunity to comment on the Efficiency Maine Trust's First Triennial Plan.

NEEP is a regional nonprofit that promotes the efficient use of energy in homes, buildings and industry in the Northeast. We advance cutting-edge products and practices through coordinated, whole-building efficiency programs and policies. Saving energy creates a stronger economy, a cleaner environment and a more reliable and affordable energy system.

General Support, Concerns over Funding

NEEP applauds the spirit and direction of the Triennial Plan. We see many good ideas on program design, and we appreciate what has been built in for flexibility, innovation and growth. The Trust has drawn from Maine's own experiences together with some of the best practices in the region. This is evident in terms of program design as well as coordination of programs with policies such as building codes and appliance standards.

We are, however, concerned about the **overall funding level** of $191.8 million proposed over three years when compared against the trajectory of cumulative annual savings goals laid forth in the Efficiency Maine Trust Act, 35-A-MRSA §10103. By starting out so slowly, Maine will have significant difficulty reaching long term savings by 2020. Maine has the choice to

[1] These comments are offered by NEEP staff and do not necessarily represent the view of the NEEP Board of Directors, sponsors or partners.

meet its energy demands by investing much more in energy efficiency— which is cheaper, cleaner and an engine of economic growth[2]— or to invest in fossil fuel generation.

Other states in the region have recognized the need to significantly ramp-up funding at the outset of their three year plans to set precedent, capitalize on the momentum of setting policies to capture all cost-effective efficiency, and create greater understanding among ratepayers of the costs and benefits of the programs as they progress through subsequent planning cycles. In states with three year plans, including Vermont, Rhode Island and Massachusetts, Maine is the only one where funding remains essentially flat in all three years.[3] The others aim for a gradual increase in total program spending, including American Recovery and Reinvestment Act (ARRA) funds. We are glad to see the modest change from the draft plan. The proposed slight ramp-up in the system benefit charge (SBC) should hold funding steady after ARRA money is depleted.

The Triennial plan proposes significant increases in both the electric and natural gas assessments for FY 2012 and FY 2013, with the total electric systems benefit charge (SBC) more than doubling by 2013, from $13.2 million to $29.2 million. It is critical that the PUC works to advance legislation that will support a ramp up in the SBC, which admittedly will face legislative challenges. We believe that the Trust will help Maine take the long view and reap the multiple benefits of investing in energy efficiency.

A second funding concern pertains to how the Trust plans to **secure and maintain funding for all-fuel programs** designed to deliver thermal savings. While we understand that ARRA funding will be used for this purpose in FY 2011, we urge the PUC to lend its support to efforts to create a heating fuel surcharge. NEEP is closely monitoring discussions around bill impacts of increased efficiency surcharges and ramped up investments in neighboring states, and we are prepared to help make the case for strong and stable funding mechanisms to continue delivering efficiency programs to Maine's residents and businesses, regardless of fuel type.

Lastly, we are also concerned with the **level of funding allocated to program evaluation**. By NEEP's calculation, the percentage of the budget for evaluation starts at less than .9 percent in the first year of the plan and inches up to 1.75 percent, or $1.1 million in 2013. By comparison, other states in the region typically spend about three to five percent of their efficiency budgets on evaluating the effectiveness of programs and to determine whether the savings anticipated were actually delivered to ratepayers.

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[2] See the Environment Northeast Report online: Energy Efficiency Engine of Economic Growth.
[3] See Appendix A for analysis of efficiency funding ramp ups for states with three year plans.

It is unclear whether the Commission has made arrangements for program evaluation beyond the one percent fund for oversight and evaluation referenced in the Efficiency Maine Trust Act.[4] In any event, we encourage the PUC to increase spending on evaluation of Trust programs so that it approaches parity with neighboring states. This is especially important with new programs in the early phases of delivery, as evaluation efforts will help ensure better program design in the future and provide for greater certainty in program savings impacts and the extent that programs are meeting the state's energy savings goals.

With regarding to the state's current evaluation activities, we acknowledge and appreciate Maine's commitment to the development and use of common and/or consistent EM&V protocols for program evaluation in region, as demonstrated by the state's participation in NEEP's Regional EM&V Forum. As Maine's representative on the Forum's Steering Committee, Chairman Reishus provided excellent leadership in 2009 as co-chair. We value the Commission's continued participation in the EM&V Forum this year, and encourage the use of Forum products recommended by the Forum's Steering Committee for state adoption. To date these include the EM&V Glossary of Terms which was adopted by the Steering Committee in 2009, and two forthcoming products: Regional EM&V Methods and Savings Assumptions Guidelines and Common Statewide Energy Efficiency Reporting Guidelines.

Jobs and the Economy

It is in Maine's economic interest to maintain and advance robust efficiency investment. Maine should strive for energy efficiency funding in parity with surrounding states, so that businesses in the energy efficiency sector will be confident of their work prospects rather than migrate to other states who have demonstrated a strong and prolonged investment in efficiency.

According to a study by the Pew Charitable Trusts, "clean economy" jobs in Maine grew by 22.7 percent from 1998 to 2007, while total jobs in the state grew by 3.3 percent. This growth rate reflects the tremendous potential of efficiency to both directly and indirectly contribute to the state's economy.

Investing in energy efficiency yields enormous net economic gains, on a micro level— by leaving money in people's pockets to spend on other goods and services - and on a macro level — by holding down wholesale electricity costs, creating jobs, and bringing in tax revenue from profitable businesses.

[4] See 35-A-MRSA § 10120 Section 3, "Oversight and Evaluation Fund."

A Program "Loading Order" of Efficiency First

In terms of program strategies, the Triennial Plan should set a mantra of **"efficiency first."** That means that ideally a building is made as tight as it can be through air sealing and insulation *before* investments are made in heating and cooling equipment. Otherwise, the most efficient heating system will simply heat the outdoors. We are glad to see the language to this end a bit stronger compared to the draft, as on page 34 of the plan questions the wisdom of putting high efficiency heating equipment into a poorly insulated house. Likewise, renewable energy systems should not receive incentives before much more cost-effective efficiency improvements are made to the building. We are glad to see on page 34 of the Plan that the Trust is advocating for prioritization of efficiency measures, however we would still suggest changing the order of items two and three to reflect the reality that investing in efficiency is more cost-effective than renewable energy.

Market Channel Coordination

Manufacturers and distributors want to have common programs and protocols— that is why we are glad that Maine is coordinating their market approach and partnering with neighboring states, some of which is facilitated by NEEP. Through our Regional Deployment Initiatives, NEEP collaborates with efficiency program administrators and market actors to increase the availability and adoption of quality energy efficient practices, technologies, and whole building solutions that minimize energy use. We look forward to working with Maine in this area for both residential and commercial programs and technologies.

Residential Strategies

NEEP has some concern about the lack of contractor infrastructure that currently exists in Maine and believes this will hinder the Trust's ability to deliver programs such as Home Energy Retrofit. In order to capture savings, we believe that Efficiency Maine will need a direct install program with the program's own dedicated contractor for the first year or two while also investing in workforce development. We recommend that the Trust put more money into the program up front, both to market to trades people and to coordinate among them to optimize whole building approaches to energy savings.

If the Trust spends funds marketing to consumers too early, they risk building demand without having the real skilled workforce to deliver the programs effectively. Ultimately, NEEP believes that the Home Energy Retrofit budget is probably inadequate to get the front loaded savings that would be needed in order to get to the ultimate savings targets.

Furthermore, rather than the current focus on early retirement of heating equipment, NEEP believes it would be more important and impactful to educate and incentivize contractors who work with customers on their heating equipment choices. As it is structured now, it appears the heating system program will compete with Home Energy Retrofit Program. We understand that the Trust has structured heating incentives to cover incremental costs on replacement of failed equipment. However, the Trust should discourage voluntary participation in the heating program until customers have addressed home performance concerns, or at least highlight the effectiveness of this "loading order" as mentioned above.

NEEP believes that the Lighting and Appliances Program offers a good approach overall. Again, we encourage the Trust to do more than focus just on rebates and work upstream through regional collaboratives. Maine is an immature market in terms of efficient lighting. The market can soak up as much money as the Trust put into it. Reallocating more money to lighting is one way help Maine get the energy savings targeted.

Page 41 of the Plan discusses the Energy Star New Homes program, which NEEP sees as an outstanding way to get to energy savings beyond code. We support the Trust in its attention to high performance and micro-load tiers and the development of a pilot program to move beyond code in 2012. We also applaud the emphasis on code enforcement and training, discussed on page 75 in the Enabling Strategies section.

Business Strategies

Overall, NEEP supports the approach laid out in for the business programs. As the PUC may know, there is substantial regional collaboration occurring already, including the Collaborative for High Performance Schools (CHPS) and work on lighting and retail products. Participating in these joint efforts will help Maine stretch its ratepayer efficiency dollars. We are a little concerned about the role of the Solution Provider as described, and we remind the Trust that they can offer tools in place throughout the region and learn from best practices of neighboring program administrators, rather than attempting to reinvent the wheel. Again, NEEP would be happy to help in this regard.

Coordinating with Codes, Standards and Building Energy Rating

Regarding building energy codes and appliance efficiency standards, the Plan provides a good blueprint for how policies can and should work hand-in-hand with programs to "lock in" savings and advance the hand in hand progress of energy efficient technologies and practices. The Plan's emphasis on building energy labeling also notes appropriately how it's a consistent strategy with building retrofits and that the savings will need to come from there, i.e., involving the market in a different way to help push a program strategy. We would emphasize that the Trust is in a unique position from which to advocate for these complementary policies because you can witness and testify to the effectiveness of having these work hand-in-hand with the programs to both “pull” and “push” markets. Although such work is outside of the Trust’s formal public policy bailiwick, we encourage you to use this platform to advance such co-evolution of programs and policies either legislatively or administratively.

Maximize Enabling Strategies and Coordination

NEEP is glad to see a strong emphasis on leveraging various and complimentary energy efficiency programs and policies. These include consumer education, working with upstream market actors, coordinating with codes and standards efforts, and other strategies to encourage a whole-building approach to efficiency. The Trust should use every opportunity at its disposal to advocate for the enabling strategies listed in the plan, because these will not only help solidify the savings those program can achieve, they will do so on very cost-effective terms.

We encourage the Trust and the legislature to find a way to go further and do more towards capturing all cost-effective efficiency— not only for electricity and natural gas, but for fuel oil as well. This will help drive the economy, build stronger businesses, put money back in people’s pockets as well as curbing emissions.

Conclusion

We congratulate the Efficiency Maine staff, the Efficiency Maine Trustees and their expert consultants in Dunsky Energy Consulting and Optimal Energy for a well-conceived and cohesive strategy to deliver efficiency programs to residential and commercial customers. Again, NEEP’s overarching concern is that the programs are underfunded relative to both the goals set forth in the enabling legislation, and the potential to save ratepayers money by helping them make their homes and buildings more efficient. Every year Maine waits to aggressively ramp-up efficiency, it will be harder to meet ambitious goals such as reducing electric and gas consumption 30 percent by 2030, weatherizing all homes and half of businesses by 2030, and reducing oil heat use 20 percent in the next ten years.

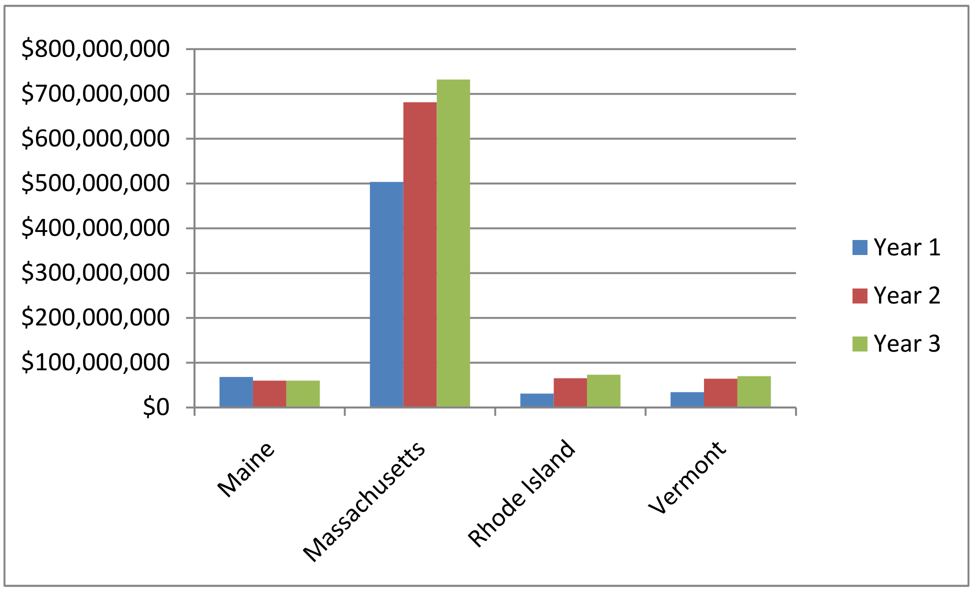
With insufficient funding, the state may have to shut down programs early if demand outstrips budgets. This would leave customers stranded, and leave savings on the table. We urge the Trust, the PUC and the legislature to work together to find solutions to invest in all-fuel, all cost-effective efficiency, truly harnessing the potential of efficiency to deliver benefits to ratepayers, the economy and the environment. We thank you for the opportunity to provide comment on this important plan, and we stand ready to support Maine in its efforts to deliver on the promise of energy efficiency.

Appendix A: Program Funding Summaries and Analysis

Comparison of Per Capita Energy Efficiency Spending for States with Three Year Plans:

- Maine: $49
- Massachusetts: $90
- Rhode Island: $51
- Vermont: $89

Ramping up to All Cost-Effective Efficiency: 3 Year Plans in Neighboring States



Most states aim for a gradual increase in total program spending over their three years, including ARRA funds:

- Maine: Funding essentially remains flat
- Massachusetts: increase from $503.4 million in Year 1 to $732.3 million in Year 3
- Rhode Island: $31.1 million in Year 1 to $73 million in Year 3
- Vermont: $34.4 million in Year 1 to $69.8 million in Year 3

While these are generous figures because of ARRA money, each of the states still ramps up efficiency investments, independent of federal funding. Massachusetts' Year 3 budget continues to grow even after ARRA funds have run out.

The Massachusetts and Rhode Island Three-Year Plans, which are similar to Maine in that they use a collaborative stakeholder process and input from technical consultants, feature significant increases in ratepayer contributions in first year:

- Massachusetts: $126.3 million in EERF funds, or 42 percent of total funding
- Rhode Island: $9.45 million in new SBC charges, or 30 percent of total funding