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Testimony of the Efficiency Maine Trust
Michael D. Stoddard, Executive Director

LD 946 –
Resolve, to Increase Access to Energy Efficiency Programs by Low-income and Moderate-income Residents

Presented to the Joint Committee on Energy, Utilities, and Technology

March 26, 2025

Senator Lawrence, Representative Sachs, and Members of the Committee on Energy, Utilities and Technology, I appreciate the opportunity to testify today on behalf of the Efficiency Maine Trust (the Trust) on LD 946.

Nobody disputes the importance of making energy efficiency programs accessible to low- and moderate-income (LMI) Mainers.

The Trust is a strong supporter of the bill's objectives. We have worked hard to ensure fair access to the Trust's programs for consumers of all income levels (and for all Maine businesses and institutions as well) and to increase the number of good jobs to be filled in Maine.

The Trust is proud of its success in facilitating access to energy efficiency programs for LMI households. For example, the Trust:

- Through its nationally recognized heat pump programs,[1] provided incentives resulting in:
    - 4,288 LMI homes converting to heat pumps as their primary heating source since July 2024, averaging 536 per month;
    - more than 9,500 heat pumps installed in low-income homes from FY2013 through FY2024;
- Planned for, proposed, and is prepared to administer federal grant funds:

[1] American Council for an Energy Efficient Economy (ACEEE), 2024 "Leader of the Pack" Award, given to Efficiency Maine Trust for its programs supporting beneficial electrification.

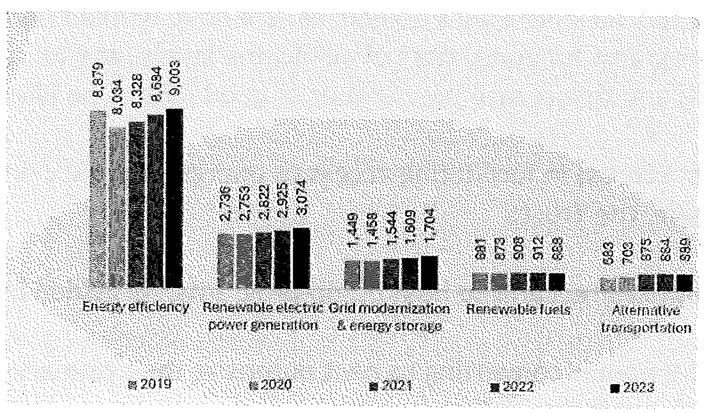
- o more than $34 million of which is to be received through the Governor's Energy Office for energy efficiency improvements in low-income, multifamily buildings, and
- o an additional $20 million of which is now being used to convert manufactured (mobile) homes, occupied by low-income households, to high-efficiency heat pumps;

- Since 2015, subsidized the installation of 13,130 high-efficiency heat pump water heaters in low-income homes;
- Weatherized 4,590 LMI homes since the start of FY2023, averaging 143 per month.
- Made low-interest loans worth more than $1.7 million for home energy improvements to more than 400 LMI households;
- Provided 444 elevated rebates (up to $7,500) for LMI individuals to purchase or lease electric vehicles (including used EVs);
- Instituted changes to program designs and processes to facilitate program access for LMI consumers, such as:
  - o Offering differentiated ("tiered") incentive levels to offer elevated rebates for income-eligible consumers;
  - o Expanding eligibility for Low-Income consumers from the original criteria (LIHEAP participants) to include participants in TANF, SNAP, and MaineCare;
  - o Expanding eligibility for Moderate-Income consumers where practical.

And the Trust's programs have had tremendous success in adding good jobs to the Maine economy. The Trust's programs build demand for equipment and the services needed to sell, install, operate, and maintain that equipment.

As shown in Figure 4 of the recently published report by the Governor's Energy Office,[2] energy efficiency is responsible for the vast majority of clean energy jobs in Maine today.

Figure 4. Clean Energy Employment in Maine by Technology Sector, 2019-2023



[2] GEO, "2024 Maine Clean Energy Industry Report," March 2025, p. 11.

Anecdotally, these are good paying jobs at good wages. Typical starting wages for weatherization technicians is $20/hour; typical starting wages for heat pump installers is closer to $25/hour. There are currently 68 firms registered with Efficiency Maine to provide home weatherization services; more than 600 firms and individuals are registered to install home heat pumps. (Additionally, firms provide similar services for commercial customers.) Nearly all of these firms are family-owned, small businesses, commonly having fewer than 30 employees.

The Trust has required and supported training to ensure these trades people deliver quality work to Maine consumers. The Trust's programs provide scholarships for people in the trades to attend courses in the Community College system, or at the Maine Energy Marketers Association, or other qualified locations. These formal courses are supplemented by industry-organized trainings hosted by manufacturers and/or the supply houses throughout the state.

One might reasonably ask if there is a problem here that needs to be fixed.

Notwithstanding our dedication to the bill's objectives, we cannot support this bill. This bill, while well-intended, cannot be implemented without imposing severe risk of disrupting the programs that have been so successful to date.

We offer the following observations in order of priority.

1. Section 3 – Wage reporting

Section 3 in the Sponsor's amendment to this bill requires the Trust, and all the contractors that work on projects funded by the Trust, to demonstrate compliance with fair wage standards and participation in sanctioned apprenticeship programs. Nobody at the Trust disagrees that fair wages are important. And we are confident that employees on these projects are being paid appropriate wages. However, we are certain that establishing these requirements on hundreds of small businesses – electricians, plumbers, HVAC installers, insulation techs – to track, collect, and report the wages of every employee on the tens of thousands of small projects that receive rebates from the Trust will impose a significant burden. Tracking and collecting this data is not something most of these firms currently do, nor is it something the Trust generally oversees. In our experience, these kinds of requirements are most appropriate when public funds are used on very large public infrastructure projects, like building a school or a bridge.

The burden of these reporting requirements will translate into higher prices for heat pump projects, making them less attractive when compared to other heating systems that do not receive incentives from the Trust (and would be unaffected by the reporting requirements of this bill). Partly the price increase will result from the installers recovering the cost of tracking and reporting this data. And partly it will be a consequence of the many small, family-owned businesses discontinuing participation in the Trust's programs. They just won't put up with this level of bureaucracy. When they leave, consumers will have fewer choices among contractors, and contractors will face less competition. They will raise their prices accordingly, meaning consumers will pay more than they would have or just skip the project altogether.

The Efficiency Maine Trust's heat pump programs are held up by experts and trade associations as one of the best in the country, an example for others to follow. When asked what the keys are to this success, we point to (a) competition within a healthy, robust marketplace of contractors; (b) keeping it simple by avoiding prerequisites, standards or procedures that are not directly related to the energy performance (and savings) of the equipment; and (c) continuity, of funding and program rules, that enables contractors and consumers to predict and plan for the availability of rebates on qualifying projects. The requirements proposed in Section 3 of the bill will significantly undercut the first of these two characteristics, and would have serious consequences undermining the productivity of the Trust's programs.

2. Sections 1 & 2 – Mandating budget allocations at the Trust

Sections 1 & 2 of the bill would require the Trust to ensure that a fixed percentage of the Trust's rebates and/or budgets be distributed annually to low-income and moderate-income households. Everybody at the Trust wants to see fair access to the Trust's programs for these households, and the evidence suggests that the Trust has been, and will continue to be, successful in achieving such access.

There are several problems with the proposed mandates that concern us, and they have little to do with which groups of customers stand to benefit.

One problem is that when you establish a minimum percentage of the projects or budget that must be spent on a target segment of the market, you almost certainly will cause major disruptions to the marketplace. Inevitably, either the target group or the other customer groups will hit the threshold of their quota before the end of the fiscal year. Suppose, hypothetically, the bill were passed as drafted and then the non-LMI segment of the market reached its 50% of a program's budget half-way through the fiscal year. That market would then have to be shut down for the entire third and fourth quarters, waiting for the start of the next fiscal year.

In this hypothetical, all of the vendors and contractors serving the non-LMI market, and all of their customers, would have to wait. In the interim, even if contractors shift to serving the LMI market, it will take them time to rebuild their pipeline of projects. The delays can lead to laying off workers due to the slower sales cycle and reduced pipeline of project work. When they lay off staff, those staff may not come back when the program is re-opened to their core clientele. The contractor firm will have lost an experienced, trained employee. Meanwhile, consumers undertaking new construction projects, or whose old equipment has burned out and needs immediate replacement, cannot wait six months. Without access to the Trust's rebates, they will make due with the lowest-priced, less-efficient model. And during the suspension of the program for that market segment, the contractors will stop marketing and upselling the more efficient units, while supply houses will stop ordering the efficient units to restock their shelves. It is disruptive to the marketplace to turn energy efficiency programs on and off like a switch.

A second problem with the mandatory apportionment of these budgets is that it conflicts with, and will impede the Trust's ability to pursue, certain energy resources at the lowest cost to ratepayers and in the interest of lowering rates for all ratepayers. Prime examples of where the mandatory apportionments would be inappropriate because they would impede lower rates for all ratepayers are:

- Non-wires alternatives – procuring the lowest cost transmission and distribution (T&D) solutions available, regardless of where they are found or what customer group hosts them, should not be bound by set asides and allocations;
- Demand Management – harvesting the lowest cost opportunities available to shave or shift peak demand and expand grid flexibility, and initiatives to achieve these outcomes, should not be bound by set asides and allocations;

Similarly, pursuing pilot projects hosted at customer sites that offer the most appropriate characteristics to test new equipment types or processes, should be pursued at the lowest cost and not be bound by set asides and allocations.

A third concern with the mandate of Section 2 is that it is incompatible and unworkable with certain types of programs that serve residential customers. Our success in transforming the marketplace for LED lights and heat pump water heaters is due to instantaneous mark-downs at check out in rerail stores and wholesale supply houses. However, it is highly impractical to require sales staff in retail or wholesale stores to gather or report income data and demographic data at the point of sale. Similarly, consumers (or their contractors) shopping at those locations cannot be expected to bring income verification information with them at the time of sale. And there is not a practical or low-cost way for the Trust to gather this information in a timely manner so that annual budgets can be kept within the mandates of Section 2. Programs that the Trust administers at point of sale are not a good fit with, and should not be subject to, mandatory budget allocations.

A fourth concern is that the approach of Sections 1 & 2 overrides several important policy objectives set by the Legislature (after a thorough public process) and conflicts with the Trust's fiduciary duty to the sources of the funds and/or with objectives set in statute. For example, the standard that the Trust's electric efficiency programs and natural gas efficiency programs are mandated to pursue is the Maximum Achievable Cost-Effective ("MACE") energy savings. This standard is in furtherance of "maximizing the total electricity savings for all ratepayers."[3]

[3] 35-A MRS §10110(4-A)(C).

To achieve this, the Trust's programs need to marry consumer demand with achievable, cost-effective efficiency opportunities wherever they may be found. These opportunities fluctuate across customer segments, regions of the state, and time periods. It constrains the Trust's ability to meet the statutory standard if a fixed percentage of the measures or budgets is mandated to go to a prescribed segment of the market in any given year. As to the use of RGGI funds, the statute directs that the Trust shall "give priority to measures with the highest benefit-to-cost ratio ... and that (a) reliably reduce [GHG] and heating energy costs ... at the lowest cost in funds from the Trust per unit of emissions or (b) reliably increase the efficiency with which energy ... is consumed at the lowest cost in funds per unit of energy saved."[4] Prescribing a fixed percentage of the budgets from RGGI in a given year is inconsistent with the existing directives of the statute.

Finally, we are concerned about the precedent this bill would set. It seems likely to subject the Trust's funding to a never-ending battle of interest groups, shifting from Legislative session to session. Not only will this precedent tend to undermine consistency and sustained, predictable funding for key energy and environmental priorities, it will stunt the competitive marketplace that has made these programs the envy of the rest of the country.

We encourage the Committee to recognize that the core the objectives of this bill have already been codified in the statute, and to believe the Trust when we say that we are fully committed to seeing these objectives fulfilled not only in our electric conservation programs, but across all non-restricted funding sources. The current statute says that the Trust's electric conservation programs must:

- "To the greatest extent practicable, apportion ... funds among customer groups and geographic areas in a manner that allows all [ ] customers to have a reasonable opportunity to participate in one or more conservation programs.[5]
- "... seek to implement the delivery of conservation programs in all regions of the State on an equitable basis and to citizens at all income levels."[6]

3. <u>Section 4 – Integrating low-income weatherization programs of the Trust and MaineHousing</u>

The exact intent of section 4 of the bill, as amended by the Sponsor, is unclear. It appears to seek to take funds from the Trust and add them on top of the funds managed by MaineHousing to deliver weatherization for low-income homes. As with other elements of this bill, the intentions are good. But what would be lost by merging these funds is more than would be gained.

[4] *Id.*, §10109(4)(A).
[5] *Id.*, §10110(2)(B)(3).
[6] *Id.*, §10110(3).

First, as noted in the prior section, there are existing restrictions on the funds that the Trust administers from RGGI. The proposed uses of Section 4 of this bill are in conflict with those restrictions.

Second, there is some important context to the existing division of duties between the Trust and MaineHousing that simultaneously advances objectives of equity and fairness for the low- and moderate-income households of Maine while meeting climate targets for the state. The Trust's LMI initiative is strategically designed to complement – not duplicate -- MaineHousing's Weatherization Assistance Program (WAP).

- WAP focuses on homes having the highest energy burden and/or most vulnerable populations; the Trust's LMI program focuses on households that have sufficient credit or savings to make a small contribution to the project cost.
- The WAP administrators select the customers who will receive weatherization; the Trust LMI program sets eligibility criteria but relies on contractors to market the program and customers to decide if they want to do a project and which contractors to use;
- WAP provides "deeper" retrofits that achieve greater energy savings, but also incur higher project cost and touch fewer homes per public dollar invested; the Trust's LMI programs use a market-based approach where the projects don't achieve as deep savings as WAP, but also don't cost as much and touch more homes per public dollar invested.

Given these points, and the balanced benefits they achieve, we do not think it in the best interest of equity or the environment to "braid" together the funds of the Trust and the WAP programs.

There are too many questions about the details of this bill, and too many risks of unintended consequences.

For the reasons enumerated above, we ask that you vote "Ought Not to Pass."

Respectfully submitted,

/s/MDS__________
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