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2011 Annual Report
of the
Efficiency Maine Trust

December 1, 2011

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Executive Summary

This is the Annual Report of the Efficiency Maine Trust for Fiscal Year 2011 (FY11). The period covered is July 1, 2010 to June 30, 2011.

As described in this report, the Trust managed funds to administer programs promoting energy efficiency and customer-owned alternative energy. As in previous years, a significant portion of the Trust's funds derived from Maine's electricity customers, through the System Benefit Charge (SBC) and the Regional Greenhouse Gas Initiative (RGGI) and were deployed to help lower electricity costs. In the aggregate, these electric programs avoided wasting 1.67 billion kWh of electric consumption and lowered present and future electric costs in Maine by more than \$127 million. Table ES-1 summarizes the results of the Trust's electric efficiency programs and alternative energy programs:

Table ES-1 – FY11 Benefits and Costs of Efficiency Maine Electric Programs

| Program | Lifetime kWh Savings | Efficiency Maine Costs | Participant Cost | Lifetime Energy Benefit | Benefit To Cost Ratio |
|----------------------------------|-----------------------------|-------------------------------|-------------------------|--------------------------------|------------------------------|
| Business Program | 586,638,242 | \$ 11,045,371 | \$ 10,145,729 | \$ 47,315,549 | 2.23 |
| Competitive Bid Projects | 423,281,776 | \$ 4,717,139 | \$ 8,461,453 | \$ 28,533,872 | 2.17 |
| High Performance School | 6,077,578 | \$ 853,448 | \$ 189,088 | \$ 535,054 | 0.51 |
| Residential Lighting | 614,388,191 | \$ 4,039,443 | \$ 6,534,669 | \$ 46,745,171 | 4.42 |
| Residential Appliances | 39,036,190 | \$ 1,533,022 | \$ 1,415,947 | \$ 4,391,481 | 1.49 |
| Low Income | 5,972,672 | \$ 325,515 | \$ - | \$ 465,922 | 1.43 |
| Education & Awareness | - | \$ 303,375 | \$ - | \$ - | - |
| Total | 1,675,394,649 | \$ 22,817,311 | \$ 26,746,885 | \$ 127,987,049 | 2.58 |

In FY11, a notable change from past years was the influx of significant funds from the federal government's American Recovery and Reinvestment Act (ARRA). Because the one-time federal funds were not restricted to benefitting electricity customers, most of these funds were focused instead on programs to lower Maine customers' heating oil costs. In the aggregate, these all-fuels programs leveraged \$46.8 million in private investments in Maine's energy infrastructure and are projected to lower Mainers' present and future energy costs by nearly \$321.5 million. Table ES-2 summarizes the results of the Trust's "all fuels" energy efficiency and alternative energy programs.

**Table ES-2 – FY11 Benefits and Costs of Efficiency Maine All-Fuels Programs
Funded by the American Recovery and Reinvestment Act (ARRA)**

| Program | Lifetime Energy Savings (MMBTU) | Efficiency Maine Costs | Participant Cost | Lifetime Energy Benefit | Benefit-To-Cost Ratio |
|-------------------------------------------------|---------------------------------|------------------------|---------------------|-------------------------|-----------------------|
| Commercial Projects | 251,069 | \$ 1,462,555 | \$ 2,819,397 | \$ 9,363,039 | 2.19 |
| Competitive Bid Program (GHG Reductions) | | \$ 3,434,218 | \$15,894,752 | \$ 197,588,241 | 10.22 |
| Commercial New Construction (ME Advanced Bldg) | 9,481 | \$ 224,022 | \$ 91,388 | \$ 231,934 | 0.74 |
| Retro-Commissioning | 119,541 | \$ 343,411 | \$ 416,682 | \$ 2,303,433 | 3.03 |
| Small Business Energy Audits | | \$ 205,288 | \$ - | | |
| EECBG Municipal Grants | | \$ 3,373,243 | \$ 374,805 | | |
| Home Energy Savings Program | 4,820,173 | \$ 8,588,496 | \$20,368,825 | \$ 101,335,965 | 3.50 |
| Replacement Heating Equipment | 179,825 | \$ 1,207,895 | \$ 456,127 | \$ 2,235,866 | 1.34 |
| Solar/Wind Rebate | 80,595 | \$ 571,528 | \$ 4,765,571 | \$ 1,583,307 | 0.30 |
| Renewable Resource Fund Supplement | | \$ 469,027 | \$ 137,390 | | |
| Building Operator Certification (BOC) Trainings | 346,382 | \$ 83,362 | \$ 1,559,556 | \$ 6,847,967 | 4.17 |
| Total | | \$ 19,963,044 | \$46,884,493 | \$ 321,489,752 | 4.81 |

As discussed in the Financial section of this report, the Trust paid out \$44.6 million in FY11 to fund the programs described above. Table ES-3 provides a summary of the Trust’s payments during the year.

Table ES-3 – FY11 Payments Made

| Expenditure | Amount (\$) |
|--------------------------------------------|---------------------------|
| Administrative | 2,283,217 |
| <u>Residential Programs</u> | <u>15,345,702</u> |
| • Low Income | • 292,073 |
| • Non-Low Income | • 15,053,629 ¹ |
| <u>Business Programs</u> | <u>23,719,598</u> |
| • Medium and Large Businesses | • 8,959,827 |
| • Small Businesses | • 6,436,426 |
| • Prescriptive Incentives (All Businesses) | • 8,323,345 |
| <u>Enabling Strategies</u> | <u>2,633,100</u> |
| • Financing and Training | • 289,537 |
| • Codes and Standards | • 122,226 |
| • Education and Awareness | • 2,060,509 |
| • Evaluation | • 160,828 |
| Capital Outlay | 109,877 |
| Inter-agency Grants | 515,670 |
| Total Payments | 44,607,167 |

The Finance and Administration section also reports on the results of the Financial Report and the Single Audit Report prepared by an independent auditor. The audit issues an Unqualified Opinion and finds no Questioned Costs.

¹ See, the “Statement of Revenues, Expenditures and Changes in Fund Balance” on p. 10 and pp. 25-27 of Appendix G for more detailed explanation of the Trust’s FY11 expenditures.

The audit finds that the financial statements present fairly the respective financial position of activities, funds and changes in financial position in conformity with accounting principles generally accepted in the United States of America. The auditor reviewed the Trust's internal control over financial reporting and found no deficiencies considered to be material weaknesses or instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The auditor's discussion of the Trust's oversight of sub-grantees' compliance with federal standards finds that during the course of FY11 the Trust developed procedures and policies to enhance its controls over such compliance. It further finds that the Trust complied, in all material respects, with the requirements of applicable laws, regulations, contracts and grants that could have a direct and material effect on each of its major federal programs.

Introduction

This is the Annual Report of the Efficiency Maine Trust (the “Trust” or “Efficiency Maine”) for activities during fiscal year 2011 (FY11), which covered the period from July 1, 2010 to June 30, 2011. It provides detail on the budgets, strategies and results for all program activity undertaken by the Trust, and describes other activity related to studies, reports, and initiatives in which the Trust engaged during FY11. The activities covered in the FY11 Annual Report are notable for occurring during the period in which administration of Efficiency Maine programs was transferred from the Energy Division of the Maine Public Utilities Commission to the independently managed Efficiency Maine Trust. In short, this is the report of the Trust’s first year on the job.

Establishment of the Trust

The Efficiency Maine Trust was created by statute in 2009. The purposes of the Trust include:

- consolidating under one roof the funds for Maine’s consumer efficiency programs for all fuel types – electric, natural gas, and heating oil – together with consumer alternative energy programs;
- integrating delivery of electric and thermal efficiency measures so the customer can have a one-stop shopping experience;
- acquiring energy resources (efficiency and alternative energy) that cost less than traditional energy supply to help individuals and businesses meet their energy needs at the lowest cost; and,
- helping to transform the energy market in Maine so that energy efficient products, alternative energy equipment, and related energy services are more accessible and affordable to end-use customers.

To promote “best practices” of energy program administration, the Efficiency Maine programs were moved to an independent trust with the aim of maximizing the effective and efficient use of funds, insulating the program management from conflicts of interest and from political agendas, and encouraging faster responsiveness to customer needs and changes in the marketplace. The specific principles of administration enumerated in the authorizing statute are as follows:

The trust shall ... ensure that funds are expended for uses consistent with applicable state and federal law and so that the following principles of administration are met:

- A. Programs are consumer-oriented such that the processes for participation and program design are targeted to serve the multiple needs of energy

consumers in this State;

- B. The effectiveness of programs is maximized by building up and centralizing expertise, addressing conflicts of interest, mitigating the influence of politics, promoting flexible, timely program management and providing a champion for funding cost-effective energy efficiency;
- C. The efficiency with which programs are planned, designed, overseen and delivered is maximized; and
- D. Sufficient checks and balances are provided to ensure consistency with public policy and accountability for meeting the principles set out in paragraphs A to C so that energy efficiency programs in the State are sustainable for the long term.²

In order to uphold these best practices, a diverse stakeholder Board of Trustees (the Board) was established. The Board comprised individuals representing a variety of backgrounds and perspectives, including those of industry, business, residential consumers and environmental protection. The initial appointments to the Board were made in July, 2009 and confirmed by the Senate the following month. The Board held its first meeting on September 3, 2009.

The initial composition of the Board and officers, which governed Efficiency Maine programs during the period covered by this Annual Report, was as follows:

ADAM LEE, Chair

President, Lee Auto Malls

NAOMI MERMIN, Vice-Chair

President, Naomi Mermin Consulting

MICHELLE ATHERTON, Treasurer

Owner, New Form Building Systems, Inc.

JAMES ATWELL, P.E., Secretary

Senior Project Manager, Sevee and Maher Engineers, Inc.

GLENN S. POOLE

Manufacturing Support Manager - Energy, Verso Paper

JOHN ROHMAN, P.E., CID

Chairman, Board of Directors, WBRC Architects-Engineers

TOM TIETENBERG, Ph.D.

Mitchell Family Professor of Economics, Emeritus, Colby College

JOHN KERRY (member ex-officio)

Director, Governor's Office of Energy Independence and Security

DALE MCCORMICK (member ex-officio)

Director, MaineHousing

² 35-A MRSA 10104(2).

The statute that established the Trust gave the Board specific duties. Chief among these is a fiduciary duty to hold the funds in trust for the benefit of the electric and natural gas utility customers where funds are derived from those customers.³ The Board is also responsible for developing a three-year strategic plan, called the “Triennial Plan.”

The Triennial Plan

The function of the Triennial Plan is to identify program initiatives, allocate budgets, and establish metrics by which to judge program effectiveness and efficiency. The Plan governs various revenue streams that come into the Trust:

- Electric Efficiency and Conservation Fund;
- Regional Greenhouse Gas Initiative (RGGI) Trust Fund;
- Natural Gas Conservation Fund;
- Heating Fuels Efficiency and Weatherization Fund; and,
- “Any state or federal funds or publicly directed funds accepted by or allocated to the trust ...”⁴

The 10- and 20-year energy savings targets established by statute are far-reaching and were incorporated into the strategy and budgets of the Triennial Plan. Among others, the targets include:

- Capturing all cost-effective energy efficiency resources available for electric and natural gas utility ratepayers;
- Achieving electricity and natural gas savings of 30 percent within a decade;
- Achieving heating oil savings of 20 percent in the same timeframe; and
- Weatherizing 100 percent of homes and 50 percent of businesses by 2030.

The Trust’s Board conceived of the Triennial Plan as an actionable plan that starts Maine on the path to achieving these targets. The Triennial Plan covers Fiscal Years 2011, 2012, and 2013, which spans the period from July 1, 2010 through June 30, 2013. The Plan was developed through public consultation, expert analysis of the options, and the combined vision of the volunteer members of the board. Work began on the plan in November, 2009. A first draft was completed in March, 2010 and approved unanimously by the Board of Trustees early the following month, whereupon it was presented for input to the committee of jurisdiction in the Maine legislature.

³ 35-A MRS 10110(10). *See also*, Sec. 10111(2)(Natural Gas) and Sec. 10109(2)(A)(Regional Greenhouse Gas Initiative) of the same statute.

⁴ 35-A MRS 10104(4).

On April 23, 2010, the Triennial Plan was filed for approval with the Maine Public Utilities Commission (the Commission), where it was assigned docket number 2010-116. The Trust provided responses to more than 50 data requests and answered questions during a technical conference. After taking additional public comment, on July 19, 2010, the Commission issued a conditional approval of the Triennial Plan. The order issuing the approval required the Trust to provide additional details by October 1, 2010. After the additional details were provided by the Trust in a Supplemental Filing, the Commission issued final approval of the Triennial Plan on February 2, 2011.

Concurrent with the Supplemental Filing process, the Trust also filed an Annual Update Plan with the Commission and the legislative committee of jurisdiction on December 30, 2010, as required by the statute, to report significant changes to revenues, budgets or performance metrics. The first-year Annual Update Plan reported the following significant changes that had occurred since the initial submission of the Triennial Plan:

- Changes in Revenue
 - Receipt of the Multi-Family Award from U.S. Department of Energy (DOE) of approximately \$4.5 million
 - Receipt of BetterBuildings Award from DOE of approximately \$30 million
 - Receipt of the Benchmark Study Subgrant from Maine State Planning Office of approximately \$230,000
 - De-authorization of Solar-Wind System Benefit Charge projected to reduce revenues by approximately \$500,000 per year
 - Likely reduction to RGGI revenues to \$3-4 million per year, compared to original assumptions of \$8.5 million, for the next year or two, as well as slightly lower SBC revenues compared to original assumptions due to the slow economy and reduced electric load
- Changes in Performance Metrics
 - Efficiency Maine projected that fewer total homes than originally projected would be retrofitted using the federal Home Energy Savings Program funds due to increased costs for customer incentives needed to spur lackluster demand in the slow economy.

Because the opportunities for cost-effective energy savings in the State of Maine are abundant and varied, both in terms of the types of opportunities (e.g., lighting, appliances, heating systems) and the consumer segments where they can be found (e.g., renters and homeowners of varying income levels, businesses and industry of varying sizes and structures) the Trust's first Triennial Plan reflected choices, consistent with the direction provided by the legislature, about how much money to invest and where to invest it. To guide these choices, the Triennial Plan strived to follow to be affordable, comprehensive, balanced, flexible, and enabling of future savings – the five guiding principles.

In addition to these guiding principles, the Triennial Plan was also statutorily required to provide metrics, also called measures of performance, by which the effectiveness and efficiency of the Plan and its component programs could be assessed.⁵ The overarching metrics of the Triennial Plan, covering the three years of FY2011, 2012, and 2013 are to:

1. Reduce more than 3.3 trillion BTUs per year of electric, natural gas and heating fuel energy consumption by Maine consumers by the third year of the Triennial Plan;
2. Achieve a benefit to cost ratio of not less than 2:1 as measured using the Total Resource Cost test;
3. Avoid 500,000 tons of CO₂ equivalent during the three-year period;
4. From the base electric conservation assessment, expend at least 20% for the benefit of low income customers and at least 20% for the benefit of small business customers.

The estimated benefits of the energy savings projected from full implementation of the Triennial Plan include:

- Result in nearly \$840 million in energy savings to consumers and \$1 billion increase in Maine's Gross State Product, net present value.
- Provide better than a 4:1 benefit to cost ratio for dollars invested by the Trust, and a 2.3:1 benefit to cost ratio for all costs invested, including the consumer's contribution spending (*i.e.*, using the "Total Resource Cost" cost-effectiveness test).
- Support more than 12,000 net "job-years" of employment over the life of the energy efficiency measures.
- Reduce nearly 300,000 tons of CO₂ emissions annually by the third year, the equivalent of removing 52,000 cars from circulation.
- Leverage as much as \$281 million in private investment in Maine's building and energy infrastructure during a slow economy.

The Triennial Plan proposed to achieve these goals by implementing programs organized in three basic categories: (1) programs for business customers; (2) programs for residential customers; (3) cross-cutting programs. This Annual Report provides detail on the budgets, strategies and results for each of those three categories of activity during fiscal year 2011 (FY11).

Transition

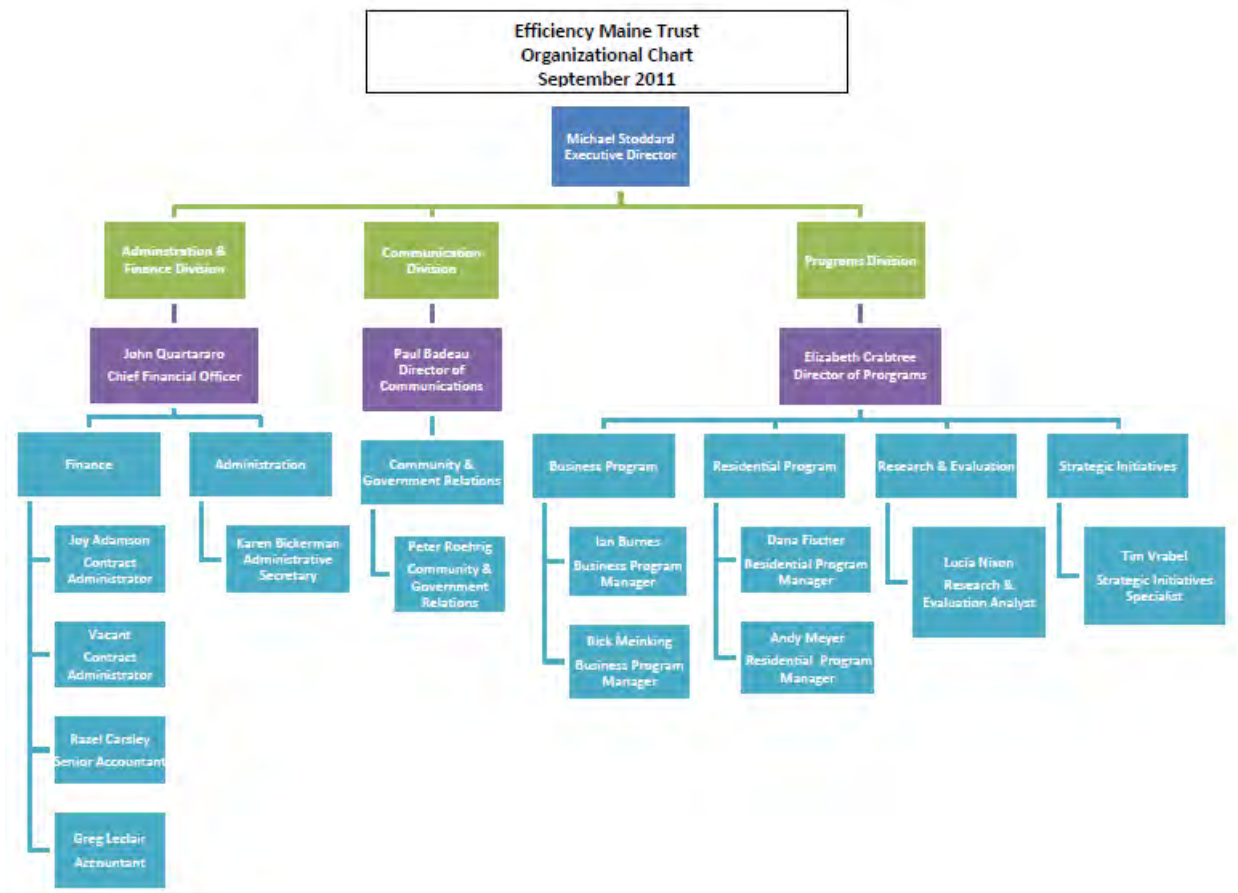
July 1, 2010 was the date for the official transition of authority and responsibility for administration of

⁵ 35-A MRS Sec. 10104(3).

Efficiency Maine programs from the Maine PUC to the Trust. While the Board of Trustees and their consultants worked to develop and finalize the Triennial Plan, efforts were also underway to hire new staff and make other arrangements for the transition.

Applying a national search consistent with the directives of the statute, a new executive director was hired in February and started work in March, 2010. The executive director in turn interviewed candidates for positions to fill the staffing needs of the new organization.

Of the new staff hired from the Maine PUC, only four who had previously served in state government in the administration of energy programs elected “at their option, ... to continue as state employees” consistent with provisions placed in the authorizing statute.⁶ All other employees at the Trust are not state employees. A Chief Financial Officer was added to oversee all accounting and contract administration, and a Communications Director was added to reduce costs associated with outside marketing services.



⁶ Public Law, Chapter 372, 124th Legislature, First Regular Session, Part C, Section C-2(9).

On or before July 1, the Maine PUC transferred to the Trust all outstanding contracts, funds and regulations associated with the administration of Efficiency Maine programs. The staff and contractors of the Trust also took over responsibility for participating in the ISO-New England Forward Capacity Market. Administratively, other changes included conducting a competitive solicitation for bank services, resulting in the selection of Camden National Bank and establishing new office space on Capitol Street in Augusta to better serve the operational needs of the organization.

Programs

FY 2011 was a record year for the programs at Efficiency Maine. The organization delivered programs that saved more energy, and more money, than in any prior year. The economic impact of the FY11 programs included:

- generating \$116 million in total investments in energy infrastructure upgrades during a sluggish economy;
- lowering present and future energy costs in Maine by an estimated \$449 million, making businesses more profitable and competitive and families more economically secure;
- reducing demand for electricity across the state enough to suppress the price paid by all Mainers on the grid for energy, capacity, carbon allowances, and renewable energy credits; and,
- helping to create or retain jobs (a recent macroeconomic study estimated that every \$1 million in electric efficiency program funding tends to generate 51 full-time equivalent jobs for a year and that every \$1 million in oil efficiency program funding tends to generate 75 full-time equivalent jobs for a year).

The summary tables below illustrate the total energy savings and lifetime avoided energy costs from each of the programs administered by Efficiency Maine in FY11. Each table also shows the costs of Efficiency Maine to provide education, training, technical support, financial incentives, quality control, measurement and verification, and evaluation of each program, as well as the customer (“participant”) cost-share to install energy upgrades. The Benefit-to-Cost Ratio indicates the ratio of the benefits (from the lifetime avoided energy costs) to the combined costs of Efficiency Maine and the participant.

Table 1 – FY11 Costs and Savings for Programs Funded by the Electric and Natural Gas System Benefit Charges (SBC) and by the Regional Greenhouse Gas Initiative (RGGI)

| Program | Lifetime kWh Savings | Efficiency Maine Costs | Participant Cost | Lifetime Energy Benefit | Benefit To Cost Ratio |
|----------------------------------|----------------------|------------------------|----------------------|-------------------------|-----------------------|
| Business Program | 586,638,242 | \$ 11,045,371 | \$ 10,145,729 | \$ 47,315,549 | 2.23 |
| Competitive Bid Projects | 423,281,776 | \$ 4,717,139 | \$ 8,461,453 | \$ 28,533,872 | 2.17 |
| High Performance School | 6,077,578 | \$ 853,448 | \$ 189,088 | \$ 535,054 | 0.51 |
| Residential Lighting | 614,388,191 | \$ 4,039,443 | \$ 6,534,669 | \$ 46,745,171 | 4.42 |
| Residential Appliances | 39,036,190 | \$ 1,533,022 | \$ 1,415,947 | \$ 4,391,481 | 1.49 |
| Low Income | 5,972,672 | \$ 325,515 | \$ - | \$ 465,922 | 1.43 |
| Education & Awareness | - | \$ 303,375 | \$ - | \$ - | - |
| Total | 1,675,394,649 | \$ 22,817,311 | \$ 26,746,885 | \$ 127,987,049 | 2.58 |

Table 2 – FY11 Costs and Savings for Programs Funded by American Recovery and Reinvestment Act (ARRA) Funds

| Program | Lifetime Energy Savings (MMBTU) | Efficiency Maine Costs | Participant Cost | Lifetime Energy Benefit | Benefit-To-Cost Ratio |
|--------------------------------------------------------|----------------------------------------|-------------------------------|-------------------------|--------------------------------|------------------------------|
| Commercial Projects | 251,069 | \$ 1,462,555 | \$ 2,819,397 | \$ 9,363,039 | 2.19 |
| Competitive Bid Program (GHG Reductions) | | \$ 3,434,218 | \$15,894,752 | \$ 197,588,241 | 10.22 |
| Commercial New Construction (ME Advanced Bldg) | 9,481 | \$ 224,022 | \$ 91,388 | \$ 231,934 | 0.74 |
| Retro-Commissioning | 119,541 | \$ 343,411 | \$ 416,682 | \$ 2,303,433 | 3.03 |
| Small Business Energy Audits | | \$ 205,288 | \$ - | | |
| EECBG Municipal Grants | | \$ 3,373,243 | \$ 374,805 | | |
| Home Energy Savings Program | 4,820,173 | \$ 8,588,496 | \$20,368,825 | \$ 101,335,965 | 3.50 |
| Replacement Heating Equipment | 179,825 | \$ 1,207,895 | \$ 456,127 | \$ 2,235,866 | 1.34 |
| Solar/Wind Rebate | 80,595 | \$ 571,528 | \$ 4,765,571 | \$ 1,583,307 | 0.30 |
| Renewable Resource Fund Supplement | | \$ 469,027 | \$ 137,390 | | |
| Building Operator Certification (BOC) Trainings | 346,382 | \$ 83,362 | \$ 1,559,556 | \$ 6,847,967 | 4.17 |
| Total | | \$ 19,963,044 | \$46,884,493 | \$ 321,489,752 | 4.81 |

This section of the Annual Report provides a short description of each of the programs referenced in these two tables. The descriptions are divided into four categories:

- Business Programs;
- Residential Programs;
- Alternative Energy Programs; and
- Enabling Strategies.

Each description generally includes a statement of the main purpose of the program, an indication of activities undertaken to implement the program, and a summary of any quantifiable results.

BUSINESS PROGRAMS

Through its Business Programs, Efficiency Maine administers a wide variety of offerings for business and institutional electric customers of all sizes. This section of the Annual Report describes the Business Programs delivered in FY11 organized by the source of the funds used to pay for the programs. The first group of Business Programs described below was paid out of funds generated by the System Benefit Charge (SBC) or Regional Greenhouse Gas Initiative (RGGI). These are programs that Efficiency Maine has offered for much of the past decade and will continue to offer into the future. The second group of Business Programs was paid out of funds received from the federal government, primarily through the American Recovery and Reinvestment Act (ARRA). Because the ARRA funds were a one-time source of revenue, continuation of the ARRA-funded programs is unlikely unless increased revenues are received or resources are shifted from other programs.

SBC and RGGI-Funded Business Programs

The FY11 activities and results of Efficiency Maine Trust's Business Incentive Program, the Competitive Bid Program (for electric savings), and the Maine High Performance Schools Program are described in this section.

BUSINESS INCENTIVE PROGRAM

Purpose: The Business Incentive Program provides education, technical assistance, quality control and financial incentives for energy upgrades to businesses of all sizes. The financial incentives are delivered to these business customers through either the Prescriptive Program or the Custom Program. The purpose of Efficiency Maine's Prescriptive Program is to provide financial incentives for a portion of the incremental cost of efficient electric equipment relative to standard equipment. Prescriptive rebates are offered at fixed amounts for a prescribed list of the most common efficient electric equipment that can be used in nearly every business: lighting, lighting controls, refrigeration, HVAC units, variable speed drives, and equipment related to agricultural industry. Efficiency Maine's Custom Program also provides incentives as well as technical assistance for the purchase and installation of premium-efficiency electrical equipment that is not on the prescribed list of the Prescriptive Program. The equipment in the

Custom Program incentives may be used for new construction projects, renovation projects, or for the replacement of functioning, but less efficient, existing equipment.

FY11 Activities: To build up the capacity of the supply chain to help deliver Efficiency Maine's Business Program, in FY2011 the Trust continued to expand and enhance the Qualified Partners network. Qualified Partners are experienced vendors, contractors, suppliers and other professionals who supply or install energy-efficient equipment. These Qualified Partners are familiar with the Business Programs and assist customers with the selection of qualifying equipment and to apply for cash incentives for their energy-efficiency project. There are more than 350 Qualified Partners who have successfully completed all requirements and are participating in the Business Program.

In June 2011, Efficiency Maine contracted with Opinion Dynamics Corporation to conduct an impact and process evaluation of the Business Incentive Program, with a primary focus on the FY2011 program year (July 1, 2010-June 30, 2011). The evaluation, to be completed by November 30, 2011, is designed to quantify and verify electric energy and demand savings, analyze program cost-effectiveness, and examine the effectiveness of program design and delivery. Methods used in the evaluation include: telephone surveys of participants and non-participants, and in-depth interviews with program staff and qualified partners, analysis of the program database and technical reference manual (TRM), engineering reviews of project documentation, and site visits to conduct measurement and verification of project installations. The evaluation will report on program impacts in terms of verified gross energy and demand savings, net energy and demand savings, and the benefit-cost ratio.

FY11 Results: In FY11, the Business Incentive Program had an energy savings goal of saving 39,000 megawatt-hours (MWH) per year. The results of the program are projected to save 44,804 MWH per year, exceeding the goal by 110%. Summary information about the program participation, costs and benefits appear in Table 3.

Table 3 – Business Incentive Program Results

| Total Participants | Total Projects | Lifetime kWh Savings | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|---------------------------|-----------------------|-----------------------------|-------------------------------|--------------------------|--------------------------------|------------------------------|
| 1205 | 1949 | 586,638,242 | \$11,045,371 | \$10,145,729 | \$47,315,549 | 2.23 |

Other results of the FY11 Business Incentive Program include:

- Trained 175 new Qualified Partners;
- Inspected 100% of all projects over \$5,000 incentive – 10% of projects under \$5,000 for a total number of projects inspected of 421;
- Answered approximately 660 incoming calls for customer support;

- Added new prescriptive LED lighting incentives for wall pack fixtures, outside light fixtures, parking garage fixtures, refrigerated case light fixtures, screw-in & pin based LED lamps;
- Developed an on-line incentive application process to improve administrative efficiency and ease of access for customers;
- Developed a web-based incentive application tracking system for Qualified Partners enabling them to track incentive applications for their customers;
- Participated in 15 targeted business trade shows;
- Presented Business Program overview and Energy Management Practices at 30 business and trade association meetings throughout the State.

Table 4 indicates the breakdown of the measures installed through the Business Incentive Program and the share of each that were funded through the Prescriptive or the Custom incentive structure:

Table 4 – Business Incentive Program Measures Installed

| Measure | Prescriptive | Custom |
|--------------------------|--------------|------------|
| Lighting | 1562 | 92 |
| HVAC | 62 | 3 |
| Compressed Air | 0 | 33 |
| Variable Frequency Drive | 22 | 24 |
| Miscellaneous | 0 | 28 |
| Agriculture | 10 | 0 |
| Motors | 59 | 0 |
| Refrigeration | 54 | 0 |
| Total | 1769 | 180 |

FY12 Plans: The Business Incentive Program strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C.

COMPETITIVE BID PROGRAM (ELECTRICAL REDUCTION)

Purpose: In FY11, Efficiency Maine’s Competitive Bid Program (formerly called the Large Impact Projects) provided grants for large-scale kilowatt-hours (kWh) reduction projects. The focus of the program is to leverage private investment to achieve significant electrical savings and to stimulate economic growth in Maine.

These grants are targeted at many of the biggest energy consumers in the state. They are selected based on the quantity of electric energy, measured in kWh, saved per program dollar invested by Efficiency Maine. By and large these companies and institutions have limited capital budgets with many

competing needs. As a result, the payback requirements for capital projects are short. This reality creates a significant market barrier to approval and installation of large energy efficiency projects. The grants from Efficiency Maine’s Competitive Bid Program help buy-down the up-front capital cost of large energy upgrade projects, helping the projects meet corporate Return on Investment requirements and gain approval. This makes the projects possible, frees up operating budgets and returns cash to the businesses in a difficult economy.

FY11 Activities: The Competitive Bid Program used funding from the RGGI auction proceeds. These grants were awarded primarily on the basis of annual kilowatt-hour per dollar of grant funds, while project readiness, economic viability and other factors were also considered. The grants awarded in FY11 ranged from \$300,000 to \$750,000 per project.

In September 2010, nine grants were awarded totaling \$4.3 million and leveraging \$8.5 million in private matching funds. The types of projects funded through the Competitive Bid Program include cost-effective renewable generation, innovative process enhancements, and efficient drives and pumps. Projects funded to date are collectively projected to reduce electricity consumption by 293 million kWh over the full life of the installed measures.

In April 2011, Efficiency Maine contracted with Navigant Consulting, Inc. to conduct an impact evaluation of the Competitive Bid Program grants. The evaluation, which will be completed by March 31, 2012, focuses on quantifying and verifying the reductions in electrical usage. Methods used in the evaluation of program impacts include project documentation reviews, telephone interviews with grant recipients, and site visits to conduct measurement and verification of project installations. The evaluation will report on program impacts in terms of: energy and demand savings, renewable energy installation, associated greenhouse gas emission reductions, job creation and cost-effectiveness.

FY11 Results: A list of the Competitive Bid projects appears in Appendix D. Highlights of the results from the Competitive Bid Program activity include:

- Presented the recommendations of our technical team to independent review committee and awarded 9 grants.
- Negotiated contracts with 9 grantees assuring that customers had the cash flow to proceed with their projects but the Trust was not in an unreasonable risk position.
- Monitored project progress for this round and the previous round of competitive projects.

Table 5 – Competitive Bid Program (kWh) Results

| Total Participants | Total Projects | Lifetime kWh Savings | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|----------------|----------------------|------------------------|-------------------|-------------------------|-----------------------|
| 9 | 9 | 423,281,776 | \$4,717,139 | \$8,461,453 | \$28,533,872 | 2.17 |

FY12 Plans: The Competitive Bid Program strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C.

| |
|---------------------------------------|
| MAINE HIGH PERFORMANCE SCHOOLS |
|---------------------------------------|

Purpose: The Maine High Performance Schools (HPS) program was designed to incent energy efficiency design improvements in the lighting and mechanical systems in the construction of Maine schools. HPS was launched in 2005 as a result of a partnership of the Maine Department of Education, Bureau of General Services, the Maine School Management Association, United States Department of Energy, and Efficiency Maine.

FY11 Activities: The HPS program is now rolled into Efficiency Maine’s commercial new construction program. This is not an active program in the sense that Efficiency Maine has discontinued promotion of new entrants to the program. However, several schools are still completing pre-existing agreements from the original program, and for this reason funds are still reserved in the budget and payments continue to be made to meet those prior commitments.

A total of twelve schools remain in the HPS queue as they complete the design and construction process, and nine schools are in stages of the HPS commissioning process, where the HPS measures are inspected and operation is optimized.

FY11 Results: Five schools completed the design/construction/inspection process in FY 2011. The schools completing their agreements in FY11 were: Brunswick Elementary, Ocean Avenue in Portland, Ashland Elementary, Dexter Elementary and Brewer Elementary.

Table 6 – High Performance Schools Results

| Total Participants | Total Projects | Lifetime kWh Savings | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|---------------------------|-----------------------|-----------------------------|-------------------------------|--------------------------|--------------------------------|------------------------------|
| 5 | 5 | 6,077,578 | \$853,448 | 189,088 | \$535,054 | 0.51 |

FY12 Plans: The High Performance Schools strategy and activities planned for FY12 are the same as in FY11. It should be noted that this program is not accepting new project proposals and is only overseeing and paying for the completion of prior commitments. The budget for the program in FY12 appears in Appendix C.

ARRA-Funded Business Programs

The FY11 activities and results of Efficiency Maine Trust's Commercial Project Grants, Competitive Bid Program (for Greenhouse Gas Reductions), the Retro-Commissioning Pilot Program, the Small Business Energy Audit Program, the Small Business Loan Program, and the Energy Efficiency and Conservation Block Grant (EECBG) Program for municipal re-grants are described in this section.

COMMERICAL PROJECT GRANT PROGRAM

Purpose: The Commercial Project Grant Program offered grants to support energy efficiency projects or renewable energy systems for business customers. This program allowed the participants to compete for grants of up to \$50,000 on an individual project basis with a 1-to-1 matching fund requirement.

The objectives of the ARRA funded grants included: rapid energy savings along with sustainable positive economic impacts; immediate as well as long-term job creation and/or retention; significant energy savings; leveraging of funding from other sources, and; possibility of broad, long-term impact on the state economy.

FY11 Activities: Efficiency Maine allocated approximately \$2 million of its original allotment of ARRA funds to the Commercial Project Grant Program. In FY11, Efficiency Maine executed the second and final round of funding for the Commercial Project Grant program. Approximately \$600,000 had been previously awarded under the first round of this program in FY10, leaving \$1,400,000 for the FY11 round of grant funding.

In April 2011, Efficiency Maine contracted with Navigant Consulting, Inc. to conduct an impact evaluation of the Commercial Project Grants. The evaluation, which will be completed by January 31, 2012, focuses on quantifying and verifying the energy savings achieved by grant recipients through energy efficiency and renewable generation projects implemented between March 2010 and November 2011. Methods used in the evaluation of program impacts include project documentation reviews, telephone interviews with grant recipients, and site visits to conduct measurement and verification of project installations. The evaluation will report on program impacts in terms of: energy and demand savings, renewable energy installation, associated greenhouse gas emission reductions, job creation and cost-effectiveness.

FY11 Results: A list of the Commercial Project Grants appears in Appendix E. Summary results are:

- 45 Commercial Project Grants awarded totaling \$1,387,000;

- Leveraging \$2.8 million in private funds;
- Two days of custom site visits with DOE officials reviewing 8 completed projects;
- Ongoing monitoring of all 63 projects including site visits to verify project progress;
- US DOE commended Efficiency Maine’s practice of requiring a Building Energy Use Intensity index for Commercial Project Grant recipients.

Table 7 – Commercial Project Grant Program Results

| Total Participants | Total Projects | Lifetime Energy Savings (MMBTU) | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|----------------|---------------------------------|------------------------|-------------------|-------------------------|-----------------------|
| 45 | 45 | 251,069 | \$ 1,462,555 | \$ 2,819,397 | \$9,363,039 | 2.19 |

FY12 Plans: The Commercial Project Grant Program strategy and activities planned for FY12 are the same as in FY11. It should be noted that there are no new funds for this program, and no new project proposals are being accepted in FY12. The activities for FY12 will consist of oversight and payment of prior commitments. The budget for the program in FY12 appears in Appendix C.

COMPETITIVE BID PROGRAM (GREENHOUSE GAS REDUCTIONS)

Purpose: In fiscal year 2010 Efficiency Maine’s Competitive Bid Program provided grants for large-scale greenhouse gas (GHG) reduction projects pursuant to Section 10109 (Regional Greenhouse Gas Initiative) of Title 35-A of the Maine statutes. The focus of the effort is to leverage private investment in large energy efficiency or clean alternative energy projects to lower energy costs, achieve significant emissions reductions, and stimulate economic growth in Maine. This program is a companion to the program of the same name that targeted electricity (kWh) savings.

The grants from this program are targeted to reach some of the biggest energy consumers, and largest employers, in the state. As discussed above, generally these companies and institutions have limited capital budgets with many competing needs. The payback requirements for projects are often so aggressive that the large upfront cost associated with many energy efficiency and alternative energy projects makes such projects difficult to get approved and capitalized. The competitively bid grants make these projects possible and in turn reduce operating budgets to make the businesses more competitive.

The Competitive Bid Program used funding from the 15% of RGGI auction proceeds permitted by statute to be used for greenhouse gas reduction and State Energy Program funding from American Recovery and Reinvestment act. These grants were awarded primarily on the basis of annual greenhouse gas

reductions per dollar of grant funds, while project readiness, economic viability and other factors were also considered. The grants awarded ranged from \$300,000 to \$750,000 per project.

FY11 Activities:

Efficiency Maine’s key activities in the implementation of this program include:

- Presented the recommendations of our technical team to independent review committee and award 9 grants;
- Negotiated contracts with 9 grantees assuring that customers had the cash flow to proceed with their projects but the Trust was not in an unreasonable risk position; and,
- Monitored project progress for this round and the previous round of competitive projects.

In April 2011, Efficiency Maine contracted with Navigant Consulting, Inc. to conduct an impact evaluation of this program together with the competitively bid large electric projects. The evaluation, which will be completed by March 31, 2012, focuses on quantifying and verifying the reductions in greenhouse gas emissions reductions. Methods used in the evaluation of program impacts include project documentation reviews, telephone interviews with grant recipients, and site visits to conduct measurement and verification of project installations. The evaluation will report on program impacts in terms of: energy and demand savings, renewable energy installation, associated greenhouse gas emission reductions, job creation and cost-effectiveness.

FY11 Results: In FY 2011, nine grants were awarded totaling \$3.2 million and leveraging \$15.8 million in private matching funds. The grants from this program have resulted in investment in cost-effective renewable generation, heat recovery technology, and efficient drives and processes. Projects funded to date are listed in Appendix D and are collectively expected to prevent the emission of 620,008 tons of CO₂ over the lifetime of the projects.

Table 8 – Competitive Bid Program (GHG) Results

| Total Participants | Total Projects | Lifetime tons of CO2 Savings | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|----------------|------------------------------|------------------------|-------------------|-------------------------|-----------------------|
| 9 | 9 | 620,008 | \$ 3,434,218 | \$ 15,894,752 | \$ 197,588,241 | 10.22 |

FY12 Plans: The Competitive Bid (GHG) Program strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C.

COMMERCIAL NEW CONSTRUCTION PROGRAM – MAINE ADVANCED BUILDINGS

Purpose: Efficiency Maine’s program for new construction of commercial buildings, usually referred to as “Maine Advanced Buildings,” provides easy-to-follow guidelines and incentives to design buildings that are 15-20% more energy-efficient than the Maine Uniform Building and Energy Code requires.

The guidelines help achieve savings on both electric and fossil fuel usage, without the expense and complexity of sophisticated computer-based modeling. The guidelines promote the use of cost-effective, off-the-shelf building technologies, which have been proven to reduce energy usage and improve building performance.

To be eligible for program participation the project must involve a new building or the substantial renovation of a commercial, institutional, or industrial building, or the expansion of an existing building. Major renovations usually consist of significant rework to the interior layout and finishes, changes to the exterior envelope, and/or the replacement of mechanical and electrical systems.

FY11 Activities: This program has been ramping up over FY11 and currently has 11 projects under construction. These projects will be completed over the next few months and full program results will be reported in FY12. Key activities included:

- 8 presentations conducted for architects and engineers promoting the program, each presentation eligible for continuing education credit;
- All projects received on-site monitoring and technical support.

FY11 Results: Main deliverables of the program in FY11 were:

- Four new construction projects completed covering 180,000 sq.ft.;
- Eleven projects under construction;
- FY11 program efforts will be more fully realized in FY12 which should yield a positive impact on the benefit to cost ratio.

Table 9 – Commercial New Construction Program Results

| Total Participants | Total Projects | Lifetime Energy Savings (MMBTU) | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|----------------|---------------------------------|------------------------|-------------------|-------------------------|-----------------------|
| 4 | 4 | 9,481 | \$ 244,022 | \$ 91,388 | \$ 231,934 | 0.74 |

FY12 Plans: The Commercial New Construction strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C.

RETRO-COMMISSIONING PILOT PROGRAM

Purpose: This ARRA funded pilot program was launched in April 2010 to determine whether measurable energy savings could be achieved by offering building owners the opportunity to improve the efficiency of their building operations through a “tune-up” of their existing building energy systems.

Through this program, Efficiency Maine offered participants a cost share of up to 50% for engineering studies to determine if systems were working properly. When savings opportunities were identified, the participant and Efficiency Maine shared the cost of adjusting the energy management system and resulting energy savings were measured.

The overall objectives of the pilot program include the following

- Demonstrate the validity of retro-commissioning as a viable energy saving measure by implementing re-commissioning at 29 buildings;
- Improve the ability of building operations staff to identify wasteful energy use;
- Ensure savings created persist over the expected lifetime;
- Ensure quality control to the building owner from a well-delivered retro-commissioning process;
- Provide insight to aid in developing a full-scale retro-commissioning program.

FY11 Activities: The main activities of the program were:

FY11 Results: This program has been ramping up over FY11, with new projects underway as the year ended. More complete results will be reported in FY12. Progress at the end of FY11 is reflected in Table 10.

Table 10 – Retro-Commissioning Results

| Total Participants | Total Projects | Lifetime Energy Savings (MMBTU) | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|----------------|---------------------------------|------------------------|-------------------|-------------------------|-----------------------|
| 29 | 29 | 119,541 | \$ 343,422 | \$ 416,682 | \$ 2,303,433 | 3.03 |

FY12 Plans: The Retro-Commissioning Program strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C.

SMALL BUSINESS ENERGY AUDIT PROGRAM

Purpose: Efficiency Maine’s Small Business Energy Audit program offers Maine’s small businesses the chance to evaluate their energy-efficiency opportunities. High up-front costs, limitations on time and knowledge, and limited access to capital are particularly difficult barriers for small business customers. The objectives of an energy audit are to identify and develop modifications that will reduce the energy use and/or cost of operating a building. Energy audits should provide the owner/operator with sufficient information to determine the best opportunities to reduce the building’s energy use and/or cost and a general sense of how the savings will compare to the cost.

In FY11, the Efficiency Maine Small Business Energy Audit Program was open to commercial, non-profit and manufacturing facilities located in Maine that meet energy use and facility type criteria and meet the following requirements:

- The business uses 25 kW per month or less *OR*
- uses 8,000 kWh per month or less *OR*
- spends \$1,200 per month or less on electric bills *AND*
- the facility must be 1,000 square feet or larger

In FY11, the Audit Program offered three levels of audits:

- Level 1 audit – Walk-through analysis for facilities 1,000 to 4,999 sq. ft
- Level 2 audit – Energy survey and analysis for facilities 5,000 to 9,999 sq. ft
- Level 3 audit – Targeted scoping audit for facilities 10,000 to 50,000 sq. ft.

FY11 Results: The summary results of the Small Business Energy Audit Program in FY11 appear in Table 11.

Table 11 – Small Business Energy Audit Program Results

| Total Participants | Total Audits | Lifetime Energy Savings | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|--------------|-------------------------|------------------------|-------------------|-------------------------|-----------------------|
| 136 | 136 | N/A | \$205,288 | N/A | N/A | N/A |

FY12 Plans: The Small Business Program Energy Audit strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C.

SMALL BUSINESS LOAN PROGRAM

Purpose: Efficiency Maine provides loans up to \$35,000, currently at 1% interest for up to 5 years, to help small businesses finance approved energy conservation measures such as: electrical equipment including lighting, machinery, HVAC and refrigeration; heating equipment, regardless of fuel type; and insulation. An energy audit identifying recommended energy efficiency measures is required.

FY11 Activities: Efficiency Maine has arranged with the Finance Authority of Maine (FAME) to perform underwriting of loan applications.

FY11 Results: The summary results of the Small Business Loan Program are provided in Table 12.

Table 12 – Small Business Loan Program Results

| Total Participants | Loan Value | Lifetime Energy Savings | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|------------|-------------------------|------------------------|-------------------|-------------------------|-----------------------|
| 20 new loans | \$537,000 | N/A | N/A | N/A | N/A | N/A |

FY12 Plans: The Small Business Loan Program strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C.

ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG) PROGRAM

Purpose: The U.S. Department of Energy (DOE) provided Efficiency Maine with \$9.6 million under its State of Maine Energy Efficiency and Conservation Block Grant (EECBG). The DOE stipulated that at least 60% of the grant funds be passed through to municipal and county governments for energy-efficiency improvements. In September 2009, Efficiency Maine formally requested applications from units of local and county government for energy-efficiency and conservation projects. Applicants were advised to submit either a custom project application (capped at \$85,000 for an individual municipality or \$500,000 for regional projects) or a planning project pursuant to a template, (capped at \$10,000). Custom projects were awarded on a competitive basis, while template planning projects were non-competitive, but subject to available funding.

FY11 Activities: A total of \$5,756,100 was set aside for program grants, which were to be disbursed in two rounds of request for applicants (RFAs). During the prior fiscal year (FY10), Efficiency Maine completed the first round of grant awards for 49 custom projects and 34 template projects. Examples of the custom projects include: interior lighting, heating ventilation and air conditioning (HVAC)

equipment, light emitting diode (LED) street lights, windows, wind turbines, solar thermal systems, and insulating and air-sealing building envelopes.

At the end of June 2010, statements of interest were received from eligible municipalities for the second round of EECBG funding. Through the summer of 2010 (during FY11), Efficiency Maine awarded approximately \$1.6 million to 47 municipalities for custom projects. In the RFA, Efficiency Maine explained that among other things: municipalities must provide a minimum 10% match (cash or in-kind); preference would be given to municipalities that implemented template planning grants (and thus were presumed to be working from a plan); and, municipalities would not be eligible if they had previously been awarded custom projects grants in the September 2010 RFA. Examples of eligible energy upgrade projects for funding under the RFA included: interior and exterior lighting, occupancy sensors, insulation and air sealing building envelopes, replacing or retrofitting heating systems, geothermal system, and street lights.

FY11 Results: A list of grants made under this program is provided in Appendix F. Summary information about the results of this program include:

- Awarded grants totaling \$4.8 million to 83 municipalities;
- Completed 39 planning and custom energy saving projects:
 - 12 of the completed projects were for developing community energy plans; and,
 - 27 of the completed projects were for custom, energy efficiency measures for municipal buildings;
- Estimated annual energy savings per project range from 6.25 million BTUs to 91 billion BTUs; and,
- Estimated annual electric savings per project range from 221 kWh to 5.1 million MWh.

FY12 Plans: The EECBG Program strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C. It should be noted that no new funds are available for the kind of all-fuels projects that were funded through this program, and that all existing funding has been committed and new project proposals are not being accepted. Program activities will focus primarily on oversight and payment as projects are completed.

UNITIL NATURAL GAS PROGRAMS

Purpose: On July 1, 2010 Efficiency Maine and Unitil Corporation entered into a contract in which Unitil agreed to continue delivering natural gas energy efficiency programs targeting Commercial and Industrial customers (as well as residential low-income customers). This continuation of efficiency program services by Unitil allowed for a smooth transition for Unitil's C&I customers.

FY11 Results: Summary information about the program participation, costs and energy savings appear in the annual report submitted by Unitil in Appendix J.

FY12 Plans: The Natural Gas Program strategy and activities planned for FY12 are the same as in FY11, but the delivery channel will change. Efficiency Maine has assumed responsibility for all program delivery and is consolidating C&I program delivery into one delivery team. The program budget in FY12 appears in Appendix C.

RESIDENTIAL PROGRAMS

Through its Residential Programs, Efficiency Maine administers programs to increase efficient use of electricity and heating fuels in Maine homes. In some cases the programs are designed and implemented specifically for the benefit of low-income customers, while other programs are designed for open access to all residential customers regardless of income. As with the Business Programs, above, this section of the Annual Report describes the Residential Programs delivered in FY11 organized by the source of the funds used to pay for the programs. The first group of programs described below were paid out of funds generated by the System Benefit Charge (SBC) assessed on electric and natural gas utility customers or by the Regional Greenhouse Gas Initiative (RGGI). The second group of programs were paid out of funds received from the federal government, primarily through the American Recovery and Reinvestment Act (ARRA). Because the ARRA funds were a one-time source of revenue, continuation of the ARRA-funded programs is unlikely unless increased revenues are received or resources or shifted from other programs.

SBC/RGGI-Funded Residential Programs

The FY11 activities and results of Efficiency Maine Trust's Residential Lighting Program, Energy Star Appliance Program, and the Low-Income Appliance Replacement Program are described in this section.

RESIDENTIAL LIGHTING PROGRAM

Purpose: Lighting accounts for 5-10% of total energy use in the average American home and costs \$50 to \$150 per year in electricity (aceee.org). Compact fluorescent light bulbs (CFLs) use 75% less electricity for the same light output and last 6-10 times longer than traditional incandescent bulbs. CFLs save enough in electricity that they pay for themselves in a matter of months. However, due to CFLs' higher initial cost and lack of consumer awareness, most people still buy incandescent bulbs. Efficiency Maine's Residential Lighting Program works to overcome these barriers by collaborating with Energy Star lighting manufacturers and retailers to lower the price of CFLs and educate consumers on the benefits of efficient lighting. This program is used by customers of all income levels.

FY11 Activities: In FY11, the program reimbursed retailers for lowering their CFL prices. In addition, Efficiency Maine's field team visits retailers throughout the state to educate retail staff and consumers. In a change from prior years, the FY11 implementation strategy reallocated all of the television advertising budget into further reducing the purchase price on store shelves, and the impact was

significant. During a time when CFLs lost market share nationally, Mainers purchased nearly twice as many CFLs than in any prior year – nearly enough to put 4 CFLs into every household in the state. The program was able to do this while decreasing program costs per bulb compared to prior years. Other activity specifics include:

- Negotiated Memoranda of Understanding with lighting manufacturers and retailers representing more than 400 stores throughout the state ensuring that 100% of Efficiency Maine’s mark down dollars were passed on to consumers in the form of lower CFL prices (typically a \$1.25 per CFL reduction);
- Conducting 136 in-store demonstrations educating consumers and retail staff on the benefits of efficient lighting and appliances;
- Completing 4,643 store visits verifying marked down lighting pricing, training store staff, encouraging off-shelf merchandising and restocking coupons (as appropriate); and,
- Re-purposing \$500,000 television advertising budget to increase markdowns making CFLs’ initial cost lower than that of incandescents and motivating retailers to invest in off-shelf merchandising (floor displays, end cap displays, larger signs).

FY11 Results: The shift in strategy in FY11 resulted in unprecedented consumer purchases. Summary results for the program were as follows:

Table 13 – Residential Lighting Program Results

| Total Participants | Total Units | Lifetime kWh Savings | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|-------------------------|----------------------|------------------------|-------------------|-------------------------|-----------------------|
| N/A | Approx 1.9 million CFLs | 614,388,191 | \$4,039,443 | \$6,534,669 | \$46,745,171 | 4.42 |

FY12 Plans: The Residential Lighting Program strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C.

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|--------------------------------------|
| ENERGY STAR APPLIANCE PROGRAM |
|--------------------------------------|

Purpose: Efficiency Maine worked with appliance retailers throughout the state to educate sales staff on the benefits of Energy Star appliances and offer rebates for customer purchases of new, qualified units. The \$25-50 rebates function as a prompt for consumers to ask why a particular appliance qualifies while others do not, which creates an opportunity for sales staff to explain the long-term financial benefits of efficient appliances.

Advances in residential appliance technology give homeowners the opportunity to save significant amounts of energy and water when they are in the market to purchase a new unit. Energy Star clothes washers, for example, consume about 37% less energy and 50% less water than regular washers saving consumers about \$135 per year on utilities. Likewise, an Energy Star refrigerator uses 20% less than a non-Energy Star unit and saves \$100 per year compared to a 1980's refrigerator. Energy Star dehumidifiers use 15% less energy than a conventional one and can save users \$20 per year.⁷ It is often the case that consumers make appliance purchasing decisions without understanding the energy cost implications.

FY11 Activities: A summary of the residential Appliance Program activities includes:

- Worked with retailers representing nearly 200 stores statewide to distribute rebate forms to customers who buy Energy Star refrigerators, clothes washers and dehumidifiers;
- Issued rebates ranging from \$25 per dehumidifier to as much as \$75 per refrigerator or clothes washer (which amount was reduced to \$50 per unit for the second phase of the program);
- 136 in-store demonstrations educating consumers and retail staff on the benefits of efficient appliances and lighting; and,
- 979 store visits to label ENERGY STAR appliances, install/restore signs, train store staff, and restock coupons.

FY11 Results: This was Efficiency Maine's second year rebating Energy Star appliances. The program was highly successful. Mainers purchased more than 24,000 energy efficient refrigerators, clothes washers and dehumidifiers saving millions of dollars through avoided energy costs. Summary results are as follows:

Table 14 – Residential Energy Star Appliance Program Results

| Total Participants | Total Units | Lifetime kWh Savings | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|-------------|----------------------|------------------------|-------------------|-------------------------|-----------------------|
| N/A | 24,056 | 39,036,190 | \$1,533,022 | \$1,415,947 | \$4,391,481 | 1.49 |

FY12 Plans: The Energy Star Appliance Program strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C.

⁷ See, www.energystar.gov.

LOW INCOME APPLIANCE REPLACEMENT PROGRAM

Purpose: The purpose of this program is to improve efficient use of electricity in low-income eligible homes in Maine, and to satisfy the statutory requirement that at least 20% of the base level system benefit charge on electricity be used for the benefit of low income customers.

FY11 Activities: As in prior years, the Low Income Appliance Replacement Program in FY11 was implemented through a Memorandum of Understanding with MaineHousing which administered this program through Maine's Community Action Programs (CAPs). Through on-site visits, the CAPs monitor refrigerators and freezers in Low Income Home Energy Assistance Program-eligible homes and replace them for free with high-efficiency refrigerators if the old units are found to be highly inefficient. Free CFLs are also installed where approved. Residents are given information on how to save energy as part of the visits.

FY11 Results:

Table 15 – Low Income Appliance Replacement Program Results

| Total Participants | Total Units | Lifetime kWh Savings | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|-------------------------------|----------------------|------------------------|-------------------|-------------------------|-----------------------|
| 585 homes visited | 534 refrigerators, 6,761 CFLs | 5,972,672 | \$325,515 | \$0 | \$465,922 | 1.43 |

FY12 Plans: The Low Income Appliance Replacement Program strategy and activities planned for FY12 are under review for likely alteration from the FY11 strategy and activities. In order to more directly assist low income customers in reducing their heating costs, the Trust is proposing for the remainder of FY12 to shift to a strategy of weatherizing homes of LIHEAP customers who use electric heat. The budget for the program in FY12 appears in Appendix C.

ARRA-Funded Residential Programs

The FY11 activities and results of Efficiency Maine Trust's Home Energy Savings Program, Natural Gas Program, Heating Equipment Replacement Program, BetterBuildings (PACE Loan) Program, are described in this section.

HOME ENERGY SAVINGS PROGRAM

Purpose: This program was designed to raise awareness about the benefits of home weatherization and promote customers to implement efficiency upgrades that would save at least 25% of their home heating use.

Maine has some of the oldest housing stock in the country. It is a cold climate, and Maine is more dependent on oil to provide residential heating than any state in the country. This makes Maine vulnerable to fluctuations in oil prices. Using a portion of ARRA funds received in 2009, Efficiency Maine invested in piloting a whole-house weatherization program called the Home Energy Savings Program.

In May 2011, Efficiency Maine contracted with The Cadmus Group, Inc. to conduct an evaluation of the HESP program. The evaluation, which will be completed by the end of 2011, focuses on quantifying and verifying the energy savings achieved by the HESP participants who completed energy audits under the program from December 1, 2009, through December 31, 2010. Methods used in the evaluation of program impacts include site visits to measure and verify project installations, engineering and simulation modeling, and statistical billing analysis. The evaluation will report on program impacts in terms of: energy and demand savings, renewable energy installation, associated greenhouse gas emission reductions, job creation and cost-effectiveness. The evaluation also includes a telephone survey of 100 participants to examine customer motivations, barriers, and experiences.

FY11 Activities: Program funding was fully committed by the end of FY11, and the results clearly demonstrated that whole house energy efficiency programs are cost-effective and scalable. Activities for this program included:

- Offering rebates to homeowners who upgraded the energy efficiency of their home following an energy audit:
 - 30% rebate of job cost, up to a maximum of \$1,500, for a project achieving at least 25% energy efficiency improvement;
 - 50% rebate of a job cost, up to maximum of \$3,000, for a project achieving at least 50% energy efficiency improvement;
 - A time-limited bonus of \$1,000 was also available for a portion of the year to attract interest to the program;
- Driving awareness of the benefits of home weatherization and driving demand for home energy upgrades through: TV ads & public service announcements, radio ads and interviews, print advertising, PR articles, web ads, website, direct mail, phone campaigns, trade shows, trade

associations, collaboration with non-governmental organizations and community groups, speaking engagements, and fairs;

- Developing nationally-recognized weatherization sales training for Participating Energy Advisors (who conducted the requisite home energy audit); and,
- Recruiting and training 100 new Participating Energy Advisors.

FY11 Results: Following the guidance of the program, nearly 5,000 Maine homes received energy audits through the HESP program. Subsequent to those audits, thousands of homeowners were able to upgrade their homes and are now saving the equivalent of over one million gallons of oil per year. Homeowners also report having fewer drafts, ice dams and frozen pipes. The average home that participated in this program is projected to save 40% on energy, or more than \$1,400 per year assuming average oil consumption and prices as of 2011. After factoring in the total cost of the upgrades (the incentive from Efficiency Maine, the homeowner payments for the energy upgrades, and program delivery), the cost of the energy that will be saved over 20 years is equivalent to \$1.16/gallon of heating fuel.

As a start-up program, less than 75 projects were completed by July 1, 2010 when the Trust’s FY11 began. On May 26, 2011, the program had received enough home retrofit rebate reservations to commit all of its budget. At that time the program closed its doors to any new participants. By September 30, 2011, three months after the end of FY11, the Trust accepted its last project completions and awarded its last incentives. To provide a comprehensive picture of the project over its full period of activity, this Annual Report presents results of the full period from January 1, 2010 to September 30, 2011.

The combined economic activity in the home builder / supplier / contractor trades generated by this program is estimated at more than \$28 million. Summary energy saving benefits and costs are in Table 16.

Table 16 – Home Energy Savings Program Results (1/1/10-9/30/11)

| Total Units | Lifetime Energy Savings (MMBTU) | Efficiency Maine Costs | Participant Cost | Lifetime Energy Benefit | Benefit-To-Cost Ratio |
|-------------|---------------------------------|------------------------|------------------|-------------------------|-----------------------|
| 3127 | 4,820,173 | \$8,588,496 | \$20,368,825 | \$101,335,965 | 3.50 |

FY12 Plans: The Home Energy Savings Program strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C. It should be noted that federal funds for this program have been exhausted and no further rebates are being offered. The Trust’s main program strategy in FY12 for home energy retrofits is to direct homeowners to the PACE loan program.

HOME ENERGY SAVINGS PROGRAM (for Natural Gas Customers)

Historically, Unitil Corporation (formerly Northern Utilities) administered its own energy efficiency programs. In FY11, Efficiency Maine and Unitil agreed to invest the natural gas efficiency funds into Efficiency Maine’s Home Energy Savings Program (described above), targeted specifically to Unitil’s customers. This took the form of an increase in the incentive cap for Unitil customers.

| Tier | Eligible Projects | Statewide Rebate | Unitil Customer Rebate |
|------|-----------------------------|-------------------------------|-------------------------------|
| 1 | Reduce heating costs by 25% | 30% of job cost up to \$1,500 | 30% of job cost up to \$6,500 |
| 2 | Reduce heating costs by 50% | 50% of job cost up to \$3,000 | 50% of job cost up to \$8,000 |

By “piggybacking” the administration and delivery of the natural gas program onto another program (HESP), all of the funds were available to be used in the form of financial incentives for the natural gas customers. The results (which are included as part of the Home Energy Savings Program numbers above) were as follows:

Table 17 - FY11 Natural Gas HESP Program Results

| Total Participants | Total Units | Lifetime Savings (20 yr life) | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|-------------|---------------------------------------|-------------------------------------------------------------------|-------------------|-------------------------|-----------------------|
| 206 | 206 | 16,115MMbtu/yr (46%) 322, 300MMbtu | \$367,000 (SBC) <u>\$1,027,324</u> (ARRA) \$1,394,324 Total | \$1,561,953 | \$8,100,000 | 2.7 |

FY12 Plans: The Natural Gas HESP Program strategy and activities planned for FY12 were the same as in FY11 for the first half of the year, but for the second half of the year a new prescriptive menu of weatherization incentives for this program will be offered to natural gas heating customers through the Residential Direct Install component of the ARRA BetterBuildings Grant. The budget for the program in FY12 appears in Appendix C under Residential Direct Install.

REPLACEMENT HEATING EQUIPMENT PROGRAM

Purpose: Funded by a grant from the U.S. Department of Energy, this fuel-neutral program offered rebates from \$100 to \$500 for energy efficient boilers, furnaces, water heaters and air conditioners. The goal was to encourage homeowners faced with heating equipment failure to purchase the most energy efficient replacement for multiple fuel types.

FY11 Activities:

- Worked with retail stores to promote in-store purchases, supplying training, point-of-sale signs, brochures and rebate forms;
- Collaborated with HVAC professionals to promote the program to homeowners;
- Designed the Efficiency Maine website to describe the program, enable customers to make on-line reservations and download rebate claim forms;
- Maintained the website with updates about outstanding fund balance, providing notice to all consumers and vendors when the limited funds were fully committed.

FY11 Results:

From June 2010 to June 2011, more than 1,500 homeowners selected energy efficient heating system components, encouraged by their installers and the incentives provided by the Efficiency Maine program. Total number of units of efficient heating appliances installed achieved 99% of Efficiency Maine’s goal. Installers also gained experience with new technology as an increasing number of customers started to ask about heating system efficiency. The energy saved over the full life of the installed measures is estimated to be the equivalent of 1.7 million gallons of heating oil.

Table 18 – Replacement Heating Equipment Program Results

| Total Participants | Total Units | Lifetime Savings (MMBTUs) | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|-------------|---------------------------|------------------------|-------------------|-------------------------|-----------------------|
| 1546 | 1546 | 179,825 | \$ 1,207,895 | \$ 456,127 | \$ 2,235,866 | 1.34 |

FY12 Plans: The Replacement Heating Equipment Program strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C. It should be noted that the federal money used to fund this budget were exhausted in early FY12.

ARRA “BetterBuildings” Grant

Purpose: The purpose of Efficiency Maine’s project under the ARRA BetterBuildings grant is to sustain delivery of home energy savings by introducing attractive and accessible financing for energy upgrades to Maine homeowners.

This multi-faceted project is designed to address several major hurdles that home energy efficiency and weatherization programs have faced in Maine and elsewhere in the U.S. The project objectives are:

1. **Financing:** Launch and implement a variety of financing products, including Maine PACE loans, to provide financing for residential retrofits statewide.
2. **Home Retrofits:** Retrofit efficiency and weatherization improvements in 1,500 homes per year for 12 years, in addition to the retrofits already offered in our existing programs, with retrofits resulting in an average of 25% energy savings per home.
3. **Sustainability:** Sustain funding over 10 years beyond the grant period to support home retrofits by establishing track record of program performance based on gathering and aggregating data that will prove the value of weatherization and attract investors who will support the program beyond the grant period.
4. **Scalability and Replicability:** Develop best practices and share guidance with other jurisdictions on how to develop, deliver and document a residential retrofit program that is carbon market ready and private investment ready.

FY11 Activities:

PACE Loan Program

Efficiency Maine conducted two public hearings on proposed draft rules for the implementation of the Maine PACE Loan program, consistent with the Maine PACE Act passed earlier in the year by the state legislature. Provisions of the regulation related to underwriting standards, consumer disclosure, quality assurance, terms and conditions received input from key stakeholders including the Maine Bankers Association, Maine Credit Union League, unions, and municipalities, among others.

As required by the Maine PACE Act, municipalities wishing to make PACE loans available to homeowners in their jurisdiction have the authority to opt in to the program to establish or participate in a PACE program. To opt in, municipalities are asked to adopt a local PACE ordinance, establish a contract with Efficiency Maine regarding administrative roles and responsibilities, and commit to provide education and community outreach regarding residential energy efficiency retrofit programs available to citizens.

The Trust provided municipalities with two versions of a PACE model ordinance for their consideration. Version 1 provides for self-administration. Version 2 provides for PACE program administration by the Trust.

An important part of the project is outreach and engagement with municipalities and community organizations across the State. Additionally, Trust staff held direct conversations with Maine's lending institutions, realtors, labor unions, and environmental groups to collect feedback on details of the proposed rules.

The Trust also invested considerable time and effort during the year to design the administrative process and structure for issuing and servicing loans. Despite an open competitive solicitation process and repeated conversations with financial institutions, the Trust was unable to find a service provider in Maine to tackle this unique and unprecedented assignment. In the end, the Trust contracted with AFC First, a company with experience issuing and servicing small residential energy loans in several other states. As the "master servicer," this contractor provides all "back-office" administrative operations for the loans funded out of the BetterBuildings grant. The master servicer is responsible for running a call center for inquiries about the Maine PACE program, conducting loan origination, researching applicant information for meeting underwriting standards, packaging closing documents, providing closing services, and recording PACE agreements in the registry of deeds. The master servicer is also responsible for loan servicing, managing delinquency, discharging PACE mortgages, and providing statistical data reporting.

During the year the Trust worked to develop education and outreach materials for distribution to towns and their residents about the process for receiving a PACE loan. The Trust established a webpage of resources at www.energymaine.com/PACE that includes Model Ordinances that municipalities can use to opt into the PACE Program, background information on the PACE law and the revolving loan program, and FAQs providing some basic answers to what PACE is and how it will work in Maine. The website also links interested customers to an online calculator tool that helps estimate if energy upgrades would be a worthwhile investment at a given home, a searchable database of all energy auditors in the state who are certified by the Building Performance Institute (BPI), and case studies of other Maine residents who have recently weatherized their homes.

BetterBuildings Sub-Grantee Activities

Two organizations joined Efficiency Maine in developing a winning submission to the US DOE for the competitive solicitation for funding under the BetterBuildings Program.

The first sub-grantee in the project is MaineHousing, who proposed two initiatives related to home weatherization. MaineHousing had been working to establish an independently validated methodology for calculating avoided carbon emissions specific to weatherization of single and multi-family units. The methodology is now accredited under the globally recognized Voluntary Carbon Standard, and is designed to be made available for adoption by other weatherization programs across the country.

MaineHousing's project includes preparing the workforce for the collection of carbon data, testing different approaches for ease and cost-effectiveness, and ensuring that energy auditors are trained to collect data and test the different approaches listed in the methodology ensuring that carbon related data from the low income Weatherization Assistance Program and other weatherization programs are market ready.

The project is working to create a step-by-step guidance document about carbon savings quantification which it has now used to prepare for and sell carbon savings from weatherization in order to leverage private dollars.

In a related initiative, MaineHousing worked this year to develop a data repository as a central database to store all energy conservation and renewable energy data used in conservation programs. The design is intended to allow participating systems to interface with the data repository, both contributing data for combined analysis and reporting, and retrieving data to support business operations.

The second sub-grantee in the BetterBuildings proposal was the non-profit Maine Green Energy Alliance (MGEA). MGEA's initiative was designed to pilot innovative marketing and community outreach strategies for promoting market-based home weatherization in eight communities. MGEA partnered with pre-existing community groups to raise awareness about the benefits of home weatherization and the availability of incentives through Efficiency Maine's HESP program. After six months of operation, MGEA and the Trust mutually agreed that results of the pilot were not meeting expectations and the initiative was discontinued. The funds that had been originally budgeted for the MGEA project were repurposed and used for payment of rebates for customers completing home energy upgrades and for promotion of the PACE loan program.

FY11 Results: FY11 was a period for creating the foundation of a multi-year loan program. Efficiency Maine had initially hoped to launch the loan program mid-way through FY11. In the event, it proved more important to take the time necessary to properly establish the rules and program design of the program, enlist collaboration of municipalities, and to contract for the necessary loan servicing and marketing services. Establishing the program rules through a formal regulatory process slowed the progress of the program's implementation. On top of this, the extended process of contracting for a Master Servicer resulted in pushing the kick-off of this project into April 2011 instead of fall of 2010 as had been anticipated. As a result, by the end of the fiscal year (June 30), minimal loan activity had

occurred. As of the time of writing this annual report, more than 100 municipalities – constituting well more than half of the state’s population, have opted in to the PACE program. More than 100 homeowners have taken out loans worth more than \$1.2 million to finance home energy upgrades, and the rate of uptake was rising as the program moved into FY12.

FY12 Plans: The ARRA BetterBuildings Grant Program strategy and activities planned for FY12 are the same as in FY11, except as noted above. The budget for the program in FY12 appears in Appendix C.

Low-income Weatherization Assistance Program (WAP)

Maine State Housing Authority is the designated administrator of the Weatherization Assistance Program that provides grants to low-income homeowners and renters to reduce energy costs. This program is funded with federal funds. Weatherization improvements may include insulation, weather-stripping, caulking, and some safety-related repairs. MaineHousing offers this program to consumers through Community Action Program agencies who screen people for eligibility as part of the Low-Income Home Energy Assistance Program (LIHEAP) application process. Up to 15% of MaineHousing’s LIHEAP budget may also be spent on weatherization. The Efficiency Maine authorizing statute requires the Trust to report on activities of the WAP in the annual report.

Table 19 – Weatherization Assistance Program Results

| Total funds received/expended by MaineHousing on Weatherization Production (includes amounts from LIHEAP spent on weatherization) | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|--------------|
| | GRANT PERIOD | PRODUCTION BUDGET | PRODUCTION EXPENSES | UNITS |
| ARRA | 4/1/2009-3/31/2012 | \$32,071,307 | \$28,580,896 | 5,049 |
| DOE 2009 Regular | 1/1/2009-3/31/2012 | \$3,279,552 | \$3,279,552 | 505 |
| DOE 2010 Regular | 4/1/2010-3/31/2012 | \$1,631,600 | \$1,631,600 | 326 |
| SERC (ARRA) | 1/1/2011-3/31/2012 | \$5,569,639 | \$237,060 | 21 |
| DOE 2011 Regular | 4/1/2011-3/31/2012 | \$1,700,901 | \$224,219 | 71 |
| 2010 LIHEAP Wx | 10/1/2009-9/30/2010 | \$3,414,820 | \$3,414,820 | 789 |
| 2011 LIHEAP Wx | 10/1/2010-9/30/2011 | \$5,536,767 | \$5,536,767 | 917 |
| 2012 LIHEAP Wx | 10/1/2011-9/30/2012 | \$0 | | |
| | Total | \$53,204,586 | \$42,904,914 | 7,678 |

ALTERNATIVE ENERGY PROGRAMS

Through its Alternative Energy Programs, Efficiency Maine administers a wide variety of offerings for business, institutional and residential customers. This section of the Annual Report describes the Alternative Energy Programs delivered in FY11. Unlike prior sections of the report, this section is not organized by the source of the funds used to pay for the programs.

Another point to note is that while the Trust operates under a general directive to ensure that all programs meet a stringent cost-effectiveness test based on energy savings, the alternative energy programs inherited by the Trust at the beginning of FY11 had never been subject to, and had not been operated in such a way as to meet the same stringent test. The electric SBC-funded Solar/Wind Rebate program was a statutorily mandated program for Efficiency Maine to operate, but the statutory authority made no mention of meeting a cost-effectiveness standard. The Renewable Resource Fund was also a statutorily mandated program that directed Efficiency Maine to promote “research and development” and “demonstration projects” of emerging technologies, activities which are known to rarely be cost-effective in terms of avoided energy costs, yet may serve a valuable public policy purpose.

SOLAR/WIND REBATE PROGRAM

The Solar/Wind Rebate Program was funded with ARRA funds in the second half of FY2011. The shift in funding source emerged due to the expiration of the statutory authorization to use funds previously collected through an SBC for the Solar/Wind Rebate Program that was in effect until December 31, 2010. Maintaining rebates at prior levels through the second half of FY2011 was critical to minimize disruption to the renewable energy related businesses and jobs that have developed in the past six years of rebate availability.

With new program guidance from the Legislature, Efficiency Maine is undertaking a rulemaking process in December 2011 to develop the new approach to incentivize cost-effective alternative energy installations in future years. The new incentive program will also incorporate quality assurance systems to ensure best practices for installations in the state for long-term system operation and maximized fiscal return for program participants.

FY11 Activities: The Trust administered a rebate program for solar thermal, solar PV, and small wind projects that met established criteria for project eligibility. In all cases, these are for limited size systems that are on the “customer’s side of the meter.” This means they are helping the customer offset their consumption of power from the grid, and that the systems are not sized or intended for commercial generation of electricity for sale onto the grid.

FY11 Results: The rebate program assisted Maine customers in installing a total of 371 alternative energy systems in FY11.

- Solar thermal installations – 245
- Solar PV installations – 116
- Small wind installations – 10

If the Trust were a utility providing all energy needs of its customers, it might apply the “Utility Cost Test” to evaluate cost-effectiveness. This test only compares the program costs of Efficiency Maine Trust with the value of the energy saved. It would not take account of the customer’s contribution to the project cost (which is very high with these projects) nor any federal subsidies such as tax credits. While approximate, the Trust estimates that solar thermal projects would satisfy this cost-effectiveness test in 5.2 years of operation, while the solar PV projects would satisfy the test after 4.1 years and the wind projects would satisfy the test after 12 years of operation. In the event, the Trust has also run its more stringent Total Resource Cost test which generates the Benefit-to-Cost ratio in Table 20 below.

Table 20 – Solar/Wind Rebate Program Results

| Total Participants | Total Projects | Lifetime Energy Savings (MMBTU) | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|----------------|---------------------------------|------------------------|-------------------|-------------------------|-----------------------|
| 371 | 371 | 80,595 | \$ 571,528 | \$ 4,765,571 | \$ 1,583,307 | 0.30 |

FY12 Plans: The Solar/Wind Rebate Program strategy and activities planned for the first half of FY12 will be the same as in FY11. In the second half of the year, the program strategy will be determined by the pending rulemaking. Incentives are expected to remain a primary tool for promoting installation of customer-sited renewable systems, but a new approach to screening for cost-effectiveness is likely to cause a shift in the type and quantity of technologies that are installed. The budget for the program in FY12 appears in Appendix C.

Renewable Resource Fund ARRA Supplement

On May 25, 2010, prior to the Trust taking over responsibility of the programs of Efficiency Maine, a Request for Proposals (RFP) for Renewable Energy Demonstration Projects using ARRA funding was issued. The RFP was structured similarly to past RFP’s using funding from the Voluntary Renewable Resource Fund, seeking proposals for community demonstration projects involving renewable energy technologies. Because of the availability of ARRA funding, the RFP’s scope was expanded to allow uses

of the funds for: feasibility studies for renewable power installations, thermal measures and renewable source of power including fuel cells, tidal power, solar photovoltaic arrays, solar thermal installations, wind, geothermal, hydro power, biomass, or municipal solid waste-to-energy (in conjunction with recycling).

As prescribed in state statute in effect during FY11, the following entities were eligible for funding: University of Maine System; Maine Maritime Academy; Maine Community College System; Maine-based nonprofit organizations that qualify under the federal Internal Revenue Code, Section 501(c)(3); consumer-owned transmission and distribution utilities; community-based nonprofit organizations; community action programs; municipalities; quasi-municipal corporations or districts as defined in Title 30-A, section 2351; community-based renewable energy projects as defined in Title 35A, section 3602, subsection 1; and school administrative units as defined in Title 20-A.

On September 21, 2010, the Trust awarded ten projects under the RFP.

FY11 Activities:

- Awarded 10 grants to eligible projects. Examples of projects funded include: wood pellet boiler systems and stoves; photovoltaic systems; restoration of a hydro facility; and demonstration of a geothermal system.
- Negotiated and monitored ten grants.

FY11 Results: Due to the nature of these projects, including that the federal funds were primarily aimed at promoting demonstration projects, there were no expectations of high energy savings levels or benefit-to-cost criteria. Moreover, several of the projects were feasibility studies that generate no immediate energy savings or displacement. As such, the Trust does not have aggregate energy savings data and parts of the results table, below, indicate that the data is N/A.

Table 21 – Renewable Resource Program Demonstration Project Results

| Total Participants | Total Projects | Lifetime Energy Savings | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|----------------|-------------------------|------------------------|-------------------|-------------------------|-----------------------|
| 10 | 10 | N/A | \$ 429,064 | \$ 137,390 | N/A | N/A |

FY12 Plans: The Renewable Resources Program strategy and activities planned for the first half of FY12 will be the same as in FY11. In the second half of the year, the program strategy will be determined by the pending rulemaking (as with the Solar/Wind Rebate Program). The two funding streams are being merged together. The budget for the program in FY12 appears in Appendix C.

Wind Anemometer Program

Purpose: Efficiency Maine utilized a portion of the American Recovery and Reinvestment Act (ARRA) State Energy Program (SEP) grant funds and United States Department of Agriculture (USDA) Renewable Development Assistance Grant (REDA) for the Wind Anemometer Program. In August 2010, Efficiency Maine contracted with Unity College to assist in meeting the following objectives of the program:

1. Provide education and outreach to farmers and rural small businesses interested in farm and/or community-based wind energy applications;
2. Offer strategically sited anemometer set-ups and data analysis to qualified farms and small businesses to assist in identifying appropriate wind resources; and,
3. Apply the anemometer data to improve the Maine wind map to facilitate accurate wind resource mapping in Maine.

FY11 ACTIVITIES: Unity College, with assistance from Maine Rural Partners, completed the publicized anemometer application process, screening farm and rural small business-owned sites for suitability of anemometer test sites. Fifteen site applications were reviewed, screened for eligibility and public wind data set needs, and the two best potential sites were selected. Unity College and its crew installed anemometer towers at the Brigeen/Bullard Farm in Turner and at Sherbourne Farm in Dexter.

The first year of data from a site in Mercer was analyzed, together with output from public data sets contributed by the University of Maine and Fox Islands Cooperative. The data suggest that the wind shear factor in Maine is far greater than had been realized, research being collaborated with similar findings in the Midwest. This is a very important discovery, as it explains higher wind noises than had been modeled by developers and begs consideration of higher towers, even for smaller turbines.

The final year of the grant (with 1 year of data from the Turner and Dexter locations and a 2nd year at the Mercer location gathered and analyzed with other available data) will enable Unity College and collaborating anemometrists to provide confirmation of this apparent finding, which may have far-reaching implications for the furtherance of wind power applications in Maine and elsewhere.

Unity College and Maine Rural Partners will work with each of the pilot farms during the coming year to explore business models that might enable turbines to be erected if desired.

FY11 Results:

- 15 proposed, wind anemometer test site applications were received; and,
- Utilizing a screening process, 2 test sites, Brigeen/Bullard Farm in Turner and Sherbourne Farm in Dexter, were selected.

FY12 Plans: The Wind Anemometer Program strategy and activities for FY12 will be the same as in FY11. It should be noted that federal funds for this program have been exhausted and no new site applications are being accepted. The activities for FY12 will consist of oversight and payment of prior commitments. The budget for the program in FY12 appears in Appendix C.

ENABLING STRATEGIES

EDUCATION AND AWARENESS

Efficiency Maine's education and training programs influence all age groups and market sectors in Maine. Through this work, Efficiency Maine reinforces messages about the benefits of energy efficiency for people of all ages. Efficiency Maine is increasingly emphasizing its determination to measure the value and impact of education and awareness programs. Examples of advances in this area include:

- Measurement of energy saving outcomes from training, as with the Builder Operator Certification (BOC); and
- Assessing the energy saving results from behavior changes promoted through educational programs as with the Schools for Energy Efficiency Program (SEE).

Power Sleuth

The Power Sleuth program was funded with SBC and RGGI funds in FY11. The fourth and final module of the Power Sleuth Energy Education Curriculum, titled Maine Saves Energy, was completed in a companion project with the Maine Math and Science Alliance. The Power Sleuth curriculum developed standards-based curriculum materials and a web site for grades 4-8. The lessons are research-informed and aligned with the *2007 Maine Learning Results: Parameters for Essential Instruction*. These four modules are available to teachers free of charge, and this year alone more than 800 modules have been downloaded from the Power Sleuth web site.

The curriculum has received statewide and national praise, including:

- Presented at the National Science Teachers Association conference
- Presented at the Maine Science Teachers Association statewide conference
- Presented in a statewide virtual conference for educators
- Lawrence Berkley National Labs requested development of six lesson plans, based upon their favorable review of Power Sleuth

- The State of Montana is utilizing Power Sleuth for teacher in-service training
- U Maine Farmington uses Power Sleuth in graduate training (EDU 523)

Maine Energy Education Program (MEEP)

The Maine Energy Education Program brings a selection of 18 different educational programs to schools in every Maine county. In Aroostook County, the program is named Be Energy Wise Program, or “BEEP,” and is offered in schools and communities. In FY11 the program was funded with a blend of SBC funds plus \$30,000 of State Energy Program funds from the Governor’s Office of Energy Independence and Security (OEIS). The programs encourage active participation and each event is supported by consistent student/faculty follow-up. Examples of program topics include:

- | | |
|-----------------------------------|---------------------------------------|
| * Electricity and the Environment | * Great Energy Debate |
| * Kill-A-Watt Challenge | * Global Energy Game |
| * Jr. Solar Sprint | * Kid Wind |
| * Energy Patrols (BEEP) | * Energy/Environment/Economics (BEEP) |

This year, MEEP/BEEP reached more than 12,000 students and involved more than 750 teachers in 590 workshops and community events across Maine.

Memberships/Sponsorships

CEE: The Consortium for Energy Efficiency (CEE), a nonprofit public benefits corporation, develops initiatives for its North American members to promote the manufacture and purchase of energy-efficient products and services. CEE’s goal is to induce lasting structural and behavioral changes in the marketplace, resulting in the increased adoption of energy-efficient technologies. CEE’s membership comprises energy efficiency program administrators like Efficiency Maine from around the country. CEE prepares national studies, conducts workshops and performs analysis to help energy efficiency program administrators perform their duties more effectively and efficiently. Efficiency Maine’s membership dues for 2011 were \$14,200.

NEEP EM&V FORUM: Launched in 2008, the Evaluation, Measurement, & Verification (EM&V) Forum is a project facilitated by Northeast Energy Efficiency Partnership (NEEP). The purpose of the EM&V Forum is to support the development and use of consistent protocols to evaluate, measure, verify, and report the savings, costs, and emission impacts of energy efficiency and other demand-side resources.

The Forum's activities are directed by a Three-Year Plan (2009-2011) guided by the Forum Project Committees, and ultimately recommended by the Forum Steering Committee and the NEEP Board of Directors. Efficiency Maine supported funding for NEEP 2011 activities in the amount of \$33,833.

Maine Green Schools Program

Efficiency Maine partners with fellow state agencies whenever possible. One example of this effort is the Maine Green Schools program where the Maine Department of Environmental Protection receives an annual grant of approximately \$15,000 from the federal Environmental Protection Agency and then works with Efficiency Maine to deliver mini-grants to schools for energy efficiency projects. This year the schools that participated are:

| <u>School</u> | <u>Project</u> |
|---------------------------------|---------------------------------------------|
| o Lincoln Middle School | High-efficiency hand dryers (2) |
| o Lincoln Academy | High-efficiency hand dryers (4) |
| o Hanson and Lebanon Elementary | Occupancy sensors (17) |
| o Aucocisco School | Attic insulation |
| o Oak Hill Middle School | Occupancy sensors, lighting, weatherization |
| o Casco Bay High School | Occupancy sensors (6) |

Maine Green Schools also completed a four-year energy use survey and energy benchmarking project, collecting data from over 100 Maine schools. From this data, an energy benchmarking flyer was developed, distributed to all participating schools, and is being used as an instructional tool for commercial building facility managers.

FY12 Plans: The Education and Awareness Program strategies and activities planned for FY12 are similar to what was done in FY11. For FY12, the Trust will continue to promote Power Sleuth, the Be Energy Wise Program, and the Maine Green Schools project. The Trust is reviewing memberships and sponsorships very carefully to ensure (a) that there is a strong nexus between the activities that are funded and the Trust's core objectives of lowering energy costs through energy efficiency and alternative energy, (b) that the costs offer a good value, and (c) that there is not some other way the Trust could achieve the benefits at a lower cost. The budget for this suite of programs in FY12 appears in Appendix C.

TRAINING

BOC Building Operator Certification (BOC)

Efficiency Maine used ARRA funds in FY11 to fund the BOC Program. The BOC Program has been provided for several years now in Maine in cooperation with the Northwest Energy Efficiency Council (NEEC). The BOC program offers a series of classes over several months that train facility managers to improve energy efficiency, reduce maintenance costs, and enhance building occupant comfort and safety. The courses instruct students in the use of advanced building equipment and controls, while emphasizing how energy savings can be achieved by preventive maintenance and better management of systems and equipment. BOC certification requires demonstrated competence in evaluating building energy consumption, HVAC and energy inspection, lighting surveys, indoor air pollutant sources, and facility electrical distribution. Over 7,000 building operators across the country hold the BOC credential.

In FY 2011, the Maine BOC program trained 36 facility managers and operators in courses offered at Maine's community colleges. These facility managers have converted their learning into savings of more than 5 million kWh per year from improved building operation and efficiency, based on their BOC experience. More than 500 facility managers also participated in the 2011 BOC webinar series introducing new technologies and progressive energy efficiency concepts.

FY11 Results:

Table 22 – BOC Program Results

| Total Participants | Total Units | Lifetime Energy Savings (MMBTUs) | Efficiency Maine Costs | Participant Costs | Lifetime Energy Benefit | Benefit-to-Cost Ratio |
|--------------------|-------------|----------------------------------|------------------------|-------------------|-------------------------|-----------------------|
| 36 | N/A | 346,382 | \$ 83,362 | \$ 1,559,556 | \$ 6,847,967 | 4.17 |

Community Colleges – Energy Workforce Development

Efficiency Maine is administering four pass-through grants to community colleges for workforce development, funded through the American Recovery and Reinvestment Act (ARRA). On each campus, these programs each have a slightly different focus or approach. They are designed to deliver training in areas with new occupational potential, such as technical energy auditor and installer training and renewable energy certifications. The programs offer enhanced training in the building trades to broaden the traditional knowledge base to include renewable energy options, thereby increasing the range of job potential and professional opportunity. The four campus locations and a brief overview of their programs follow:

Northern Maine Community College: \$225,000

Through the Community Level Workforce Development Support Grant the college is infusing advanced energy concepts across its construction and transportation program clusters through a three-pronged approach by:

- Revising the current building energy systems curricula to include green energy, building methods, energy audits and weatherization of existing structures;
- Renovating space for a building science laboratory; and,
- Purchasing equipment to strengthen the College's wind power technology program, the first of its kind in New England.

Eastern Maine Community College (EMCC): \$350,000

Eastern Maine Community College, in partnership with the United Technologies Center, the neighboring regional public technical secondary school, and in collaboration with the University of Maine and other institutions within the Maine Community College System, is developing a hands-on academic laboratory program in Building Science. This rounds out a component of the EMCC vision to implement new degree programs that respond to the changing needs of the community. The laboratory program builds upon existing programs, is vertically aligned with programs at the technical high school and the University of Maine, complements existing programs at other community colleges, and is connected to existing workforce training programs. The components of the program include:

- Building Performance Institute (BPI) Building Analyst Professional curriculum for energy auditors;
- New curricula for existing courses to supplement them with green construction skills-related material;
- New curricula for heat pump technology instruction in Refrigeration, Air Conditioning, and Heating program at EMCC and in the Heating & Plumbing program at the United Technologies Center;
- New curricula for wood-fueled heating appliance utilization for the Building Science Laboratory Program;
- New curricula for radiant thermal transfer applications; and,
- New curricula for use of Structural Insulated Panels (SIPs) in construction.

Kennebec Valley Community College (KVCC): \$350,000

Grant funds awarded through Efficiency Maine are supporting the development and implementation of the *Renewable Energy Management (REM)* program component of the College's Energy Services and Technology Center. The Center serves the region and the State of Maine as a premiere resource for training and education for energy efficiency and renewable energy technology. The KVCC goal is to accelerate development of the sustainable energy industry in Maine by coordinating, enhancing, and training a skilled energy efficiency and renewable energy workforce. The program is designed to:

- Forge strong industry, education and government partnerships with entities that have a stake in energy efficiency, renewable energy technology and the broader "green energy" economy;
- Provide access to a comprehensive, coordinated curriculum which provides a one-stop approach to energy education;
- Provide access to expert customized classroom and distance learning on theory, inventory, evaluation, planning, design, construction, installation and maintenance of renewable energy concepts such as passive solar, solar thermal, biomass/wood, micro-turbines, geothermal, heat pumps and other energy efficient and renewable technologies for residential and commercial applications;
- Train skilled technicians ready to meet the growing workforce demands in the rapidly expanding field of energy efficiency and renewable energy technology;
- Research and develop energy efficient and renewable energy technologies, products and services in a state-of-the-art training center designed around LEED standards; and,
- Strengthen and grow Maine's network of companies, education providers, state agencies, industry associations, non-profits and others who are working to build Maine's green economy.

Southern Maine Community College (SMCC): \$375,000

Southern Maine Community College has established the SMCC Sustainability and Energy Alternatives Center and Program, an effort dedicated to interdisciplinary learning in building science and clean energy technology. The program trains Maine people across program trades in the theory and practice of building science, energy efficiency, weatherization and renewable energies. It prepares Maine people to help create and fill the jobs in Maine's new energy economy and incorporates the highest standards of learning with a strong emphasis on work-ready credentials and nationally recognized certifications.

In addition to diverse curricula development, the larger goals of the project have created:

- **The Sustainability and Energy Alternatives Center (SEA).** A facility equipped with a pressurized house and building science and renewable energy equipment. The Center: 1) Offers high-quality, hands-on building science and sustainable energy education programs, 2) Provides up-to-date continuing education programs for existing workers along career pathways that lead to state and national certifications in energy efficiency and sustainable technology, and 3) Builds demand for energy efficient services by providing ongoing public education programs, including seminars on state and federal incentives. Center staff coordinates trainings, seminars and open houses and partnerships with other training organizations.
- **The Sustainability Advisory Board of Practitioners and Educators.** SMCC has created a permanent advisory board named the Sustainability Advisory Board. It includes current clean energy practitioners and employers, education and training partners, community-based organizations, and SMCC faculty and staff. The Board guides the development of the program, aligns trainings with recognized certifications and keeps the program adaptive and responsive to workforce needs.

FY12 Plans: The Training Program strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C and reflect the fact that the federal funds that were used to pay for this program in FY11 will be exhausted during FY12.

INNOVATION FUND PROGRAM

Purpose: Efficiency Maine’s Innovation Fund aims to support pilot programs for assisting in the commercialization of energy efficiency products or new ways of delivering cost-effective measures. Through the Innovation Fund, Efficiency Maine is applying RGGI funds to support market players seeking to demonstrate technologies or program designs that, if they were deployed at scale, could show substantial energy savings opportunities for the state.

FY11 Activities:

- The Innovation Fund Program Request for Proposals resulted in eight proposals for review with one award made in the amount of \$100,000;
- The first grant was awarded to Investment Engineering, based in Yarmouth, Maine, to install several micro-combined heat and power (CHP) projects to demonstrate technical and financial

information about the CHP systems that will allow building owners to make informed decisions about potential use of this equipment; and,

- The project will be completed and results reported in FY2012.

FY12 Plans: The Innovation Fund Program strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C.

EVALUATION OVERVIEW

Purpose: The purpose of Efficiency Maine’s Program Evaluation strategy is to provide independent third-party analysis and verification of program performance and outcomes. The key objectives of Program Evaluations are to:

- Document and verify the program impacts on energy and demand savings and program cost-effectiveness relative to goals;
- Understand why effects occurred and identify opportunities for improvement in program design and implementation;
- Assess program effects on the energy marketplace; and,
- Inform adjustments in program strategies and allocation of resources.

FY11 Activities:

Table 23 - Program Evaluations Initiated During FY11

| Program | Type | Prime Contractor | Evaluation Budget | Funding Source | Contract Start | Contract End |
|-----------------------------|------------------|------------------------------|-------------------|---------------------------------|----------------|--------------|
| Home Energy Savings Program | Impact | The Cadmus Group, Inc. | \$150,000 | ARRA-SEP | 4/18/11 | 11/30/11 |
| Commercial Project Grants | Impact | Navigant Consulting, Inc. | \$150,000 | ARRA-SEP | 4/18/11 | 12/31/11 |
| Large Project Grants | Impact | Navigant Consulting, Inc. | \$150,000 | ARRA-SEP | 4/18/11 | 3/31/12 |
| Business Incentive Program | Impact & Process | Opinion Dynamics Corporation | \$200,000 | Conservation Program Fund (SBC) | 6/15/11 | 11/30/11 |

Data collection and analysis methods utilized in these evaluations include, but are not limited to:

- Review of program databases, project documentation and program materials;

- In-depth interviews with program staff and stakeholders;
- Surveys of program participants, non-participants and trade allies; and,
- Site visits, including on-site installation verification, monitoring and metering.

FY11 Results: During FY11, Efficiency Maine conducted competitive solicitations and selected independent third-party evaluators for four evaluation projects. Each of these evaluations will be completed during FY12.

FY12 Plans: The Evaluation Program strategy and activities planned for FY12 are the same as in FY11. The budget for the program in FY12 appears in Appendix C.

CODES AND STANDARDS

Commercial Building Energy Consumption Baseline Study

An often over-looked activity in code compliance is establishing a baseline of the energy performance in buildings that were constructed without a state adopted energy code. It is important for Maine to measure the current energy performance of recently constructed (five years and newer) structures to compare the effectiveness of the newly adopted energy code, the training efforts surrounding the adopted energy code, and finally the effectiveness of the code compliance efforts.

The Commercial Building Energy Consumption Baseline Study of small and medium sized commercial buildings was commissioned by the Efficiency Maine Trust on behalf of the Maine State Planning Office and conducted by Energy & Resource Solutions (ERS) during May and June of 2011. The study provides information regarding baseline construction practices for commercial buildings started between 2006 and 2010 throughout the State of Maine. The study was funded through a targeted U.S. Department of Energy grant received by the State Planning Office.

To implement the study, Efficiency Maine, in consultation with building industry stakeholders, developed a building benchmarking initiative that would assess the energy performance of commercial and residential buildings. The study results determined the energy use intensities (EUIs) of the buildings and compared them to the most recent Commercial Buildings Energy Consumption data. In addition,

the study identified building practices that are inconsistent with Maine's Building and Energy Code and recommended training topics to address the deficiencies.

FY12 Plans: The Codes and Standards strategy and activities planned for FY12 will focus on how the Trust can assist municipalities, code enforcement officials and contractors to comply with applicable building energy codes and will continue to monitor voluntary and mandatory standards or certification programs as they are developed and implemented both within and outside of Maine.

Finance and Administration

Financial Report

On October 12, 2011, the Trust's certified public accountant issued its audit of financial statements as of the year ended June 30, 2011. A copy of the Financial Report is attached in Appendix G to this report. The report was unanimously accepted by the Board of Trustees.

The financial audit was conducted to gain reasonable assurance that the financial statements are free of material misstatements. The audit examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and assessed the accounting principles used and significant estimates made by management, as well as evaluated the overall financial statement presentation.

Using the Governmental Accounting and Financial Reporting Standards of the Governmental Accounting Standards Board (GASB), the audit found that,

[T]he financial statements ... present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Efficiency Maine Trust, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.⁸

As illustrated in detail in the Financial Report in Appendix G,⁹ highlights of the Trust's FY11 funding is provided in Table 24, below.

⁸ Macdonald Page, *Efficiency Maine Trust – Financial Report, June 30, 2011*, October 12, 2011, p. 4.

⁹ *Id.*, p. 10 and pp. 25-27

Table 24 – FY11 Funding

| Fund Source | Funding Amount (\$) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| <u>System Benefit Charges</u> ¹⁰ | <u>13,730,391</u> |
| <ul style="list-style-type: none"> • Electric • Solar-Wind Rebate • Natural Gas | <ul style="list-style-type: none"> • 12,896,891 • 411,173 • 422,327 |
| Renewable Resources Fund | 435,631 |
| <u>Federal Funds</u> | <u>41,117,343</u> |
| American Recovery and Reinvestment Act (ARRA) | |
| <ul style="list-style-type: none"> • ARRA State Energy Program (SEP) • Appliance Rebate Fund (Replacement Heating Equip) • Energy Efficiency Community Block Grant (EECBG) • BetterBuildings (PACE Revolving Loan Fund) | <ul style="list-style-type: none"> • 13,617,628 • 843,318 • 4,888,686 • 21,485,083¹¹ |
| Annual State Energy Program | • 218,292 |
| Other | • 64,336 |
| State Grants | 203,710 |
| Forward Capacity Market | 2,234,609 |
| Regional Greenhouse Gas Initiative (RGGI) | 6,336,339 |
| Interest on Accounts and Loans and Other Revenue | 87,692 |
| Sub-total FY2011 Funding | 64,145,715 |
| Other Financing Sources | 13,938 |
| Balance from Maine PUC FY10 Carried Forward | 24,277,153 |
| Beginning Fund Balance from Trust FY10 Carried Forward | 128,776 |
| Total Funding | 88,565,582 |

The Trust spends its funds to implement energy efficiency and alternative energy programs. The Trust’s major program areas during FY11 were residential programs, business programs, and enabling strategies. These program areas, and the individual initiatives within each one, are described in detail in the Program section of this Annual Report.

A summary of the Trust’s payments made in FY11 appears in Table 25, below.¹² It is important to note that during this year of transitioning program administration from the Maine PUC to the Trust, the Trust elected to use a cash basis for accounting of expenditures. (During FY12 the Trust is moving to an accrual basis to more easily reflect encumbrances in the account statements.) As a result, a significant portion of funds committed to medium and large energy projects or contracts that were to be paid out in installments were carried forward into FY12 in cases where the projects are not complete and/or did not invoice their final installments before the end of the fiscal year. Additionally, the Trust received just over \$20 million in funds in FY11 to capitalize the residential PACE Loan Fund. This loan fund is designed to be spent over a period of three years as customers elect to borrow the money for weatherization.

¹⁰ See Appendix I, SBC Payments by Utility.

¹¹ The Statement of Revenues, Expenditures and Changes in Fund Balance on p. 10 of Appendix G indicates that a total of \$39,497,118 was received in this fund. This amount reflects \$18 million that hit the account twice as a result of routing 60% (\$18 million) of the total through municipalities to comply with requirements of the federal Energy Efficiency and Conservation Block Grant Program. The net amount of revenue for the Trust was \$21,497,118.

¹² See for more detail, Macdonald Page, *Efficiency Maine Trust – Financial Report, June 30, 2011, October 12, 2011, p. 10 and pp. 25-27.*

Because the loan fund was not launched until just three months before the end of the fiscal year, less than \$250,000 in loans were paid out during this reporting period even though the full \$20 million appeared on the ledger for FY11. Finally, two programs that were expected to launch in FY11 were held back and are being launched in FY12 instead. This combination of factors explains the difference between total payments made and total funds held by the Trust in FY11.

Table 25 – FY11 Payments Made

| Expenditure | Amount (\$) |
|--------------------------------------------|----------------------------|
| Administrative | 2,283,217 |
| <u>Residential Programs</u> | <u>15,345,702</u> |
| • Low Income | • 292,073 |
| • Non-Low Income | • 15,053,629 ¹³ |
| <u>Business Programs</u> | <u>23,719,598</u> |
| • Medium and Large Businesses | • 8,959,827 |
| • Small Businesses | • 6,436,426 |
| • Prescriptive Incentives (All Businesses) | • 8,323,345 |
| <u>Enabling Strategies</u> | <u>2,633,100</u> |
| • Financing and Training | • 289,537 |
| • Codes and Standards | • 122,226 |
| • Education and Awareness | • 2,060,509 |
| • Evaluation | • 160,828 |
| Capital Outlay | 109,877 |
| Inter-agency Grants | 515,670 |
| Total Payments | 44,607,167 |

Single Audit Report

The Trust also received the Single Audit Report from its independent auditor for the fiscal year ending June 30, 2011. This report complements the Financial Report by providing a review and report on internal control over financial reporting and on compliance and other matters in accordance with Government Accounting Standards. The auditor issued an “Unqualified Report” and identified no “Questioned Costs.” The report is attached to this document as Appendix H.

The auditor reviewed the Trust’s internal control over financial reporting and found no “deficiencies that we consider to be material weaknesses... [or] instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.”¹⁴

¹³ The Statement of Revenues, Expenditures and Changes in Fund Balance on p. 10 of Appendix G indicates that a total of \$33,053,629 was paid out of this fund during FY11. This amount reflects \$18 million that was routed through municipalities to comply with requirements of the federal Energy Efficiency and Conservation Block Grant Program but remains available for future expenditure for the Trust’s residential revolving loan fund using the BetterBuildings grant. The net amount of payments for the Trust for non-low-income residential programs was \$15,053,629.

As described in the audit report, the auditor also reviewed the Trust's compliance with the types of requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Trust's major federal programs. The audit comprised examining, on a test basis, evidence about the Trust's compliance with applicable laws, regulations, contracts and grants. Regarding compliance, the Single Audit Report finds,

In our opinion, Efficiency Maine Trust complied, in all material respects, with the compliance requirements [of applicable laws, regulations, contracts and grants] that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.¹⁵

Regarding the Trust's internal control over compliance the auditor identified a significant deficiency in connection with the Trust's oversight of a sub-grantee, the Maine Green Energy Alliance (MGEA), but concluded that it was not a material weakness and that there were no other material weaknesses identified.¹⁶ Citing the fact that the Trust was in the midst of setting up its own organization, the report noted that,

During the first few months of the fiscal year, the Trust's subrecipient monitoring policies were ineffective in determining whether subrecipients had financial and compliance policies and procedures in place to comply with requirements set forth in *OMB Circular A-133, Audits of States Local Governments, and Non-Profit Organizations* and *OMB Circular A-133, Compliance Supplement*.¹⁷

The audit further reports that the Trust took prompt steps to address the concern. "During the year, the Trust ... made changes to the policies to address areas of risk" and that the Board adopted an

¹⁴ Macdonald Page, *Efficiency Maine Trust – Single Audit Report, June 30, 2011*, October 12, 2011, p.1.

¹⁵ Macdonald Page, *Efficiency Maine Trust – Single Audit Report, June 30, 2011*, P. 3.

¹⁶ *Id.*, p. 4. The audit report offers the following definitions: A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing the assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* is defined as a deficiency such that there is a reasonable possibility that material noncompliance with a requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness ... yet important enough to merit attention by those charged with governance.

¹⁷ *Id.*, p. 8.

updated ARRA Compliance and Monitoring Plan, including a compliance checklist, during its September 12, 2011 meeting.¹⁸

The Single Audit Report also contains as an attachment a Corrective Action Plan submitted by the Trust to the US Department of Energy to demonstrate how the Trust was addressing both the specific oversight of the MGEA grant as well as the ongoing efforts to improve oversight of the compliance of other federal sub-grantees. Specifically, the Corrective Action Plan indicates that:

- the Trust staff met with and assisted MGEA's executive director and treasurer to develop and implement its own Corrective Action Plan;
- MGEA's auditor reviewed the results of the MGEA Corrective Action Plan and a favorable report (finding that approximately \$270,000 in previously Questioned Costs had been satisfactorily resolved) was made to the Trust's Board and accepted by the Board;¹⁹
- the Trust staff redrafted sections of its ARRA Compliance and Monitoring Plan concerning the selection, risk evaluation and monitoring of subrecipients, which was reviewed by the Board's Finance Committee and adopted by the full Board;
- the Trust staff have been implementing this improved Compliance and Monitoring Plan by sending a detailed checklist request for information to subrecipients of federal grants;
- the Trust staff are also now implementing enhanced steps through the grant kick-off meetings and provision of copies of federal regulations to assist subrecipients in proper compliance.²⁰

Finally, the audit also reviewed the Trust's schedule of federal awards and reported, "In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole."²¹

¹⁸ *Id.*

¹⁹ *Id.*, p. 8. The Trust's Single Audit Report favorably reports the Trust's prompt oversight of problems identified with the MGEA sub-grant and positive resolution of the concerns that had been raised:

The Trust's management team took immediate steps to follow-up on a corrective action plan for the subrecipient. After completion of the corrective action plan by the subrecipient, the Trust engaged the subrecipient's audit firm ... to determine whether the corrective action plan had been implemented [and] whether certain questioned costs had been resolved. The agreed upon procedures report was issued in September 2011 showing satisfactory completion of the corrective plan and resolution of the questioned costs.

²⁰ Trust Corrective Action Plan, Letter to US DOE, October 27, 2011 with enclosure.

²¹ Macdonald Page, *Efficiency Maine Trust – Single Audit Report, June 30, 2011*, p. 4.

OTHER INITIATIVES

ISO-NE FORWARD CAPACITY MARKET

Purpose: Efficiency Maine Trust has been participating in ISO-New England's Forward Capacity Market since its inception in 2006. The forward capacity market is a market-driven approach toward ensuring there is enough generation on the electrical grid to meet the peak demands each summer and winter. Efficiency Maine and other providers of demand resources offset the need for generation during these peak periods, and can participate in this market. One megawatt of saved energy is given the same value as one megawatt produced by a generator.

At the most basic level there are four steps to the forward capacity market. The ISO-NE forecasts the peak demand that will need to be met three years ahead of time, hence a forward market. They then ask for a show of interest from owners of new or existing generation units, energy efficiency programs, or distributed generation projects who are interested in providing capacity during this future year. ISO-NE then puts those potential market participants through a qualification process to ensure each is a viable source of providing or reducing energy during peak load hours. Finally ISO-NE runs a descending clock auction for all qualified participants. Those who own the most cost-effective resources are given a capacity obligation, and are guaranteed revenue for the capacity they provide.

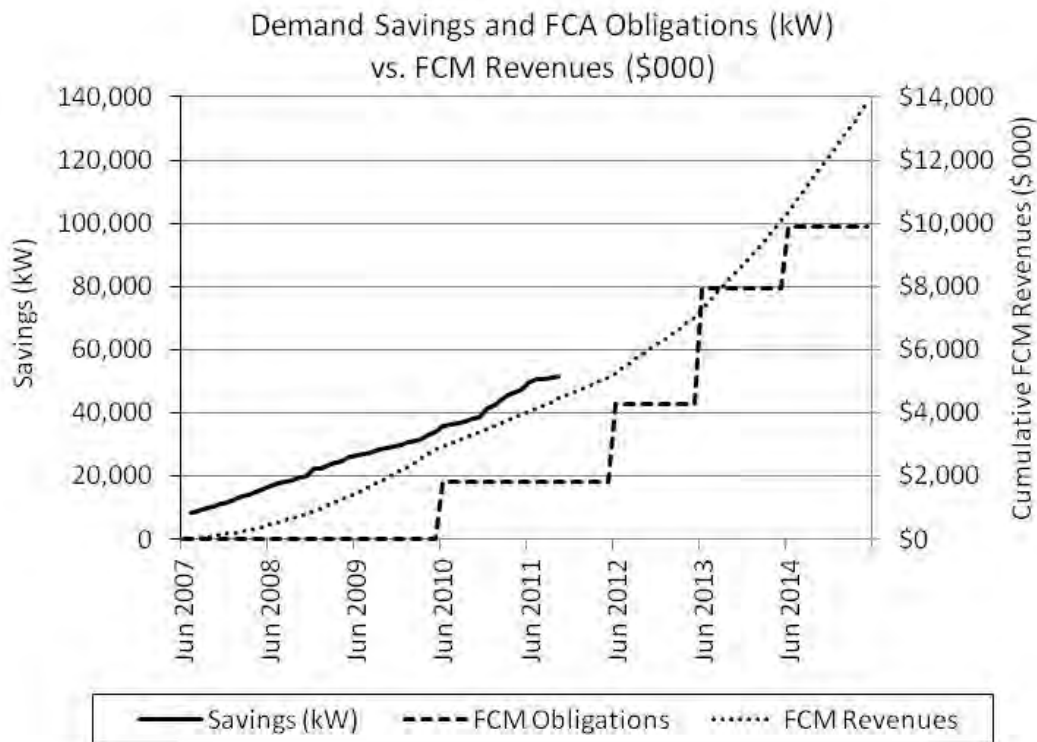
As a market participant the Trust assumes three areas of responsibility: (1) to report on our progress meeting existing capacity obligations from prior auctions; (2) to show the ISO-NE that Efficiency Maine's program results meet the ISO-NE measurement and verification protocols and (3) to assess the risks and rewards of future auctions, and participate accordingly.

Each month Efficiency Maine reports to ISO-NE on the increasing amount of capacity our programs have delivered to date. All measures we have helped customers install are recorded in our custom database. The database takes into account how often those pieces of equipment are in operation, and adds up the total amount of aggregate capacity. To ensure the accuracy of this report the ISO-NE requires an annual independent certification to review the processes behind Efficiency Maine's monthly reports. All aspects of Efficiency Maine's tracking, verification, and reporting activities are reviewed and certified for their accuracy and compliance with the rigorous requirements of ISO New England's measurement and verification manual.

To date, Efficiency Maine has accumulated more than 50 megawatts (MW) of summer demand savings, and this number grows each month. During fiscal year 2011, Efficiency Maine participated in two

forward auctions. In August 2010, Efficiency Maine took on an obligation to supply 39.58 MW in June of 2013 during the fourth Forward Capacity Auction (FCA 4) at a price of \$2.951 per kilowatt per month. The Trust anticipates \$1.4 million in revenues from this auction between June of 2013 and May of 2014. In June 2011, Efficiency Maine took on an obligation to supply 21.306 MW in June of 2014 during FCA 5 at a price of \$ 3.209 per kw/month, and anticipates \$820,541 in revenues from this auction between June of 2013 and May of 2014.

The chart below shows a summary of the amount of demand savings that Efficiency Maine has delivered, is obligated to deliver via the FCM auctions, and the amount of revenue expected from this market. Revenues are estimates based on past performance of Efficiency Maine programs and the price of its Capacity Supply Obligation (CSO). Actual revenue will vary based on fees and incentives should Efficiency Maine’s programs exceed the CSO.



HEATING FUELS STUDY

On December 15, 2010, the Trust issued its report, the *Final Report: Heating Fuels Efficiency & Weatherization Fund*, to the Legislature pursuant to the directive of Public Law 2009, Chapter 372, Section C-2(14).

The Trust initiated a stakeholder outreach and engagement process that consisted of two formal stakeholder workshops, meetings with numerous associations and energy companies, and two rounds of written comments. Overall, more than 100 stakeholders representing over 40 organizations including oil dealers, utilities, energy contractors and auditors, small businesses, environmentalists, entrepreneurs, low-income advocates, elected officials, and manufacturers participated in the Trust's process.

Recognizing Maine's recent history of concern with rising heating oil prices, the report describes how the Trust's programs could evolve, hypothetically, if funding resources were sustained. The report described the Trust's proposed program design to reach more than 25,000 homes and businesses annually, introducing a suite of low-cost, basic improvement options that are accessible for all Maine consumers. On a parallel track, the report contemplated maintaining a program to achieve deep savings of 25% or more, using energy audits, developing a priority list of improvements, and providing modest rebates towards the cost of energy upgrades. Finally, the report reviewed the funding options available and briefly discussed the advantages and disadvantages of each.

The report concluded that if the Legislature should decide to maintain funding for the Heating Fuels Efficiency and Weatherization Fund, the establishment of a fee on heating fuels would offer a more reliable and sustainable mechanism than the other options reviewed by the Trust.

The report noted widespread agreement among stakeholders on the desire to help Maine consumers lower their heating bills and on the value of improving the efficiency of building envelopes to reach this objective. However, there is not a consensus about how or when to establish a funding stream that could sustain weatherization programs. The report relayed the Trust's interest in working with the Legislature, the Governor's Office and the many stakeholders who offered their time and insights to the report process to craft an approach that could provide sustained, reliable funding for these programs while ensuring that the benefits to Maine residents and businesses significantly outweigh the costs.

APPENDICES

APPENDIX A FY 2011 EFFICIENCY MAINE PROGRAM IMPACTS

SBC AND RGGI FUNDED PROGRAMS

| Program | Annual kWh Savings | Lifetime kWh Savings | Efficiency Maine Costs | Participant Cost | Lifetime Energy Benefit | Cost/kWh (lifetime) | Benefit To Cost Ratio |
|--------------------------|--------------------|----------------------|------------------------|------------------|-------------------------|---------------------|-----------------------|
| Business Program | 44,628,013 | 586,638,242 | \$ 11,045,371 | \$ 10,145,729 | \$ 47,315,549 | \$ 0.036 | 2.23 |
| Competitive Bid Projects | 33,780,049 | 423,281,776 | \$ 4,717,139 | \$ 8,461,453 | \$ 28,533,872 | \$ 0.031 | 2.17 |
| High Performance School | 467,506 | 6,077,578 | \$ 853,448 | \$ 189,088 | \$ 535,054 | \$ 0.172 | 0.51 |
| Residential Lighting | 90,351,205 | 614,388,191 | \$ 4,039,443 | \$ 6,534,669 | \$ 46,745,171 | \$ 0.017 | 4.42 |
| Residential Appliances | 3,431,661 | 39,036,190 | \$ 1,533,022 | \$ 1,415,947 | \$ 4,391,481 | \$ 0.076 | 1.49 |
| Low Income | 877,345 | 5,972,672 | \$ 325,515 | \$ - | \$ 465,922 | \$ 0.055 | 1.43 |
| Education & Awareness | - | - | \$ 303,375 | \$ - | \$ - | | - |
| Total | | 1,675,394,649 | | | | | |

ARRA FUNDED PROGRAMS

| | Lifetime Energy Savings (MMBTU) | Efficiency Maine Costs | Participant Cost | Lifetime Energy Benefit | Benefit-To-Cost Ratio | Price for Lifetime MMBTU |
|-------------------------------------------------|---------------------------------|------------------------|----------------------|-------------------------|-----------------------|--------------------------|
| Commercial Projects | 251,069 | \$ 1,462,555 | \$ 2,819,397 | \$ 9,363,039 | 2.19 | \$ 17.05 |
| Competitive Bid Program (GHG Reductions) | - | \$ 3,434,218 | \$ 15,894,752 | \$ 197,588,241 | 10.22 | |
| Commercial New Construction (ME Advanced Bldg) | 9,481 | \$ 224,022 | \$ 91,388 | \$ 231,934 | 0.74 | \$ 33.27 |
| Retro-Commissioning | 119,541 | \$ 343,411 | \$ 416,682 | \$ 2,303,433 | 3.03 | \$ 6.36 |
| Small Business Energy Audits | - | \$ 205,288 | \$ - | \$ - | - | |
| EECBG Municipal Grants | - | \$ 3,373,243 | \$ 374,805 | \$ - | - | |
| Home Energy Savings Program | 4,820,173 | \$ 8,588,496 | \$ 20,368,825 | \$ 101,335,965 | 3.50 | \$ 6.01 |
| Replacement Heating Equipment | 179,825 | \$ 1,207,895 | \$ 456,127 | \$ 2,235,866 | 1.34 | \$ 9.25 |
| Solar/Wind Rebate | 80,595 | \$ 571,528 | \$ 4,765,571 | \$ 1,583,307 | 0.30 | \$ 66.22 |
| Renewable Resource Fund Supplement | - | \$ 469,027 | \$ 137,390 | \$ - | - | |
| Building Operator Certification (BOC) Trainings | 346,382 | \$ 83,362 | \$ 1,559,556 | \$ 6,847,967 | 4.17 | \$ 4.74 |
| Total | \$ 5,807,066 | \$ 19,963,044 | \$ 46,884,493 | \$ 321,489,752 | 4.81 | \$ 11.51 |

APPENDIX B
EFFICIENCY MAINE PROGRAM EXPENDITURES

| Program | Incentive | Technical Support | Marketing | Administrative | Total |
|----------------------------------------------------|----------------------|---------------------|---------------------|---------------------|----------------------|
| Business Program | \$ 6,064,412 | \$ 3,894,139 | \$ 390,233 | \$ 696,586 | \$ 11,045,371 |
| Competitive Bid Projects | \$ 4,403,402 | \$ - | \$ - | \$ 293,839 | \$ 4,697,241 |
| High Performance School | \$ 645,124 | \$ 153,437 | \$ - | \$ 54,887 | \$ 853,448 |
| Residential Lighting | \$ 2,737,593 | \$ 1,012,534 | \$ 34,432 | \$ 254,883 | \$ 4,039,443 |
| Residential Appliances | \$ 1,186,600 | \$ 199,178 | \$ 34,432 | \$ 112,812 | \$ 1,533,022 |
| Low Income | \$ 301,081 | \$ - | \$ - | \$ 24,434 | \$ 325,515 |
| Education & Awareness | \$ - | \$ - | \$ 284,068 | \$ 19,307 | \$ 303,375 |
| SBC & RGGI Sub Total | \$ 15,338,213 | \$ 5,259,288 | \$ 743,165 | \$ 1,456,747 | \$ 22,797,414 |
| Commercial Projects | \$ 1,387,060 | \$ - | \$ 35,941 | \$ 39,553 | \$ 1,462,555 |
| Competitive Bid Program (GHG Reductions) | \$ 3,270,118 | \$ 34,908 | \$ 35,941 | \$ 93,251 | \$ 3,434,218 |
| Commercial New Construction (ME Advanced Building) | \$ 85,618 | \$ 129,819 | | \$ 8,585 | \$ 224,022 |
| Retro-Commissioning | \$ 190,108 | \$ 144,133 | | \$ 9,170 | \$ 343,411 |
| Small Business Energy Audits | \$ - | \$ 199,596 | | \$ 5,692 | \$ 205,288 |
| EECBG Municipal Grants | \$ 3,279,718 | \$ - | | \$ 93,524 | \$ 3,373,243 |
| Home Energy Savings Program | \$ 6,024,706 | \$ 1,984,572 | \$ 357,371 | \$ 221,848 | \$ 8,588,497 |
| Replacement Heating Equipment | \$ 1,066,936 | \$ 72,125 | \$ 36,353 | \$ 32,481 | \$ 1,207,896 |
| Solar/Wind Rebate | \$ 531,246 | \$ 24,436 | | \$ 15,846 | \$ 571,528 |
| Renewable Resource Fund Supplement | \$ 456,023 | \$ - | | \$ 13,004 | \$ 469,027 |
| Building Operator Certification (BOC) Trainings | \$ - | \$ 81,051 | | \$ 2,311 | \$ 83,362 |
| ARRA Sub-Total | \$ 16,291,534 | \$ 2,670,640 | \$ 465,606 | \$ 535,265 | \$ 19,963,045 |
| Total | \$ 31,629,747 | \$ 7,929,928 | \$ 1,208,771 | \$ 1,992,012 | \$ 42,760,459 |

APPENDIX C
Efficiency Maine Trust
FY 2012 Budget Approved by the Board of Trustees September 7, 2011

| | | September 7, 2011 Board Approved FY 2012 Budget Totals |
|----------------------------------------------------|--|--------------------------------------------------------------|
| Administration, Personnel and General Costs | | 2,982,501 |
| Residential Programs | | |
| Low-Income Residential Programs | | 5,410,140 |
| Non-Low Income Residential Programs | | |
| Weatherization & Efficiency | | 2,881,701 |
| Lighting Appliances & Electronic | | 4,581,696 |
| Appliance Rebate | | 1,047,901 |
| Heating Appliance Rebate Program | | 419,682 |
| Renewable Resource Program | | 83,200 |
| Refrigerator Recycling | | 2,000,000 |
| Solar/Wind Rebate Program | | 1,073,330 |
| Wind Anemometer Program | | 77,154 |
| PACE - Home Energy Loan Fund | | 20,114,715 |
| Residential Lighting & App - MPRP | | 225,000 |
| Residential Direct Install | | 900,349 |
| Subtotal All Residential Programs | | 38,814,868 |
| Business Programs | | |
| Medium and Large Businesses | | |
| Business Incentive Prgm - Med & Lge | | 1,977,542 |
| Large Project Impact Fund | | 12,527,428 |
| Maine Advanced Building Program | | 1,066,668 |
| Retro Commissioning | | 354,930 |
| Maine High Perform Schools (MHPS) | | 568,000 |
| Renewable Resource Fund Spplmnt | | 350,958 |
| Maine Green Schools - DEP MOU | | 22,338 |
| Large Impact - MPRP Projects | | 1,050,000 |
| State House Energy Audit | | 200,000 |
| Subtotal Med & Large Businesses | | 18,117,864 |
| Small Businesses | | |
| Business Incentive Prgm - Small | | 1,670,420 |
| Commercial Audits | | 462,810 |
| Direct Install | | 2,057,392 |
| Grants to Municipalities | | 3,067,839 |
| Multifamily Retrofits | | 750,000 |
| Subtotal Small Business | | 8,008,461 |
| Prescriptive | | |
| Business Incentive Prgm - Prescptv | | 5,454,350 |
| Commercial Grants | | 822,011 |
| Bus Incent Prgm - Prescptv - MPRP | | 225,000 |
| Subtotal Prescriptive | | 6,501,361 |
| Subtotal Business Programs | | 32,627,686 |

APPENDIX C
Efficiency Maine Trust
FY 2012 Budget Approved by the Board of Trustees September 7, 2011

| | | September 7, 2011 Board Approved FY 2012 Budget Totals |
|------------------------------------------------|--|--------------------------------------------------------------|
| Enabling Strategies | | |
| Financing, Training, etc. | | |
| Commercial Loans | | 548,240 |
| On-Bill Pilot Program | | 284,964 |
| BOC Trainings | | 465,420 |
| PACE Service Center | | 797,877 |
| PACE Customer Service Provider | | 1,145,954 |
| MSHA Carbon Quantification | | 270,152 |
| MSHA - Data Repository | | 600,000 |
| Call Center Services | | 324,620 |
| EffRT Data Base Upgrade | | 509,300 |
| FCM Contractor Services | | 371,159 |
| Other Contractor Services | | 228,529 |
| Other Training Services | | 5,550 |
| Subtotal Financing & Training, etc. | | 5,551,765 |
| Codes and Standards | | |
| Baseline Study Building Code - SPO | | 107,774 |
| Subtotal Codes and Standards | | 107,774 |
| Education & Awareness | | |
| Workforce Develop - Comm Coll. | | 1,105,916 |
| UMS 2Yr Outreach & Educ Program | | 14,671 |
| MMSA (Power Sleuth, ME Math/Sci) | | 53,970 |
| Marketing | | 1,004,275 |
| PACE Admin & Marketing - state | | 397,729 |
| MEEP | | 934 |
| Energy Education | | 437,550 |
| Contingencies | | 50,000 |
| Subtotal Education & Awareness | | 3,065,045 |
| Innovation | | |
| Innovation Programs | | 1,072,572 |
| Evaluation | | |
| Independent M&V Program Review | | 570,000 |
| PACE EM&V | | 275,000 |
| CCI (MHPS Technical Advisor) | | 43,075 |
| Weatherization & M&V | | 150,000 |
| Industrial & Commercial M&V | | 300,000 |
| NEEP - DOE Project | | 20,514 |
| NEEP - EM&V Projects | | 125,000 |
| Subtotal Evaluation | | 1,483,589 |
| Subtotal Enabling Strategies | | 11,280,745 |

APPENDIX C
Efficiency Maine Trust
FY 2012 Budget Approved by the Board of Trustees September 7, 2011

| September 7, 2011 Board Approved FY 2012 Budget Totals | |
|-----------------------------------------------------------------------|-------------------|
| Estimated Direct Program Costs | 82,723,299 |
| Payments to State Agencies | |
| MPUC - Oversight & Evaluation Fund max 1% of revs, sec 10120, 3. | 245,849 |
| DECD 35% of RRF | 197,971 |
| DEP (allow 3% revs + \$100,000 research) | 235,000 |
| Subtotal Transfers to State Agencies | 678,820 |
| Subtotal Current Expenditures | 86,384,620 |
| Interfund Transfers | |
| Admin Fund, 10103 ss 5 | 1,327,197 |
| Conservation Admin Fund, 10110 | 294,976 |
| Federal Multifamily Fund | 750,000 |
| Subtotal Interfund Transfers | 2,372,173 |
| Estimated Total Expenditures | 88,756,793 |

**Appendix D
FY11 Competitive Bid Projects**

| Electric (kWh) Savings Projects | | | | |
|------------------------------------------------|-------------|-------------------------------------------------------------------------------------------|--------------|---------------------|
| Applicant | Town | Project | Grant | Project Cost |
| Huhtamaki | Waterville | Retrofit motors and pumps | \$400,000 | \$1,250,000 |
| Irving Forest Products | Dixfield | Install a back pressure steam turbine | \$706,543 | \$1,413,085 |
| Madison Paper Industries | Madison | New grinding stones | \$725,000 | \$1,450,743 |
| Moose River Lumber | Moose River | Install a back pressure steam turbine | \$450,000 | \$1,300,000 |
| SAPPI | Skowhegan | Multiple Variable Frequency Drives | \$300,888 | \$601,000 |
| State of Maine Bureau of General Services | Augusta | Install a back pressure steam turbine as part of the new pellet system on the East Campus | \$750,000 | \$4,095,000 |
| The Jackson Laboratory | Bar Harbor | Install a back pressure steam turbine | \$369,011 | \$738,022 |
| Twin Rivers Paper | Madawaska | Multiple Variable Frequency Drives | \$301,960 | \$603,920 |
| University of Maine - Orono | Orono | Retrofit multiple measures in Alfond Arena | \$300,000 | \$1,413,085 |
| Greenhouse Gas (GHG) Reduction Projects | | | | |
| Applicant | Town | Project | Grant | Project Cost |
| Colby | Waterville | Replace oil boilers with biomass gasifiers | \$750,000 | \$11,000,000 |
| GAC Chemical | Searsport | Multiple measures including lighting, boiler upgrades, & steam pipe insulation | \$314,200 | \$628,400 |
| General Dynamics | Saco | Convert oil boilers to natural gas | \$100,000 | \$200,000 |
| Mt Abram | Greenwood | Snowmaking Retrofit | \$128,940 | \$257,880 |
| Stonyvale Farms | Exeter | Install 1 MW Biogas Anaerobic Digester | \$650,000 | \$2,990,375 |
| Twin Rivers | Madawaska | Heat Recovery | \$372,818 | \$745,635 |
| University of Maine - Orono | Orono | Install a new natural gas boiler | \$700,000 | \$2,760,855 |
| University of New England | Biddeford | Install a new energy control system | \$154,160 | \$308,320 |
| University of Southern Maine | Portland | Convert oil boilers to natural gas | \$100,000 | \$273,405 |

Appendix E: Commerical Project Grants

| Grantee | Town | Project | Award | Matching Funds | Total Project Costs |
|--------------------------------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------------|---------------------|
| Air & Quality Inc. | Freeport | Install photovoltaic system w/smart monitoring package | \$9,941 | \$18,467 | \$28,408 |
| Alfond Youth Center | Waterville | Install biomass boiler system | \$50,000 | \$416,483 | \$467,483 |
| Alfond Youth Center | Waterville | Install lighting | \$17,262 | \$17,263 | \$34,525 |
| Anchorage By the Sea | Ogunquit | Integrate & install solar thermal system | \$49,877 | \$78,013 | \$127,890 |
| Basics Fitness Center | South Portland | Install a closed loop antifreeze solar water heating system w/flat plate solar hot water collectors & two 105 gallon storage tanks & solar pump station | \$11,235 | \$11,235 | \$22,470 |
| Bath Area Family YMCA | Bath | Install pool cover, upgrade lighting, install automated lighting control & timing systems | \$34,162 | \$40,312 | \$74,474 |
| Becky's Diner | Portland | Install a flat plate domestic hot water system | \$12,224 | \$12,225 | \$24,449 |
| Billy's Chowder House | Wells | Purchase & install 12 kW Vegawatt cogeneration system | \$45,690 | \$45,690 | \$92,380 |
| Black Dinah Chocolatiers | Isle au Haut | 3.2 kilowatt grid-tied photovoltaic system | \$6,425 | \$11,936 | \$18,361 |
| Black Dinah Chocolatiers | Isle au Haut | Closed loop antifreeze solar hot water system | \$9,860 | \$9,861 | \$19,721 |
| Bob's Overhead Doors | Lewiston | Replace uninsulated garage doors | \$26,950 | \$27,450 | \$54,400 |
| Boothbay Region YMCA | Boothbay Harbor | Install propane heating system | \$50,000 | \$171,765 | \$221,765 |
| Bowdoin College | Brunswick | Double size of solar thermal domestic hot water installation | \$50,000 | \$67,550 | \$117,550 |
| Breakwater School | Portland | Replace boiler, install zone control system | \$50,000 | \$100,935 | \$150,935 |
| Brixham Montessori Friends School | York | Air sealing & insulation, upgrade domestic hot water system | \$4,863 | \$4,863 | \$9,726 |
| Center City Plaza Associates | Portland | Replace all lights | \$20,597 | \$20,597 | \$41,194 |
| City of Portland | Portland | Energy efficiency upgrades for Central Maintenance Building | \$48,973 | \$102,880 | \$151,853 |
| Coffee by Design, Inc. | Portland | Install grid-tied photovoltaic system | \$17,361 | \$32,244 | \$49,605 |
| Five Town CSD | Camden | Install wind turbine at Camden Hills Regional High School | \$50,000 | \$460,000 | \$510,000 |
| Fogarty's Restaurant & Bakery | South Berwick | Purchase & install 5 kW Vegawatt cogeneration system | \$24,433 | \$24,433 | \$48,866 |
| Greater Portland Landmarks | Portland | Upgrade HVAC systems at Safford House | \$50,000 | \$122,050 | \$172,050 |
| Habitat for Humanity/7 Rivers Maine | Brunswick | Insulate building | \$37,975 | \$40,017 | \$77,992 |
| HillHouse Assisted Living | Brunswick | Modify & upgrade heating system, insulate attic & foundation, modify walls, windows & doors | \$50,000 | \$67,145 | \$117,146 |
| Katie Made Bakery | Portland | Install a closed loop antifreeze solar water heating system | \$5,976 | \$5,977 | \$11,953 |
| Leisure Gardens/Leisure Village | Brunswick | Install solar thermal domestic hot water system | \$50,000 | \$66,000 | \$116,000 |
| Lepage & Eaton Countertops | Waterville | Add soy based "green" spray foam insulation | \$4,820 | \$6,000 | \$10,820 |
| Lewis & Malm Architecture | Bucksport | Install low temperature heat pump HVAC system | \$11,355 | \$11,355 | \$22,710 |
| Maine Children's Home for Little Wanderers | Waterville | Building Automations/Controls | \$17,625 | \$17,625 | \$35,250 |
| Mechanical Services | Presque Isle | Install supplemental solar domestic hot water heater & space heating system | \$16,360 | \$26,520 | \$42,880 |
| Northeast Radiant Tech., LLC | Gardiner | Install a grid-tied photovoltaic system | \$12,991 | \$24,164 | \$37,155 |
| Penobscot Bay YMCA | Rockport | Upgrade building heating and automated control systems | \$20,650 | \$20,650 | \$41,300 |
| R. H. Foster Energy | Hampden | Upgrade HVAC, lighting & cooking equipment | \$50,000 | \$78,300 | \$128,300 |
| Red River Camps, LLC | Portage | Install off-grid solar power battery system & replace appliances | \$14,416 | \$14,416 | \$28,832 |
| Sanford-Springvale YMCA | Sanford | Install propane heating system | \$50,000 | \$62,250 | \$115,250 |
| Sea & Reef Aquaculture LLC | Franklin | Upgrade & reconfigure energy system | \$50,000 | \$103,082 | \$153,082 |
| South Berwick Water District | South Berwick | Install turbine pumps | \$41,000 | \$115,000 | \$156,000 |
| St. Joseph's College of Maine | Standish | Improve HVAC system | \$22,325 | \$27,817 | \$50,142 |

Appendix E: Commerical Project Grants

| Grantee | Town | Project | Award | Matching Funds | Total Project Costs |
|------------------------------------|-------------|------------------------------------------------------------------------------------|--------------------|--------------------|---------------------|
| The Birchwood Motel | Camden | Install solar thermal system | \$25,313 | \$37,962 | \$63,282 |
| The Highlands Retirement Community | Topsham | Install solar hot water system | \$50,000 | \$53,250 | \$103,250 |
| The Iris Network | Portland | Renovating upper floors, install windows | \$50,000 | \$76,157 | \$126,157 |
| Town of Scarborough | Scarborough | Replace old boiler w/propane gas boiler, install underground propane storage tanks | \$42,750 | \$42,750 | \$85,500 |
| Town of Veazie | Veazie | Install updated windows and lighting in Comm. Center | \$8,583 | \$9,000 | \$17,583 |
| University of New England | Biddeford | Install parking lot LED fixture replacements | \$34,347 | \$34,347 | \$68,695 |
| University of New England | Biddeford | Solar thermal project | \$50,000 | \$52,640 | \$102,640 |
| Woodard & Curran | Freeport | Install spray foam insulation in roof & rigid insulation in exterior walls | \$30,721 | \$30,721 | \$61,442 |
| TOTALS | | | \$1,387,060 | \$2,819,397 | \$4,211,466 |

Appendix F - EECBG Municipal Energy Grants

| Grant Recipient | Grant Amount | Project |
|------------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Addison | \$76,847 | Install wind turbine, solar hot water, and LED lighting, energy audit town building |
| Alfred | \$41,055 | Repair 23 "1860" original windows; Add insulation in crawlspace, exterior walls, insulate and seal the attic scuttle, and replace the fire escape door on the second floor with an insulated steel door. Replace 40 T12 lamps with 40 T8 lamps |
| Allagash | \$14,980 | Install occupancy sensors, replace 45-T12s with T8s, weatherstrip entry door, install controls, install 2 electric water heaters, and replace 4 commercial ceiling fans. |
| Anson | \$34,776 | Weatherize and air seal all town buildings; Insulate walls, attics and basements of all town buildings and, install four (4) propane heating units to replace oil furnace in the public works garage. |
| Baileyville | \$41,055 | Install 3 new boilers, change out T12s to T8s, replace window and weatherize existing windows and doors. |
| Bar Harbor | \$10,000 | Develop & implement Community Energy Plan |
| Bath (Regional) | \$500,000 | Regional audit/energy retrofit program. Complements Efficiency Maine's Home Energy Savings Program. |
| Belfast | \$36,225 | Insulate and air seal city hall. |
| Belfast | \$10,000 | Develop & implement Community Energy Plan |
| Belgrade | \$29,600 | Air seal and insulate four municipal buildings, install one oil furnace and one oil boiler |
| Berwick | \$10,000 | Develop & implement Community Energy Plan |
| Bethel | \$20,550 | Install Waste Treatment Plant VFD motor for agitator |
| Blue Hill | \$10,000 | Develop & implement Community Energy Plan |
| Blue Hill | \$36,225 | Conduct audit, retrofits and feasibility study |
| Bowdoinham | \$10,000 | Develop & implement Community Energy Plan |
| Bowdoinham | \$36,225 | Insulate and air seal the attic, stairwell and foundation walls, and install waterproofing system. |
| Brewer | \$78,968 | Replace HVAC in library, install windows where single pane or wall air conditioners; T5 lighting upgrade in auditorium |
| Brooklin | \$10,000 | Develop & implement Community Energy Plan |
| Brooks | \$85,000 | Community Weatherization Model - Complements Efficiency Maine's Home Energy Savings Program |
| Brooksville | \$40,512 | Community Weatherization Model - Complements Efficiency Maine's Home Energy Savings Program |
| Bucksport | \$85,000 | Hire technical consultant for wood pellet boiler, install wood pellet boiler at waste treatment plant |
| Calais | \$85,000 | R-46 roof installation at Public Safety building |
| Cape Elizabeth | \$85,000 | Lighting retrofits in school and community center buildings |
| Caribou | \$71,100 | LED street and airport lighting |
| Casco (Regional) | \$247,576 | Energy retrofits at RSU 61 High School including windows, door, and HVAC upgrade |
| Chebeague Island | \$52,362 | Weatherize town buildings, install efficient water heating and HVAC heat exchanger |
| China | \$60,300 | 2 recycling balers, wood pellet furnace at transfer station, 4 solar air units, insulate town office, two wood pellet furnaces at town office |
| Columbia | \$20,630 | Heating/weatherization retrofits at town transfer station |
| Columbia Falls | \$34,650 | Installing 2 boilers and 1 hot water tank with smart controls. |
| Corinth | \$41,055 | Remove dehumidifiers; Insulate and air seal attic and box sills; Install 5-ton geothermal FHA ducted system; and, Install 1000 foot vertical, 6" bore holes with 1.25" grouted piping and connect to geothermal heat pump. |
| Cumberland | \$74,762 | 3 evacuated tube solar HW systems; 4 HVAC units |
| Damariscotta | \$82,000 | Bike/pedestrian pathway as part of US Route 1 rebuild project |
| Dayton | \$73,656 | 66 panel solar PV system on town hall |
| Dixfield | \$24,150 | Lighting upgrades, thermal neutralizers, controls, electric water heater, insulation and weatherstripping. |
| Eliot | \$10,000 | Develop & implement Community Energy Plan |
| Falmouth | \$75,995 | Energy retrofits at municipal bldgs/solar thermal installation |
| Farmingdale | \$11,205 | Replace old boiler with a Peerless boiler. |

Appendix F - EECBG Municipal Energy Grants

| Grant Recipient | Grant Amount | Project |
|-----------------|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Farmington | \$31,547 | Solar Air install |
| Fayette | \$10,000 | Develop & implement Community Energy Plan |
| Fort Fairfield | \$58,290 | Install LED street lights |
| Fort Kent | \$85,000 | Install new windows and interior lighting |
| Freeport | \$80,847 | Complex efficiency projects at multiple buidlings and locations, public education plan |
| Frenchville | \$45,000 | Repair roof, insulate ceiling and walls, replace service doors, repair floor and upgrade lighting |
| Frenchville | \$9,020 | Develop & implement Community Energy Plan |
| Gardiner | \$17,500 | Install 40 induction light fixtures in park |
| Gorham | \$78,960 | PV installation at Municipal Center building |
| Gray | \$10,000 | Develop & implement Community Energy Plan |
| Gray | \$41,055 | Develop a community energy plan. Conduct energy audits to identify retrofits and streetlights. |
| Greenville | \$79,305 | 4 solar thermal collectors |
| Hallowell | \$34,776 | Reduce recycling transport costs, fuel usage and increase volume recycled materials collected and processed. LED Streetlights |
| Hampden | \$84,146 | Install more efficient oil furnaces |
| Harrison | \$10,000 | Develop & implement Community Energy Plan |
| Hiram | \$10,000 | Develop & implement Community Energy Plan |
| Hiram | \$39,680 | Seal and insulate town office and town library and retrofit town office boiler. |
| Houlton | \$41,055 | Lighting and sensor upgrades to the Houlton Town Office, Police & Fire Department, Gentle Memorial Building, John A. Millar Civic Center and the Town Garage. |
| Hudson | \$41,055 | Replace the existing heating system; upgrade the town office attic insulation, install high performance T-8 lamps in the town office and hallways, replace the existing water heat with electric, instantaneous water heater; and, replace 6 existing single pane windows with double pane windows. |
| Kennebunk | \$81,000 | Design and install traffic coordiantion equipment; install R-49 insulation in town hall roof |
| Kennebunkport | \$41,055 | Install roof insulation; install new overhead door panels, mechanical components and add weather-stripping to the panels; replace the existing light fixtures with high bay light-emitting diode (LED) light fixtures; install a de-stratification fan; and, install a programmable thermostat. |
| Lisbon | \$85,000 | Install building insulation, windows, and high-efficiency natural gas boiler |
| Machias | \$10,000 | Develop & implement Community Energy Plan |
| Madawaska | \$41,055 | Replace 85 post-top (street light) fixtures with LED lighting along the Town of Madawaska's Main Street. |
| Madison | \$85,000 | Install buding insulation, 38 LED street lamps, and solar lighted stop signs |
| Manchester | \$41,055 | Install a 9.2 kW photovoltaic system on the town office building. |
| Mars Hill | \$24,150 | Implement recommendation of audit on Mars Hill & Blaine Community Center |
| Mechanic Falls | \$10,000 | Develop & implement Community Energy Plan |
| Mechanic Falls | \$36,225 | Install solar panels on municipal buildings |
| Mercer | \$10,000 | Develop & implement Community Energy Plan |
| Mercer | \$41,055 | Install pellet furnace |
| Monmouth | \$4,000 | Energy audit for Custom Hall |
| Montville | \$44,733 | Install building insulation, 36 solar PV panel system |
| New Gloucester | \$9,886 | Develop & implement Community Energy Plan |
| New Gloucester | \$36,225 | Insulate heating pipes, upgrade lighting, reduce infiltration and heat loss by air sealing and insulating foundation walls, joists, and attic, weatherseal doors and windows, retrofit the ventilation system, install fan convector and hot water zone, insulate and install Empire heater, install 5 Airius 25 thermal equalizers, and upgrade window AC unit. |
| North Yarmouth | \$10,000 | Develop & implement Community Energy Plan |
| North Yarmouth | \$5,000 | Expand energy audits to include more buildings |
| Norway | \$85,000 | Solar Bee aerators at wastewater treatment plant lagoon |
| Oakland | \$46,817 | Wind turbine/replace baler at town transfer station |
| Old Town | \$85,000 | Install 76 LED light fixtures in park and downtown; develop energy conservation strategy |
| Orland | \$41,055 | Upgrade town pump stations |
| | | |

Appendix F - EECBG Municipal Energy Grants

| Grant Recipient | Grant Amount | Project |
|---------------------------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Orono | \$41,055 | Install a heat plant exchange; and, replace 388 T-12 fixtures to T-8s in six municipal buildings, including the Fire Department, Police Department, Town Office, Tredwell Building, Keith Anderson Community Building, and the Municipal Pool. |
| Palmyra | \$30,000 | Insulate ceiling, walls and floor of town hall; install foam boards on the outside walls and foam panel in the window tops; build enclosure on outside door to create air lock on entry door; re-route and repair ducts and insulate; repair air intakes on furnace; and, remove windows, block openings and spray foam on the windows in the crawl space. |
| Paris | \$28,500 | Lighting and building envelope improvements, upgrading domestic hot water and ventilation in Town Office and Town Garage |
| Perry | \$85,000 | Install efficient doors, appliances, and lights; install wood pellet boiler; energy audit of school |
| Phippsburg | \$10,000 | Install baseboard heating from hot air |
| Pittsfield | \$84,425 | Install insulation, high-efficiency oil boiler, solar HW system, public outreach |
| Plantation of Grand Lake Stream | \$35,000 | Install heating system & insulate Town Office and Community Building |
| Poland | \$17,575 | Replace 297 T-12s with 297 super T-8s; and install occupancy sensors |
| Porter | \$10,000 | Develop & implement Community Energy Plan |
| Presque Isle | \$85,000 | Update methane gas feasibility study; purchase and install landfill vacuum valves and methane analyzer |
| Raymond | \$36,044 | Install building insulation; project administration and technical assistance to implement project |
| Reed Plantation | \$29,250 | Install building insulation, high efficiency oil boiler |
| Rockland | \$9,180 | Develop & implement Community Energy Plan |
| Rockland | \$35,211 | Conduct study at the landfill to determine if there is potential to harvest landfill gas. |
| Rockport | \$10,000 | Develop & implement Community Energy Plan |
| Rockport | \$36,225 | Install roof insulation, upper wall insulation, basement wall insulation and air sealing around doors and windows in the Rockport Opera House. |
| Rumford | \$10,000 | Develop & implement Community Energy Plan |
| Saco | \$85,000 | Install 79 LED light fixtures, 13 panel solar PV, HVAC, insulation |
| Saint Francis | \$30,758 | Improvements to building envelope, thermal de-stratification fans, lighting improvements, outside air temperature reset control added to existing boiler and 24-hour timer installed on hot water heater. |
| Saint Francis | \$5,540 | Develop & implement Community Energy Plan |
| Searsmont | \$35,711 | Install an 8.3 kW photovoltaic solar system on the municipal building. |
| Sedgwick | \$10,000 | Develop & implement Community Energy Plan |
| Sedgwick | \$36,225 | Upgrade lighting, insulation |
| Skowhegan | \$49,500 | Install efficient indoor lighting |
| South Berwick | \$10,000 | Develop & implement Community Energy Plan |
| South Berwick (Regional) | \$500,000 | Regional weatherization program- RLF/audits/training - complements Efficiency Maine's Home Energy Savings Program |
| Stockton Springs | \$10,000 | Develop & implement Community Energy Plan |
| Stoneham | \$10,000 | Develop & implement Community Energy Plan |
| Stonington | \$48,730 | Replace windows, retrofit lighting, install occupancy sensors, install LED exit lighting, and insulate parts of the building. |
| Strong | \$10,000 | Develop & implement Community Energy Plan |
| Strong | \$36,225 | Retrofit the Forster Memorial Building: One counter, two office and 13 basement windows, six digital programmable thermostats, on-demand propane water heater, lighting retrofit and occupancy sensor in foyer, wood pellet boiler and related heating system improvements (Maine Forest Service Wood Heat Grant), and attic insulation. Retrofit the Fire Station: lighting retrofit and building insulation. Retrofit Town Garage: lighting retrofit. Community Energy Opportunity Planning: Geneva Energy Steam feasibility and community wind feasibility. |
| Thomaston | \$77,273 | 52 panel solar PV installation |
| Thorndike | \$10,000 | Develop & implement Community Energy Plan |
| Thorndike | \$36,225 | Renovate or replace heating system and energy efficiency upgrades. |
| Union | \$10,000 | Develop & implement Community Energy Plan |

Appendix F - EECBG Municipal Energy Grants

| | | |
|-----------------------|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Union | \$36,225 | Insulate ceiling and pipes, install digital thermostats, install 2 tankless water heaters, cap gable ends, weather seal windows and doors, update AC unit, replace steel doors and window, and replace boiler. |
| Unity | \$82,500 | Community Weatherization Model -complements Efficiency Maine's Home Energy Savings Program |
| Vassalboro | \$10,000 | Develop & implement Community Energy Plan |
| Vassalboro | \$36,225 | Replace demand boiler in town garage with high efficiency cold start boiler; listall 20 gallon electric water heater with timer in town garage; convert exit signs to LEDs in town garage, Riverside and North Vassalboro fire stations, and town office; replace existing demand boiler at the Riverside fire station with cold-start boiler with smart controls and indirect fired hot water tank; install lighting fixtures and sensors at the Riverside and North Vassalboro fire stations, library, town garage, and town office; upgrade efficiency with smart controls in the existing boiler at North Vassalboro fire station; and, Install outdoor lighting controls. |
| Veazie | \$30,000 | Retrofit project to replace windows and lighting |
| Waldoboro | \$36,225 | Conduct energy retrofits at town buldings based on audit results. |
| Waldoboro | \$10,000 | Develop & implement Community Energy Plan |
| Warren | \$81,349 | Install building insulation |
| Washington County | \$10,000 | Develop & implement Community Energy Plan |
| Waterboro | \$28,980 | Audit study on the town library, the South Fire Station, the original town hall and the current town hall facility; employees will attend an energy training and/or energy conference for information regarding the development of the new energy chapter; and, develop the new energy chapter in the Town of Waterboro's new master comprehensive plan. |
| Waterville (Regional) | \$170,000 | Community Weatherization Model- complements Efficiency Maine's Home Energy Savings Program |
| Westbrook | \$85,000 | HVAC installation |
| Windham | \$10,000 | Develop & implement Community Energy Plan |
| Windham | \$36,225 | Retrofit, energy audits, lighting, etc. Install gas conversion burner at North Windham Fire Station; change out 380 T-12s to T-8s in all the town buildings; and, retrofit the town library's building envelope and incorporate heating and hot water improvements, as outlined in the Windham Town Library Energy Assessment Report. |
| Winthrop | \$73,656 | 66 panel solar PV system 15.2 kWh |
| Yarmouth | \$55,344 | Waste Treatment Plant aerator motors and controls |
| York | \$10,000 | Develop & implement Community Energy Plan |

Appendix G

***Efficiency Maine Trust Financial Report,
June 30, 2011***

**by
Macdonald Page
October 12, 2011**



(A component unit of the State of Maine)

Financial Report

June 30, 2011

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macdonaldpage & co LLC

Certified Public Accountants and Management Advisors
Independent Auditors' Report

To the Trustees
Efficiency Maine Trust
Augusta, Maine

We have audited the accompanying financial statements of the governmental activities and major fund of Efficiency Maine Trust (the Trust), a component unit of the State of Maine, as of and for the year ended June 30, 2011, which collectively comprise the Trust's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Efficiency Maine Trust, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule - Special Revenue Fund on pages 2 through 5 and 24, respectively, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's financial statements as a whole. The Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Special Revenue Fund on pages 25 through 27 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Macdonald Page & Co., LLC

Augusta, Maine
October 12, 2011

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An Independently Owned Member, McGladrey Alliance

Management's Discussion and Analysis

The following narrative overview and analysis is intended to assist the readers in understanding the financial activities of Efficiency Maine Trust (The Trust) for the fiscal year ended June 30, 2011. Information contained within the discussion and analysis should be considered in conjunction with the basic financial statements when focusing on significant financial issues and identifying any significant changes in financial position.

Overview of Trust

On June 12, 2009, former Governor John Baldacci signed into law *An Act Regarding Maine's Energy Future* (LD 1485), "for the purposes of developing, planning, coordinating and implementing energy efficiency and alternative energy resources programs" in Maine. That law is now codified as 35-A MRSA c 97.

The legislation establishes the new, independent Trust for the purpose of administering programs for energy efficiency and alternative energy resources to help individuals and businesses in Maine "meet their energy needs at the lowest cost." The law states that on July 1, 2010, the existing Efficiency Maine programs will be moved out of the Maine Public Utilities Commission (MPUC) and merged with the existing Energy and Carbon Savings Trust programs. The new Trust is governed by an independent, 9-member board representing diverse state agencies and customer classes and is subject to oversight by the MPUC.

The Trust was directed to develop a three-year plan, known as the "Triennial Plan", providing integrated planning, program design and implementation strategies for all energy efficiency and alternative energy resources programs in the state, for all customer classes, for all fuels, except that Maine State Housing Authority's energy programs are not covered in the Plan.

Financial Highlights

The Trust's program revenues and expenditures in the Statement of Activities are \$82,145,715 and \$62,508,698, respectively. The special item, in the amount of \$24,277,153, was the July 1, 2010 program balances that were transferred from the MPUC.

The Trust's net assets as of June 30, 2011 are \$44,089,605. The term "net assets" refers to the difference between assets and liabilities. Net assets consist of those invested in capital assets net of related liabilities of \$131,187 and the remaining restricted net assets of \$43,958,418. The change in net assets for the year ended June 30, 2011 is an increase of \$43,914,170.

Overview of the Financial Statements

The financial statements are designed to provide readers with an overview of the Trust's financial resources, expenditures and remaining resources available for future periods.

The financial statements on pages 6 and 7 represent the Trust's Statement of Net Assets and Statement of Activities, respectively. These statements focus on the net assets remaining as an indicator of the Trust's financial health. The statements include all assets and liabilities using the accrual basis of accounting, which is an accounting method used by most private-sector companies.

The financial statements on pages 8 and 10 represent the Trust's Special Revenue Fund. The fund focuses on how money flows into and out of the Trust and balances left at the end of the reporting period on the modified accrual basis of accounting. The modified accrual basis of accounting measures cash and all other financial assets that can be readily converted into cash. Basically, the fund financial statements provide a short-term perspective on financial sources and any fund balance that can be spent in the near future on the Trust's programs.

The primary adjustments to convert the fund statements to the accrual basis of accounting are the accounting for capital assets. A detailed explanation regarding these differences is provided on pages 9 and 11 to the financial statements.

Management's Discussion and Analysis

A comparative analysis of significant financial totals at the government-wide and fund financial statements levels to the prior year is not presented as the Trust's activities in 2010 were limited to transition revenue and expenditures of approximately \$570,000.

The required supplementary Budgetary Comparison Schedule is presented on page 24. The schedule presents the original budget and final budget compared to actual results based on the accounting method used to prepare the budget. Additional information is discussed in the financial analysis section regarding the budget compared to actual results.

Financial Analysis

| | Final Budget | Actual 2011 | Variance with Final Budget Positive (Negative) |
|---------------------------------------------|----------------------------|-----------------------------|---------------------------------------------------------|
| Revenue and Other Sources of Funds | | | |
| Intergovernmental | \$71,286,884 | \$ 55,487,075 | \$(15,799,809) |
| Forward capacity market credits | 1,216,378 | 2,234,609 | 1,018,231 |
| Regional Greenhouse Gas Initiative proceeds | 4,771,690 | 6,336,339 | 1,564,649 |
| Grant from PACE host community | | 18,000,000 | 18,000,000 |
| Program balances transferred from MPUC | 22,377,787 | 24,277,153 | 1,899,366 |
| Other | | <u>87,692</u> | <u>87,692</u> |
| Total Revenue | <u>\$99,652,739</u> | <u>\$106,422,868</u> | <u>\$ 6,770,129</u> |
| Expenditures | | | |
| Administrative | \$ 3,669,275 | \$ 2,379,156 | \$ 1,290,119 |
| Residential programs | 45,135,203 | 33,345,702 | 11,789,501 |
| Business programs | 39,997,601 | 23,719,598 | 16,278,003 |
| Enabling strategies | 9,667,579 | 2,633,100 | 7,034,479 |
| Intra-entity grants – State Agencies | <u>1,190,117</u> | <u>515,670</u> | <u>674,447</u> |
| Total Expenditures | <u>\$99,659,775</u> | <u>\$62,593,226</u> | <u>\$37,066,549</u> |

During FY 2011 variances in budget to actual were due to a number of factors, among them are:

- The full draw down of the ARRA grant funds to capitalize the home energy revolving loan fund and re-grant was not anticipated,
- Delayed start-up of programs due to their redesign after being transferred to the Trust,
- Delayed start-up of programs as rules and/or contract negotiations needed to be completed, and,
- Program contracts that were issued in FY 2011 for services that extended into FY 2012.

During FY 2011, the MPUC transferred a portion of the cash balances for various programs that were being transferred to the Trust. In June of 2010, \$12,900,000 of cash was advanced from the MPUC. In July and August of 2010, the MPUC transferred \$8,573,484 in close-out funds to the Trust. Additionally, \$1,093,267 was transferred thereafter in cash and \$1,710,402 was transferred in the form of noncash balances for a total transfer of \$24,277,153.

The Trust's primary non-federal revenue sources are system benefit charges. These are assessments levied and collected by the MPUC to transmission and distribution utilities at a fixed rate of .0145 cent per kilowatt hour. These revenues are intended to fund electric efficiency and conservation programs. Natural gas utilities that serve at least 5,000 residential customers are assessed a fee of at least 3% of the gas utility's delivery revenues. Both of these assessments are levied and collected by the MPUC and delivered to the Trust quarterly.

Management's Discussion and Analysis

Until December 31, 2010, the transmission and distribution utilities are also assessed a system benefit charge of .005 cent per kilowatt hour for the solar and wind energy rebate program. The solar-wind rebate assessments expired due to repeal of the authorizing legislation and new legislative authorization was required to re-establish the assessment or to authorize the continued expenditure of accumulated fees after January 1, 2011. In the late spring of 2011, the Legislature authorized the continued expenditure of accumulated fees but did not reauthorize the assessment. The remaining funds were also transferred to the Renewable Resource Fund.

The Trust receives quarterly payments from the Regional Greenhouse Gas Initiative (RGGI). This is an agreement of ten northeastern states for the quarterly auction of carbon dioxide allowances and revenues are distributed in proportion to the amount of carbon dioxide allowances each state includes in each auction. Through December 31, 2011, no less than 85% of the expenditures of this fund must be allocated to reduce electricity consumption and no more than 15% may be allocated for fossil fuel conservation measures.

The Trust participates in the ISO New England (ISO-NE) forward capacity market (FCM), by bidding reductions in electricity demand through various projects. The annual auction is forward looking three years hence, and if the Trust achieves the proposed and bid reduction in demand, it will receive a revenue stream for up to five years. During FY 2011, ISO-NE conducted Forward Capacity Auctions 4 and 5, as it is temporarily shortening the time between auctions until it re-establishes a permanent change in the auction timing.

In the Triennial Plan, the Trust anticipated new revenue sources from an increase in the system benefit charge for electricity and natural gas, a new source of revenues for heating fuels efficiency measures, and the continuation of system benefit charge assessments for solar-wind rebates. As required by legislation, a staff report, informed by stakeholder input, was submitted to the Legislature in late 2010 concerning heating fuels efficiency measures and potential funding sources. During the state budgeting process, the Legislature declined to authorize an increase in the electric system benefit charge, or the proposed heating fuels revenues and, as noted above, as well as declined to reauthorize the solar-wind rebate assessment.

The Trust has benefited from a number of federal grants, most of which are funded through the American Reinvestment and Recovery Act (ARRA). The ARRA funding streams will begin expiring in 2012 and there are no expectations that these funds will be replaced with other federal funds. One of the ARRA programs, which will expire in 2012, is being used to develop a revolving loan fund for home energy savings projects. It is expected that as the loans made with these funds begin to make repayments, the repayment stream can be used either to make new loans on a funds-available basis or to leverage revenue bond issues to provide an immediate new source of funds for issuing loans.

During FY 2011, the Trust's major program areas were residential, business and enabling strategies. The residential programs included the Home Energy Saving Program which provided incentives for whole-house weatherization jobs and relied on federal ARRA funding. This program will be completed in the fall of 2011 and it is anticipated that over 3,000 homes will be weatherized with an estimated average energy savings of 43%. Other residential programs included appliance rebates, price incentives for compact fluorescent light bulbs (CLFs), and the introduction of the PACE revolving loan program which provides financing options for energy saving improvements.

The Medium and Large Business programs included a competitive solicitation for projects with industrial customers to provide large reductions in electric consumption, and incentive funding for efficiency projects. The primary sources of funds for the competitive solicitation included RGGI, and federal ARRA funding. The Small Business programs included grants to municipalities from federal ARRA funds, incentives for energy improvements and energy audits. The Business Prescriptive programs provided incentives for energy efficiency projects.

Management's Discussion and Analysis

The Enabling Strategies program is intended to provide broad, market-wide support for meeting long term efficiency targets. Financing and training activities included commercial loans through a revolving loan fund, support for a carbon quantification funded with federal ARRA funds and building operator certification (BOC) training. Education and awareness activities included funding for workforce development through the community colleges and University of Southern Maine, marketing activities and federal ARRA funding for a pilot project with Maine Green Energy Alliance (MGEA). Finally, during FY 2011, the program staff prepared a number of solicitations for measurement and verification projects that will be undertaken during FY 2012.

The adopted budget for the fiscal year ending June 30, 2012 is approximately \$86,400,000.

Other Financial Information:

The Trust's capital asset acquisitions amounted to \$109,877 during the year. Details regarding capital assets policies and activity for the year are included in the notes to the financial statements.

The Trust had no borrowing activity during the year. The Trust has no plans for borrowing during FY 2012. As noted above, one of the ARRA programs is being used to develop a revolving loan fund for home energy savings projects. It is expected that as the loans made with these funds begin to make repayments, the repayment stream can be used either to make new loans on a funds-available basis or to leverage revenue bond issues to provide an immediate new source of funds for issuing loans. There is no expectation that such revenue bond borrowing would occur until FY 2014 or FY 2015.

All contracts of the MPUC entered into pursuant to the existing electric and natural gas conservation programs continue in effect until they expire, are amended or rescinded by the Trust. On July 1, 2010, the Trust is the successor to the programs currently managed under the name of "Efficiency Maine" at the MPUC. Contracts in place on July 1, 2010 may be extended for up to two years, subject to approval by the Trust.

On April 23, 2010, the Trust submitted its Triennial Plan (2011 – 2013) to the MPUC for approval. The MPUC issued a conditional approval on July 19, 2010 and required the Trust to provide a supplemental filing by October 1, 2010. A final approval order was issued by MPUC on February 2, 2011. The Triennial Plan budget levels are contingent on certain new revenue sources being authorized by the Maine Legislature and/or the MPUC. The failure of those revenue sources to materialize in whole or in part will impact the ability of the Trust to deliver the programs, services and energy savings contemplated in the Plan. As part of the supplemental filing, the Trust has provided information about the impact to and changes in planned programs due to a lack of resources. The Trust is also making contingency plans to reductions in anticipated revenues from RGGI and the forward capacity market as current economic conditions have reduced the demand for electricity and the need for carbon dioxide allowance.

This financial report is intended to provide readers with a general overview of the Efficiency Maine Trust's finances and show accountability for expenditures relating to its program activities. Questions regarding this report or requests for additional information should be directed to the chief financial officer of the Efficiency Maine Trust.

Statement of Net Assets

June 30, 2011

| | Governmental Activities |
|--------------------------------------------------------|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 21,013,754 |
| Investments | 21,649,567 |
| Receivables | |
| Intergovernmental receivables | 1,841,966 |
| Other receivables | 131,609 |
| Loans receivable, less allowance for loan losses | 893,681 |
| Prepaid expenses | 63,420 |
| Other assets | 3,430 |
| Capital assets | |
| Equipment, net of accumulated depreciation | 145,125 |
| Total Assets | \$ 45,742,552 |
| LIABILITIES AND NET ASSETS | |
| Liabilities | |
| Accounts payable | \$ 1,545,883 |
| Accrued payroll and payroll liabilities | 38,393 |
| Accrued compensated absences | 25,693 |
| Deferred revenue | 29,040 |
| Capital lease obligation | |
| Due within one year | 4,476 |
| Due after one year | 9,462 |
| Total Liabilities | 1,652,947 |
| Net Assets | |
| Invested in capital assets, net of related liabilities | 131,187 |
| Restricted for: | |
| Energy efficiency and conservation programs | 43,958,418 |
| Total Net Assets | 44,089,605 |
| Total Liabilities and Net Assets | \$ 45,742,552 |

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Statement of Activities

Year Ended June 30, 2011

| Functions/Programs | Expenses | Indirect Expense Allocation | Expenses after Indirect Expense Allocation | Program Revenues | | Net Revenue (Expense) and Changes in Net Assets |
|--------------------------------------|----------------------|-----------------------------------|-----------------------------------------------------|-------------------------|------------------------------------------|----------------------------------------------------|
| | | | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | | | |
| Administrative | \$ 2,283,217 | \$ (988,982) | \$ 1,294,235 | | \$ 1,591,315 | \$ 297,080 |
| Residential programs | 33,345,702 | 342,351 | 33,688,053 | | 52,747,882 | 19,059,829 |
| Business programs | 23,719,598 | 321,270 | 24,040,868 | | 24,130,936 | 90,068 |
| Enabling strategies | 2,633,100 | 336,772 | 2,969,872 | | 3,312,194 | 342,322 |
| Depreciation | 11,411 | (11,411) | | | | |
| Intra-entity grants - State Agencies | 515,670 | | 515,670 | | 363,388 | (152,282) |
| Total Governmental Activities | <u>\$ 62,508,698</u> | <u>\$ -</u> | <u>\$ 62,508,698</u> | | <u>\$ 82,145,715</u> | <u>19,637,017</u> |
| | | | | | Special Item: | |
| | | | | | Program balances transferred from MPUC | <u>24,277,153</u> |
| | | | | | Change in Net Assets | 43,914,170 |
| | | | | | Net Assets, Beginning | <u>175,435</u> |
| | | | | | Net Assets, Ending | <u>\$ 44,089,605</u> |

See independent auditors' report.

The accompanying notes are an integral part of these financial statements.

Balance Sheet - Governmental Fund

June 30, 2011

| | Special Revenue Fund |
|--------------------------------------------------|-----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 21,013,754 |
| Investments | 21,649,567 |
| Receivables | |
| Intergovernmental receivables | 1,841,966 |
| Other receivables | 131,609 |
| Loans receivable, less allowance for loan losses | 893,681 |
| Prepaid expenses | 63,420 |
| Other assets | 3,430 |
| Total Assets | <u>\$ 45,597,427</u> |
| LIABILITIES AND FUND BALANCE | |
| Liabilities | |
| Accounts payable | \$ 1,545,883 |
| Accrued payroll and payroll liabilities | 38,393 |
| Accrued compensated absences | 25,693 |
| Deferred revenue | 29,040 |
| Total Liabilities | <u>1,639,009</u> |
| Fund Balance | |
| Nonspendable | |
| Prepaid expenses | 63,420 |
| Restricted | |
| Energy efficiency and conservation programs | 43,894,998 |
| | <u>43,958,418</u> |
| Total Liabilities and Fund Balance | <u>\$ 45,597,427</u> |

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Reconciliation of the Governmental Fund Balance to Net Assets of Governmental Activities

June 30, 2011

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Governmental Fund Balance | \$ 43,958,418 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because of the following: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the Special Revenue Fund. | 145,125 |
| Long-term liabilities applicable to the Trust's governmental activity are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Assets. The following adjustment consists of the remaining obligation due under a capital lease as of June 30, 2011. | <u>(13,938)</u> |
| Net Assets of Governmental Activities | <u>\$ 44,089,605</u> |

Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Fund

Year Ended June 30, 2011

| | Special Revenue Fund |
|---------------------------------------------|---------------------------------|
| Revenues | |
| Intergovernmental | |
| System benefit charges | \$ 13,730,391 |
| Renewable resource revenue | 435,631 |
| Federal grants | 41,117,343 |
| State grants | 203,710 |
| Interest | |
| Investments | 69,248 |
| Loans | 11,208 |
| Other income | 7,236 |
| Forward capacity market credits | 2,234,609 |
| Regional Greenhouse Gas Initiative proceeds | 6,336,339 |
| Regrant from PACE host community | 18,000,000 |
| Total Revenues | 82,145,715 |
| Expenditures | |
| Administrative | 2,283,217 |
| Residential programs | |
| Low income | 292,073 |
| Non low income | 33,053,629 |
| Total for residential programs | 33,345,702 |
| Business programs | |
| Medium & large business | 8,959,827 |
| Small business | 6,436,426 |
| Prescriptive | 8,323,345 |
| Total for business programs | 23,719,598 |
| Enabling strategies | |
| Financing and training | 289,537 |
| Codes and standards | 122,226 |
| Education and awareness | 2,060,509 |
| Evaluation | 160,828 |
| Total for enabling strategies | 2,633,100 |
| Capital outlay | 109,877 |
| Total Expenditures | 62,091,494 |
| Excess of Revenues over Expenditures | 20,054,221 |
| Other Financing Sources (Uses) | |
| Capital lease | 13,938 |
| Intra-entity grants - State Agencies | (515,670) |
| Special Item | |
| Program balances transferred from MPUC | 24,277,153 |
| Net Change in Fund Balance | 43,829,642 |
| Fund Balance, Beginning | 128,776 |
| Fund Balance, Ending | \$ 43,958,418 |

See independent auditors' report.

The accompanying notes are an integral part of these financial statements.

Reconciliation of Statement of Revenues, Expenditures and Change in Fund Balance of the Governmental Fund to the Statement of Activities

Year Ended June 30, 2011

Net Change in Fund Balance - Governmental Fund **\$ 43,829,642**

Amounts reported for governmental activities in the Statement of
Activities are different because:

Certain capital assets acquired were financed through a capital lease.
The amount financed through a capital lease is reported in the
governmental funds as a source of financing. However, in the
Statement of Activities, the capital leases constitute long-term liabilities
in the Statement of Net Assets.

\$ (13,938)

Capital outlays are reported in governmental funds as expenditures.
However, in the Statement of Activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.

Capital outlay

109,877

Depreciation expense

(11,411)

84,528

Change in Net Assets - Governmental Activities

\$ 43,914,170

See independent auditors' report.

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as outlined below under Reporting Entity, Efficiency Maine Trust (the Trust) is considered a component unit of the State of Maine. Accordingly, the financial statements of the Trust will be incorporated into the State of Maine's financial statements.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

Reporting Entity

In evaluating the Trust as a reporting entity, management has addressed all potential component units for which the Trust may or may not be financially accountable, and as such, be includable within the Trust's financial statements. In accordance with GASB Statement No. 14, the Trust is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the organization. Additionally, the Trust is required to consider other organizations for which the nature and significance of their relationship with the Trust are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, there are no other entities that should be included as part of these financial statements.

On June 12, 2009, former Governor John Baldacci signed into law *An Act Regarding Maine's Energy Future* (LD 1485). The bill became effective September 12, 2009.

The legislation established the new, independent Efficiency Maine Trust for the purpose of providing integrated planning, program design and implementation strategies for all energy efficiency, alternative energy resources and conservation programs administered by the Trust. The law states that on July 1, 2010, the existing Efficiency Maine programs were to be moved out of the Maine Public Utilities Commission (MPUC) and merged with the existing Energy and Carbon Savings Trust programs. The new Trust is governed by an independent, 9-member board representing diverse state agencies, customer classes, and expertise and is subject to oversight by the MPUC.

The Trust was directed to develop a three-year plan, known as the "Triennial Plan", based on a balanced approach to capturing all cost-effective energy efficiency opportunities across all fuels, involving all customer groups, and addressing new, innovative energy technologies. The plan covers July 1, 2010 through June 30, 2013. The plan is designed to provide the State of Maine with a broad array of economic, social, and environmental benefits. Key "targets" outlined in the plan include:

- Weatherizing 100% of Maine residences and 50% of Maine businesses by 2030,
- Reducing peak-load electric energy consumption by 100 megawatts by 2020,
- Reducing the State's consumption of liquid fossil fuels by at least 30% by 2030,
- Achieving energy savings of at least 30% of electric consumption, 30% of natural gas consumption, and 20% heating fuels consumption by 2020,
- Capturing all cost-effective energy efficiency resources available for electric and natural gas utility ratepayers,

Notes to Financial Statements

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reporting Entity - Continued

- Saving residential and commercial heating consumers not less than \$3 for every \$1 of program funds invested by 2020 in cost-effective heating and cooling measures that cost less than conventional energy supply,
- Building stable private sector jobs providing clean energy and energy efficiency products and services in the State by 2020, and
- Reducing greenhouse gas emissions from the heating and cooling of buildings in Maine consistent with the statewide goals of reducing such emissions at least 10% below 1990 levels by 2020 and ultimately 75-85% below the 2003 levels.

LD 1485 directs the Trust to design programs that will address both electric and thermal energy needs of customers at the same time, through an integrated set of programs. Energy efficiency and alternative energy options are eligible for funding from these programs, so long as they meet tests for "cost-effectiveness."

Short term funds to help middle income customers and businesses reduce their consumption of heating oil, kerosene or propane will be limited to amounts from the federal stimulus package (American Recovery and Reinvestment Act) and ongoing federal weatherization funds for low income households. By 2012, there will be no assured funding for programs to help non-low income homes or businesses reduce costs of heating with oil, propane or kerosene. In lieu of a reliable funding stream, the bill (a) directs the Trust to submit a report to the legislature, by January 2011, recommending appropriate levels and mechanisms of funding ongoing programs sufficient to capture cost-effective thermal efficiency resources, including heating oil, kerosene and propane and (b) directs the first \$50 million of any future sale or lease of state-owned lands used for energy infrastructure to go into the Trust to promote energy independence.

LD 1485 prohibits state authorities from issuing permits or entering into lease or sale agreements for state-owned lands to be used by energy transmission facilities (e.g., pipelines, high voltage DC electric transmission lines) until a "plan" regarding best use of these lands, appropriate valuations, and assessment of the effects on ratepayers, the environment, and development of new energy projects is enacted.

Notes to Financial Statements

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reporting Entity - Continued

The following programs are outlined in LD 1485:

- Regional Greenhouse Gas Initiative (RGGI) Trust Fund
- Electric Efficiency and Conservation Programs
- Natural Gas Efficiency and Conservation Program
- Solar and Wind Energy Rebate Program
- Training for Installers of Solar Equipment
- Training for Energy Auditors
- Federal Energy Programs
- Energy Conservation Small Business Revolving Loan Program
- Energy Efficiency of Rental Properties
- Public Information and Outreach
- Heating Fuels Efficiency and Weatherization Program

All contracts of the MPUC entered into pursuant to the existing electric and natural gas conservation program continue in effect until amended or rescinded by the Trust. On July 1, 2010, the Trust was the successor to the programs currently managed under the name of Efficiency Maine at the MPUC. Contracts in place on July 1, 2010 may be extended for up to two years, subject to approval by the Trust.

The bill also provides for an administration fund to be established to be used solely to defray administrative costs. The Trust may annually deposit funds authorized to be used for administrative costs from program funds into the administration fund. Any interest on funds in the administration fund must be credited to the administration fund and any funds unspent in any fiscal year must either remain in the administration fund to be used to defray administrative costs or be transferred to the program funds.

Basis of Presentation

The Trust's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the Trust's special-purpose activities. These statements reflect the financial activity of the Trust's governmental program. The governmental activity is generally financed through federal and state operating grants, and system benefit charges and fees.

Notes to Financial Statements

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - Continued

Fund Financial Statements:

The fund financial statements provide information about the Trust's governmental fund. The Trust reports the following governmental fund:

Special Revenue Fund:

The Special Revenue Fund is a governmental fund type used to account for federal, state and other financial programs. Project accounting is employed to maintain integrity for the various sources of funds. Generally, revenues in the Special Revenue Fund are restricted or committed to expenditure for specified purposes.

Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Government Funds

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Loans Receivable

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management of the Trust has established an allowance for loan losses to provide for probable losses. The amount of the allowance, which is established through a provision for losses on loans charged to expense, is based on management's estimation of the probable losses within the portfolio. In estimating the adequacy of the allowance for loan losses, management considers such factors as the nature and volume of the portfolio, delinquency trends, specific problem loans and current economic conditions that may affect the borrowers' ability to repay. Actual results could differ from those estimates. The allowance for loan losses was \$54,000 at June 30, 2011.

Notes to Financial Statements

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital assets consist of office equipment and computer software. These assets are reported in the governmental activity column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are defined by the Trust as assets with initial individual costs of five thousand dollars or more and are depreciated under the straight-line method over the respective useful lives of the assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|--------------------|-------------------------------|
| Computer software | 3 years |
| Office equipment | 5 years |

Capital assets are recorded as expenditures of the current period in the governmental fund financial statement.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Trust is bound to honor constraints on the specific purposes for which amounts in the governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable** – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable by the Trust are nonspendable in form. The Trust has not reported any amounts that are legally or contractually required to be maintained intact.
- **Restricted** – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- **Committed** – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to rules established by the Board of Trustees. Commitments may be modified or rescinded only through approval of the Board of Trustees.
- **Assigned** – includes amounts that the Trust intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- **Unassigned** – includes negative residual fund balance that cannot be eliminated by the offsetting of assigned fund balance amounts within the special revenue fund.

Notes to Financial Statements

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance - Continued

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Trust considers restricted funds to have been spent first. When an expenditure is incurred for which committed or assigned fund balances are available, the Trust considers amounts to have been spent first out of committed funds, then assigned funds, as needed.

Restriction on Net Assets

The restricted net assets of the Trust are restricted by legislation established by the State of Maine. The Trust's restricted net assets are restricted for the activities established in the governing law which formed the Trust.

Budgetary Accounting

Budgets are formally adopted through the Board of Trustees and prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Encumbrances are recorded when purchase orders and contracts are issued but are not considered expenditures for GAAP purposes until liabilities for payments are incurred. The Trust had approximately \$6,800,000 in outstanding purchase orders or contracts as of June 30, 2011.

The budget for the fiscal year ending June 30, 2012 is approximately \$86,400,000.

Recently Adopted Accounting Pronouncements

In March 2009, the GASB issued GASB Statement No. 54, "Fund Balance Reporting and Governmental Type Definitions". This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The adoption of this statement changed the presentation of fund balance in the Governmental Fund Balance Sheet based on certain criteria as more fully described in the fund balance section of Note 1.

Recent Accounting Pronouncements

In November 2010, the GASB issued GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. It applies to financial reporting by primary governments and other stand-alone governments, and to the separately issued financial statements of governmental component units as defined in GASB Statement No. 14. The new statement is effective for financial statement periods beginning after June 15, 2012. The Trust is currently assessing the impact of this statement on its financial position and results of operations.

Notes to Financial Statements

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recent Accounting Pronouncements - Continued

In November 2010, the GASB issued GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements". This statement establishes recognition, measurement, and disclosure requirements for service concession arrangements for transferors and governmental operators. The statement applies to only those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The new statement is effective for financial statement periods beginning after December 15, 2011. Based on the current activities of the Trust, there will be no impact on the Trust's financial position and results of operations.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Trust's bank balances consisted of the following at June 30, 2011:

| | |
|-------------------------------------------------------------------------|----------------------------|
| Fully insured | \$ 357,181 |
| Collateralized by securities held by the pledging financial institution | <u>21,409,496</u> |
| | <u>\$21,766,677</u> |

Collateralization is provided on the PACE Revolving Loan Fund account through securities pledged by Camden National Bank to the Trust. The fair value of the pledged securities on June 30, 2011 was \$26,291,902. The securities are held by the Federal Home Loan Bank (FHLB) of Boston. Collateralization on the Municipal Money Market Escrow account held at TD Bank is provided by an irrevocable standby letter of credit. On May 31, 2011, the FHLB of Pittsburgh issued an irrevocable standby letter of credit for the account of TD Bank, NA in favor of the Trust whereby the Trust is authorized a one-time draw on the FHLB in an amount not exceed \$1,400,000. The letter of credit expired on August 25, 2011. Upon expiration, the letter of credit was renewed for an additional three month period.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trust limits custodial credit risk by regularly monitoring the credit quality ratings of the counterparties and the adequacy of the collateral accounts. The Trust had drafted custodial credit risk policies that were being utilized throughout the fiscal year to minimize risk, but they had not been formally adopted by the Board of Trustees as of June 30, 2011.

NOTE 3 - INVESTMENTS

The Trust had informally adopted an investment policy which identifies various authorized investment instruments and investment ratings during the fiscal year ending June 30, 2011. Authorized investments include obligations of the United States Government and its agencies that are fully guaranteed. Additionally, the Trust is permitted under the policy to invest in a money market mutual fund, limited to the BlackRock Liquidity Fund, for the sole purpose to secure the Trust's position at ISO New England.

The Trust held the following investments at year end:

| Investment Type | Carrying Amount/ <u>Fair Value</u> | Investment Maturity Less <u>Than 1 Year</u> |
|--------------------------|---------------------------------------|---------------------------------------------------|
| Repurchase agreements | \$20,398,852 | \$20,398,852 |
| Money market mutual fund | <u>1,250,715</u> | <u>1,250,715</u> |
| | <u>\$21,649,567</u> | <u>\$21,649,567</u> |

Notes to Financial Statements

June 30, 2011

NOTE 3 - INVESTMENTS - CONTINUED

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments as described by nationally recognized statistical rating organizations. The underlying investments in the Trust's repurchase agreement are Ginnie Mae mortgage-backed securities and are fully guaranteed by the U.S. Government. These investments are rated AA+ by Standard & Poor's as of June 30, 2011. The Trust's investments in the money market mutual fund are unrated.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trust limits custodial credit risk by regularly monitoring the credit quality ratings of the counterparties and the adequacy of the collateral accounts. The Trust had drafted custodial credit risk policies that were being utilized throughout the fiscal year to minimize risk, but they had not been formally adopted by the Board of Trustees as of June 30, 2011.

The underlying securities of the repurchase agreements are in the name of Camden National Bank and held by Federal Home Loan Bank of Pittsburgh.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consists of the following at June 30, 2011:

| | |
|-------------------------------------------------------|--------------------|
| State of Maine | |
| State Planning Office | \$ 40,742 |
| Maine State Housing Authority | 996,091 |
| Maine Public Utilities Commission | 75,313 |
| Governor's Office of Energy Independence and Security | 419,166 |
| United States Department of Energy | <u>310,654</u> |
| | <u>\$1,841,966</u> |

NOTE 5 - LOANS RECEIVABLE

The Trust lends to individuals and businesses throughout the State of Maine under its PACE and SEP loan programs. The loans have varying fixed rates and are secured through a mortgage on the property for which energy efficiency improvements were made. The loan activity for the year ended June 30, 2011 is as follows:

| | SEP | | PACE | Total |
|---------------------------------------------------|------------------|-------------------|------------------|-------------------|
| | ARRA | Non-ARRA | | |
| Beginning balance | \$122,440 | \$ 305,828 | | \$ 428,268 |
| Loans issued | 351,755 | 196,238 | \$172,981 | 720,974 |
| Repayments | <u>(63,142)</u> | <u>(136,205)</u> | <u>(2,214)</u> | <u>(201,561)</u> |
| Ending balance | <u>\$411,053</u> | <u>\$ 365,861</u> | <u>\$170,767</u> | 947,681 |
| Allowance for loan losses | | | | <u>54,000</u> |
| Loan receivable, net of allowance for loan losses | | | | <u>\$ 893,681</u> |

The loans that were greater than ninety days delinquent as of June 30, 2011 were approximately \$74,000.

Notes to Financial Statements

June 30, 2011

NOTE 6 - CAPITAL ASSETS

Capital asset activity is as follows for the year ended June 30, 2011:

| | Beginning Balance | Additions | Ending Balance |
|----------------------------------------|----------------------|------------------|-------------------|
| Capital assets: | | | |
| Office equipment and computer software | \$48,268 | \$109,877 | \$158,145 |
| Less: accumulated depreciation | <u>1,609</u> | <u>11,411</u> | <u>13,020</u> |
| Total capital assets, net | <u>\$46,659</u> | <u>\$ 98,466</u> | <u>\$145,125</u> |

The Trust had \$89,033 in capital assets that were not being depreciated as of June 30, 2011 because the asset had not yet been placed into service.

NOTE 7 - LETTER OF CREDIT

During 2010, the Trust had an irrevocable non-transferrable standby letter of credit which was issued by TD Bank on behalf of the Trust in favor of ISO New England Inc. (ISO), in its individual capacity and on behalf of the participants in the ISO's Markets and the participating transmission owners whose facilities are operated by the ISO in an amount not exceeding \$1,250,000. The letter of credit was canceled in November 2010.

NOTE 8 - COMMITMENTS

The Trust is party to an agreement whereby the Financial Authority of Maine (FAME) provides loan servicing for the Trust. The agreement expired in June 2010; however the parties continued to operate under the original terms of the agreement throughout 2011. Terms of the agreement contain a fee schedule which includes financial services and legal services related to loan application review and document preparation not to exceed \$375 per loan. During 2011, the Trust paid \$9,768 to FAME for their services.

The Trust is also party to an agreement whereby AFC First Financial Corporation (AFC) provides loan servicing for the Trust which expires in February 2013. The agreement automatically renews for one year periods thereafter. Terms of the agreement contain a fee schedule which includes loan origination fees, loan closing fees, loan servicing fees, settlement fees, and loan documentation preparation fees. These fees amount to \$765 per loan application plus a monthly 1.99% fee on the total unpaid principal balance of all closed loans. During 2011, the Trust paid \$16,811 to AFC for their services.

The Trust had commitments to extend credit for loans of approximately \$112,000 under the PACE loan program and \$66,000 under the SEP loan program as of June 30, 2011. Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the commitment agreement.

The Trust had commitments to disburse grant funds of approximately \$8,300,000 and \$4,110,000 under the American Reinvestment and Recovery Act (ARRA) State Energy Program and ARRA Energy Efficiency and Conservation Block Grant, respectively, as of June 30, 2011. Commitments to disburse grant funds are grants to subrecipients to perform energy efficient upgrades to buildings and are paid out when certain milestones of projects are met.

Notes to Financial Statements

June 30, 2011

NOTE 9 - CONTINGENCIES

Federal and State Grant Programs

The Trust participates in federal and state grant programs, which are governed by various rules and regulations of the respective oversight agencies. Costs charged to the programs and claims for reimbursement are subject to audit and adjustment by the respective oversight agencies. Therefore, to the extent that the Trust has not complied with rules and regulations governing the programs, refunds of any money received may be required. In the opinion of the Trust, there is no significant contingent liability relating to compliance with the rules and regulations governing these programs. Additionally, no determination has been made with respect to refunding of interest earned on federal and state funds. The amount of refund, if any, would be immaterial to the financial statements taken as a whole. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 10 - RESTRICTED FUND BALANCE

The following program fund balances have purpose restrictions that were either created through a grant agreement or legislation. Program balances as of June 30, 2011 are as follows:

| | |
|-----------------------------------------------------------|---------------------|
| Administration Fund | \$ 226,313 |
| Regional Greenhouse Gas Initiative Trust Fund | 8,509,487 |
| Conservation Administration Fund | 12,604 |
| Conservation Program Fund | 11,694,397 |
| Natural Gas Conservation Fund | 328,758 |
| Energy Conservation Small Business Revolving Loan Program | 791,278 |
| Renewable Resources Fund | 1,412,759 |
| ARRA SEP Grant Fund | 440,065 |
| ARRA - BetterBuildings Fund (formerly Retro Fit Ramp Up) | 20,402,514 |
| SEP Grant | 117,905 |
| DEP School Energy Project Fund | <u>22,338</u> |
| | <u>\$43,958,418</u> |

NOTE 11 - PROGRAM BALANCES TRANSFERRED FROM THE MAINE PUBLIC UTILITY COMMISSION

The following program funds were transferred to the Trust effective July 1, 2010:

| | |
|-----------------------------------------------------------|---------------------|
| Cash transfers | |
| Regional Greenhouse Gas Initiative Trust Fund | \$ 9,149,527 |
| Conservation Administration Fund | 565,913 |
| Conservation Program Fund | 10,858,836 |
| Solar and Wind Energy Rebate Program | 654,278 |
| Renewable Resources Fund | 674,842 |
| Energy Conservation Small Business Revolving Loan Program | 538,284 |
| ARRA EECBG Fund | 6,574 |
| DEP APU Truck Fund | 102,099 |
| DEP School Energy Project Fund | <u>16,398</u> |
| Total cash transfers | <u>22,566,751</u> |
| Balance forward | <u>\$22,566,751</u> |

Notes to Financial Statements

June 30, 2011

NOTE 11 - PROGRAM BALANCES TRANSFERRED FROM THE MAINE PUBLIC UTILITY COMMISSION - CONTINUED

| | |
|-----------------------------------------------------------|----------------------------|
| Balance forwarded | \$22,566,751 |
| Non-cash transfers | |
| ARRA SEP Grant Fund | 122,440 |
| Energy Conservation Small Business Revolving Loan Program | 305,828 |
| Conservation Program Fund | <u>1,282,134</u> |
| Total non-cash transfers | <u>1,710,402</u> |
| Total program balances transferred | <u>\$24,277,153</u> |

NOTE 12 - LEASE

Operating Leases

During 2011, the Trust rented office space for \$9,214 per month. In June 2011, this lease was terminated and the Trust entered into a new lease agreement. The new lease provides for a three year term of \$3,427 per month plus 25% of the cost of oil, real estate taxes, water and sewer, building insurance, and common area electricity. At the end of the three year lease, the Trust has the option to extend the terms for two one year extensions. The Trust also rents storage space as a tenant-at-will for \$69 per month. Total rent expense for the year ended June 30, 2011 was \$79,346. Future minimum lease payments including estimated shared costs are as follows:

| | |
|------|------------------|
| 2012 | \$ 42,125 |
| 2013 | 42,125 |
| 2014 | <u>42,125</u> |
| | <u>\$126,375</u> |

Capital Lease

In June 2011, the Trust entered into a lease agreement for a photocopier under a capital lease expiring in June 2014 with monthly payments of \$410. The asset and liability under the capital lease is recorded at the present value of the minimum lease payments. The interest rate on the capital lease is 3.676%. The asset is being depreciated over its useful life of five years.

The following is a summary of the property held under the capital lease at June 30, 2011:

| | |
|------------------|-----------------|
| Office equipment | \$13,938 |
|------------------|-----------------|

Future minimum lease payments under the capital lease are as follows:

| | |
|---------------------------------------------|-----------------|
| 2012 | \$ 4,914 |
| 2013 | 4,914 |
| 2014 | <u>4,914</u> |
| | 14,742 |
| Amount representing interest | 804 |
| Present value of net minimum lease payments | <u>\$13,938</u> |

Notes to Financial Statements

June 30, 2011

NOTE 13 - PENSION PLAN

Effective August 20, 2010, the Trust established a pension plan under Section 401(k) of the Internal Revenue Code. All non-state employees who normally work more than 20 hours per week are eligible to participate in the Plan. Participation with respect to employee deferral starts on the date of hire. Non-state employees who have completed one year of service and are eighteen years old are eligible to receive employer contributions to the Plan. The Trust matches 100% of employee deferrals up to 5%. The Trust's contributions amounted to \$29,769 for the year ended June 30, 2011.

NOTE 14 - INDIRECT COST ALLOCATION

Indirect costs in the Statement of Activities are allocated to the governmental activities based on a proration of direct payroll attributable to each function. The percentage of direct payroll attributable to each program over total payroll is used to allocate the administrative costs to that respective program. The depreciation expense was completely allocated to administrative expenses as it relates to general office functions.

NOTE 15 - ECONOMIC DEPENDENCY

The Trust derived approximately 68% of its total revenues from direct federal grant awards and the State of Maine federal pass-through and state grant awards.

NOTE 16 - TRANSACTIONS WITH THE PRIMARY GOVERNMENT AND ITS COMPONENT UNITS

Revenue

The Trust's revenues derived from transactions with state agencies and component units are as follows for 2011:

| | |
|----------------------------------------------------------------------|---------------------|
| Governor's Office of Energy Independence and Security | \$13,835,920 |
| Department of Environmental Protection | 16,434 |
| Maine State Planning Office | 203,710 |
| Maine Public Utilities Commission – System benefit charges | 13,730,391 |
| Maine Public Utilities Commission – Alternative compliance mechanism | <u>319,252</u> |
| | <u>\$28,108,707</u> |

Expenditures

LD 1485 provided state employees of MPUC, who were hired by the Trust, with the option of retaining their status and benefits as state employees. Four employees elected to retain their state employment status. Under a Memorandum of Understanding between the Trust and the State of Maine, those employees are paid through the State of Maine's personnel system which is overseen by the Department of Administrative and Financial Services (DAFS) of the State of Maine. The Trust reimburses the State of Maine for those personnel costs. During 2011, the Trust reimbursed the State of Maine approximately \$321,000 for personnel costs.

Intra-entity grants paid to state agencies and component units during the year ended June 30, 2011 are as follows:

| | |
|--------------------------------------------------|------------------|
| Maine Turnpike Authority | \$ 9,550 |
| Department of Economic and Community Development | 288,902 |
| Department of Environmental Protection | 166,458 |
| Maine Public Utilities Commission | 4,687 |
| Office of the State Controller | <u>46,073</u> |
| | <u>\$515,670</u> |

Budgetary Comparison Schedule - Special Revenue Fund

Year Ended June 30, 2011

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------------------------------|
| Revenues and Other Sources of Funds | | | | |
| Intergovernmental | | | | |
| System benefit charges | \$ 14,200,334 | \$ 14,200,334 | \$ 13,730,391 | \$ (469,943) |
| Renewable resource revenue | 350,000 | 350,000 | 435,631 | 85,631 |
| Federal grants | 52,657,171 | 56,506,550 | 41,117,343 | (15,389,207) |
| State grants | | 230,000 | 203,710 | (26,290) |
| Interest income | | | | |
| Investments | | | 69,248 | 69,248 |
| Loans | | | 11,208 | 11,208 |
| Other income | | | 7,236 | 7,236 |
| Forward capacity market credits | 1,216,378 | 1,216,378 | 2,234,609 | 1,018,231 |
| Regional Greenhouse Gas Initiative proceeds | 8,000,000 | 4,771,690 | 6,336,339 | 1,564,649 |
| Regrant from PACE host community | | | 18,000,000 | 18,000,000 |
| Program balances transferred from MPUC | 21,606,435 | 22,377,787 | 24,277,153 | 1,899,366 |
| Total Revenues and Other Sources of Funds | 98,030,318 | 99,652,739 | 106,422,868 | 6,770,129 |
| Expenditures | | | | |
| Administrative | 3,607,800 | 3,669,275 | 2,379,156 | 1,290,119 |
| Residential programs | | | | |
| Low income | 2,784,282 | 2,784,282 | 292,073 | 2,492,209 |
| Non low income | 38,941,796 | 42,350,921 | 33,053,629 | 9,297,292 |
| Total for residential programs | 41,726,078 | 45,135,203 | 33,345,702 | 11,789,501 |
| Business programs | | | | |
| Medium & large business | 21,886,532 | 21,412,654 | 8,959,827 | 12,452,827 |
| Small business | 9,650,806 | 9,664,461 | 6,436,426 | 3,228,035 |
| Prescriptive | 9,508,861 | 8,920,486 | 8,323,345 | 597,141 |
| Total for business programs | 41,046,199 | 39,997,601 | 23,719,598 | 16,278,003 |
| Enabling strategies | | | | |
| Financing and training | 3,080,181 | 2,957,298 | 269,537 | 2,667,761 |
| Codes and standards | 456,000 | 230,000 | 122,226 | 107,774 |
| Education and awareness | 5,732,718 | 4,834,641 | 2,060,509 | 2,774,132 |
| Innovation | 538,674 | 538,674 | | 538,674 |
| Evaluation | 955,000 | 1,106,966 | 160,828 | 946,138 |
| Total for enabling strategies | 10,762,573 | 9,667,579 | 2,633,100 | 7,034,479 |
| Intra-entity grants - State Agencies | 887,668 | 1,190,117 | 515,670 | 674,447 |
| Total Expenditures | 98,030,318 | 99,659,775 | 62,593,226 | 37,066,549 |
| Excess (Deficiency) of Revenues and Other Sources of Funds over Expenditures | - | (7,036) | 43,829,642 | 43,836,678 |
| Fund Balance, Beginning | - | - | 128,776 | 128,776 |
| Fund Balance, Ending | \$ - | \$ (7,036) | \$ 43,958,418 | \$ 43,965,454 |
| Reconciliation to Adopted Budget | | | | |
| | Budget Totals Above | Budget Totals Above | Interfund Transfers | Final Adopted Budget |
| Total Revenues and Other Sources of Funds | \$ 98,030,318 | \$ 99,652,739 | \$ 1,612,779 | \$ 101,265,518 |
| Total Expenditures | 98,030,318 | 99,659,775 | 1,612,779 | 101,272,554 |

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund Special Revenue Fund

Year Ended June 30, 2011

| | Transition Fund | Administration Fund | RGGI Fund | Conservation Admin Fund | Conservation Program Fund | Solar-Wind Rebate Fund | Natural Gas Conservation Fund |
|----------------------------------------------------------|------------------|------------------------|---------------------|----------------------------|------------------------------|---------------------------|-------------------------------------|
| Revenue | | | | | | | |
| Intergovernmental | | | | | | | |
| System benefit charges | | | | | \$ 12,896,891 | \$ 411,173 | \$ 422,327 |
| Renewable resource revenue | | | | | | | |
| Federal grants | | | | | 47,902 | | |
| State grant | | | | | 203,710 | | |
| Interest | | | | | | | |
| Investments | | | \$ 631 | \$ 29 | 57,604 | | |
| Loans | | | | | | | |
| Other income | | | | 4,430 | | | |
| Forward capacity market credits | | | | | 2,234,609 | | |
| Regional Greenhouse Gas Initiative proceeds | | | 6,336,339 | | | | |
| Regrant from PACE host community | | | | | | | |
| Total Revenues | | | 6,336,970 | 4,459 | 15,440,716 | 411,173 | 422,327 |
| Expenditures | | | | | | | |
| Administrative | \$ 128,776 | \$ 755,429 | 193 | 357,159 | 195,190 | | |
| Residential programs | | | | | | | |
| Low income | | | | | 218,622 | | 73,451 |
| Non low income | | | 1,682,152 | | 3,776,204 | 336,760 | 629,924 |
| Total for residential programs | | | 1,682,152 | | 3,994,826 | 336,760 | 703,375 |
| Business programs | | | | | | | |
| Medium & large business | | | 3,093,235 | | 1,143,383 | | 21,700 |
| Small business | | | 8,401 | | 2,827,349 | | 121,362 |
| Prescriptive | | | 1,300,000 | | 5,821,729 | | 82,132 |
| Total for business programs | | | 4,401,636 | | 9,792,461 | | 225,194 |
| Enabling strategies | | | | | | | |
| Financing and training | | | | | 71,677 | | |
| Codes and standards | | | | | 122,226 | | |
| Education and awareness | | | 18,543 | | 662,323 | | |
| Evaluation | | | | | 16,925 | | |
| Total for enabling strategies | | | 18,543 | | 873,151 | | |
| Capital outlay | | 109,877 | | | | | |
| Total Expenditures | 128,776 | 865,306 | 6,102,524 | 357,159 | 14,855,628 | 336,760 | 928,569 |
| Excess (Deficiency) of Revenues over Expenditures | (128,776) | (865,306) | 234,446 | (352,700) | 585,088 | 74,413 | (506,242) |
| Other Financing Sources (Uses) | | | | | | | |
| Capital lease | | 13,938 | | | | | |
| Intra-entlty grants - State Agencies | | | (74,486) | (46,073) | | | |
| Interfund Transfers In (Out) | | 1,077,681 | (800,000) | (154,536) | (1,031,661) | (728,691) | 835,000 |
| Special Item | | | | | | | |
| Program balances transferred from MPUC | | | 9,149,527 | 565,913 | 12,140,970 | 654,278 | |
| Net Change in Fund Balance | (128,776) | 226,313 | 8,509,487 | 12,604 | 11,694,397 | - | 328,758 |
| Fund Balance, Beginning | 128,776 | | | | | | |
| Fund Balance, Ending | \$ - | \$ 226,313 | \$ 8,509,487 | \$ 12,604 | \$ 11,694,397 | \$ - | \$ 328,758 |

See independent auditors' report.

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund Special Revenue Fund - Continued

Year Ended June 30, 2011

| | Small Business EC - RLF Fund | Renewable Resources Fund | ARRA SEP Grant Fund | ARRA App. Rebate Fund | ARRA EECBG Fund | ARRA - BetterBuildings Fund | SEP Grant |
|----------------------------------------------------------|---------------------------------|-----------------------------|------------------------|--------------------------|--------------------|-----------------------------------|-------------------|
| Revenue | | | | | | | |
| Intergovernmental | | | | | | | |
| System benefit charges | | | | | | | |
| Renewable resource revenue | | \$ 435,631 | | | | | |
| Federal grants | | | \$ 13,617,628 | \$ 843,318 | \$ 4,888,686 | \$ 21,485,083 | \$ 218,292 |
| State grant | | | | | | | |
| Interest | | | | | | | |
| Investments | | | | | | 10,984 | |
| Loans | \$ 7,154 | | 3,003 | | | 1,051 | |
| Other income | 1,087 | | 1,719 | | | | |
| Forward capacity market credits | | | | | | | |
| Regional Greenhouse Gas Initiative proceeds | | | | | | | |
| Regrant from PACE host community | | | | | | 18,000,000 | |
| Total Revenues | <u>8,241</u> | <u>435,631</u> | <u>13,622,350</u> | <u>843,318</u> | <u>4,888,686</u> | <u>39,497,118</u> | <u>218,292</u> |
| Expenditures | | | | | | | |
| Administrative | | | 419,723 | | 115,542 | 311,205 | |
| Residential programs | | | | | | | |
| Low income | | | | | | | |
| Non low income | | | 7,591,624 | 843,318 | | 18,193,647 | |
| Total for residential programs | | | <u>7,591,624</u> | <u>843,318</u> | | <u>18,193,647</u> | |
| Business programs | | | | | | | |
| Medium & large business | | 137,503 | 3,054,946 | | 1,500,000 | | |
| Small business | | | 199,596 | | 3,279,718 | | |
| Prescriptive | | | 1,119,484 | | | | |
| Total for business programs | | <u>137,503</u> | <u>4,374,026</u> | | <u>4,779,718</u> | | |
| Enabling strategies | | | | | | | |
| Financing and training | 58,399 | | 86,449 | | | 73,012 | |
| Codes and standards | | | | | | | |
| Education and awareness | | | 832,903 | | | 516,740 | 30,000 |
| Evaluation | | | | | | | 143,903 |
| Total for enabling strategies | <u>58,399</u> | | <u>919,352</u> | | | <u>589,752</u> | <u>173,903</u> |
| Capital outlay | | | | | | | |
| Total Expenditures | <u>58,399</u> | <u>137,503</u> | <u>13,304,725</u> | <u>843,318</u> | <u>4,895,260</u> | <u>19,094,604</u> | <u>173,903</u> |
| Excess (Deficiency) of Revenues over Expenditures | (50,158) | 298,128 | 317,625 | | (6,574) | 20,402,514 | 44,389 |
| Other Financing Sources (Uses) | | | | | | | |
| Capital lease | | | | | | | |
| Intra-entity grants - State Agencies | (2,676) | (288,902) | | | | | |
| Interfund Transfers In (Out) | | 728,691 | | | | | 73,516 |
| Special Item | | | | | | | |
| Program balances transferred from MPUC | 844,112 | 674,842 | 122,440 | | 6,574 | | |
| Net Change in Fund Balance | 791,278 | 1,412,759 | 440,065 | - | - | 20,402,514 | 117,905 |
| Fund Balance, Beginning | | | | | | | |
| Fund Balance, Ending | <u>\$ 791,278</u> | <u>\$ 1,412,759</u> | <u>\$ 440,065</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 20,402,514</u> | <u>\$ 117,905</u> |

See independent auditors' report.

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund Special Revenue Fund - Continued

Year Ended June 30, 2011

| | DEP APU Trucks | DEP School Energy Project | Total |
|----------------------------------------------------------|----------------|------------------------------|----------------------|
| Revenue | | | |
| Intergovernmental | | | |
| System benefit charges | | | \$ 13,730,391 |
| Renewable resource revenue | | | 435,631 |
| Federal grants | \$ 1,434 | \$ 15,000 | 41,117,343 |
| State grant | | | 203,710 |
| Interest | | | |
| Investments | | | 69,248 |
| Loans | | | 11,208 |
| Other income | | | 7,236 |
| Forward capacity market credits | | | 2,234,609 |
| Regional Greenhouse Gas Initiative proceeds | | | 6,336,339 |
| Regrant from PACE host community | | | 18,000,000 |
| Total Revenues | 1,434 | 15,000 | 82,145,715 |
| Expenditures | | | |
| Administrative | | | 2,283,217 |
| Residential programs | | | |
| Low income | | | 292,073 |
| Non low income | | | 33,053,629 |
| Total for residential programs | | | 33,345,702 |
| Business programs | | | |
| Medium & large business | | 9,060 | 8,959,827 |
| Small business | | | 6,436,426 |
| Prescriptive | | | 8,323,345 |
| Total for business programs | | 9,060 | 23,719,598 |
| Enabling strategies | | | |
| Financing and training | | | 289,537 |
| Codes and standards | | | 122,226 |
| Education and awareness | | | 2,060,509 |
| Evaluation | | | 160,828 |
| Total for enabling strategies | | | 2,633,100 |
| Capital outlay | | | 109,877 |
| Total Expenditures | | 9,060 | 62,091,494 |
| Excess (Deficiency) of Revenues over Expenditures | 1,434 | 5,940 | 20,054,221 |
| Other Financing Sources (Uses) | | | |
| Capital lease | | | 13,938 |
| Intra-entity grants - State Agencies | (103,533) | | (515,670) |
| Interfund Transfers In (Out) | | | |
| Special Item | | | |
| Program balances transferred from MPUC | 102,099 | 16,398 | 24,277,153 |
| Net Change in Fund Balance | - | 22,338 | 43,829,642 |
| Fund Balance, Beginning | | | 128,776 |
| Fund Balance, Ending | \$ - | \$ 22,338 | \$ 43,958,418 |

See independent auditors' report.

Appendix H

***Efficiency Maine Trust Single Audit Report,
June 30, 2011***

**by
Macdonald Page
October 12, 2011**



Trust

(A component unit of the State of Maine)

Single Audit Report

June 30, 2011

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Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards

To the Trustees
Efficiency Maine Trust
Augusta, Maine

We have audited the financial statements of the governmental activities and major fund of Efficiency Maine Trust, a component unit of the State of Maine, as of and for the year ended June 30, 2011, which collectively comprise Efficiency Maine Trust's basic financial statements, and have issued our report thereon dated October 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Efficiency Maine Trust is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Efficiency Maine Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Efficiency Maine Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Efficiency Maine Trust's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Efficiency Maine Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Trustees
Efficiency Maine Trust

Compliance and Other Matters - Continued

We noted certain matters that we reported to management of Efficiency Maine Trust in a separate letter dated October 12, 2011.

This report is intended solely for the information and use of the Trustees, management and others within the entity, and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macdonald Page & Co., LLC

Augusta, Maine
October 12, 2011

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance and the Schedule of Expenditures of Federal Awards in Accordance With OMB Circular A-133

To the Trustees
Efficiency Maine Trust
Augusta, Maine

Compliance

We have audited Efficiency Maine Trust's, a component unit of the State of Maine, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Efficiency Maine Trust's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Efficiency Maine Trust's management. Our responsibility is to express an opinion on Efficiency Maine Trust's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Efficiency Maine Trust's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Efficiency Maine Trust's compliance with those requirements.

In our opinion, Efficiency Maine Trust complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of Efficiency Maine Trust is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Efficiency Maine Trust's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Efficiency Maine Trust's internal control over compliance.

To the Trustees
Efficiency Maine Trust

Internal Control over Compliance - Continued

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Efficiency Maine Trust's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Efficiency Maine Trust's response and, accordingly, we express no opinion on the response.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and major fund of Efficiency Maine Trust, a component unit of the State of Maine, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 12, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Efficiency Maine Trust's financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Trustees, management and others within the entity, and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Augusta, Maine
October 12, 2011

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|-------------------------------------------------------------------------------------------|---------------------|----------------------------------------|----------------------|
| <u>U.S. Department of Energy:</u> | | | |
| ARRA - Energy Efficient Appliance Rebate Program (EEARP) | 81.127 | | \$ <u>843,318</u> |
| ARRA - Energy Efficiency and Conservation Block Grant (EECBG) | 81.128 | | <u>23,989,865</u> |
| Passed Through City of Rockland and Bath | 81.128 | | <u>172,981</u> |
| | | | <u>24,162,846</u> |
| Passed Through Maine Governor's Office of Energy Independence & Security | | | |
| ARRA - State Energy Program | 81.041 | DE-EE0000368 | <u>13,656,480</u> |
| State Energy Program | 81.041 | E010443896 | <u>30,000</u> |
| | | | <u>13,686,480</u> |
| State Energy Program Special Projects | 81.119 | DE-FG26-08NT05558 | <u>143,903</u> |
| Total Passed through Maine Governor's Office of Energy Independence & Security | | | <u>13,830,383</u> |
| Total U.S. Department of Energy | | | <u>38,836,547</u> |
| <u>U.S. Environmental Protection Agency:</u> | | | |
| Passed Through Maine Department of Environmental Protection | | | |
| State Clean Diesel Grant Program | 66.040 | | <u>6,874</u> |
| Performance Partnership Grants | 66.605 | | <u>9,060</u> |
| Total Passed through Maine Department of Environmental Protection | | | <u>15,934</u> |
| Total U.S. Environmental Protection Agency | | | <u>15,934</u> |
| Total Expenditures of Federal Awards | | | <u>\$38,852,481</u> |

See independent auditors' report on schedule of expenditures of federal awards. The accompanying notes are an integral part of this schedule.

Notes to Schedule of Expenditures of Federal Awards

June 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Efficiency Maine Trust and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 - SUBRECIPIENTS

Federal expenditures were awarded to subrecipients under the following programs:

| CFDA # | Award Amount |
|--------|---------------------|
| 81.041 | \$11,623,384 |
| 81.119 | 143,903 |
| 81.128 | 23,543,003 |
| 66.605 | 9,060 |
| | <u>\$35,319,350</u> |

NOTE 3 - LOAN PROGRAMS

The loan programs listed are administered directly by the Trust and balances and transactions relating to these programs are included in the Trust's basic financial statements. Loans made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding and loans disbursed as of and for the year ended June 30, 2011, respectively, consist of:

| CFDA # | Program Name | Outstanding Balance |
|--------|--------------------------|---------------------|
| 81.041 | SEP Revolving Loan Fund | \$411,053 |
| 81.128 | PACE Revolving Loan Fund | 170,767 |
| | | <u>\$581,820</u> |
| CFDA # | Program Name | Loans disbursed |
| 81.041 | SEP Revolving Loan Fund | \$351,755 |
| 81.128 | PACE Revolving Loan Fund | 172,981 |
| | | <u>\$524,736</u> |

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---------------------------------------------------------------|
| 81.041 | ARRA - State Energy Program |
| 81.128 | ARRA - Energy Efficiency and Conservation Block Grant Program |

Dollar threshold used to distinguish between type A and type B programs: \$1,165,574

Auditee qualified as low-risk auditee? Yes No

Section II Financial Statement Findings

No matters are reportable for the year ended June 30, 2011.

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2011

Section III Federal Award Findings and Questioned Costs

2011-01 Subrecipient Monitoring

Information of the Federal Program

Department of Energy
CFDA #81.128 – Energy Efficiency and Conservation Block Grant Program
July 1, 2010 – June 30, 2011

Criteria

Federal grant awards received from the federal government must comply with fourteen different types of compliance requirements, one of which is subrecipient monitoring. This requirement applies to direct awardees of federal funds who, in turn, sub-grant those funds to subrecipients. The Trust must ensure that subrecipients are adhering to the compliance requirements of the grant as well as those requirements set forth in the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and OMB Circular A-133 *Compliance Supplement*.

Condition

A Single Audit was performed on a subrecipient of the Trust during the fiscal year. The Single Audit reports issued included material weaknesses in internal control over financial reporting, material weaknesses and significant deficiencies in internal control over compliance and material instances of noncompliance related to an award received from the Trust. Upon receipt of the Single Audit reports, the Trust's management team took immediate steps to follow-up on a corrective action plan for the subrecipient. After completion of the corrective action plan by the subrecipient, the Trust engaged the subrecipient's audit firm to perform an agreed upon procedures engagement to determine whether the corrective action plan had been implemented as well as whether certain questioned costs had been resolved. The agreed upon procedures report was issued in September 2011 showing satisfactory implementation of the corrective plan and resolution of the questioned costs.

During the first few months of the fiscal year, the Trust's subrecipient monitoring policies were ineffective in determining whether subrecipients had financial and compliance policies and procedures in place to comply with compliance requirements set forth in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and OMB Circular A-133 *Compliance Supplement*.

Cause

Effective July 1, 2010, the Trust became an independent, quasi-state agency. Prior to that date, the Trust was operating as part of the Maine Public Utilities Commission. Upon the transition to an independent agency, the Trust's focus was on setting up policies, information systems, hiring additional staff and transitioning and expanding programs to assist residents and businesses of the State of Maine. Due to the burden of establishing the organizational framework for the Trust during the initial months of the fiscal year, the pre-award evaluation of subrecipients in the areas of financial reporting and compliance, although recognized by management as important, was less of a priority for the Trust.

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2011

Section III Federal Award Findings and Questioned Costs - Continued

2011-01 Subrecipient Monitoring - Continued

Effect

Ineffective subrecipient monitoring policies and procedures expose the Trust to the risk that material noncompliance could occur at the subrecipient level that would need to be reported by the Trust in their Single Audit. Depending on the nature and magnitude of the noncompliance, the Trust's future funding could potentially be jeopardized or the Trust may be required to refund unallowed costs to the oversight agency.

Recommendations

During the year, the Trust evaluated the effectiveness of their subrecipient monitoring policies and made changes to the policies to address areas of risk over financial reporting and compliance. One of the more significant changes subsequent to year end was the implementation of a checklist to be used upon a subrecipient's application for a federal grant. The checklist gathers information regarding the entity, general financial information, internal and external reviews, financial and compliance systems, administrative polices and lastly, certification from a responsible official of the Organization. The updated policies and checklist were approved by the Board of Trustees during their September 2011 meeting.

We recommend that the Trust review and update their subrecipient monitoring policies and checklists annually for potential risks associated with the nature of ongoing grants, compliance requirements, and the organizational soundness of potential subrecipients.

Grantee Response

Management agrees with the finding. Please see the Trust's corrective action plan for procedures that have already been developed and implemented to address the finding.



October 27, 2011

U.S. Department of Energy (USDOE)

Efficiency Maine Trust (Trust) respectfully submits the following corrective action plan for the year ended June 30, 2011 which is included with this letter of transmittal.

Independent public accounting firm:

Macdonald Page & Co LLC
227 Water Street
P.O. Box 2749
Augusta, Maine 04338-2749

Audit period: July 1, 2010 to June 30, 2011

The finding from the June 30, 2011 schedule of findings and questioned costs is discussed on the following page. The finding is numbered consistently with the number assigned in the schedule.

If the USDOE has questions regarding this plan, please contact either John Quartararo, Chief Financial Officer at (207)213-4155 or Michael Stoddard, Executive Director at (207)213-4154

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael Stoddard", written in a cursive style.

Michael D. Stoddard
Executive Director

A handwritten signature in black ink, appearing to read "John Quartararo", written in a cursive style with a long horizontal line extending to the right.

John Quartararo
Chief Financial Officer

cc: Macdonald Page & Co., LLC

enc:

**FINDINGS – FEDERAL AWARD PROGRAMS AUDITS
DEPARTMENT OF ENERGY
SIGNIFICANT DEFICIENCY**

2011-01

Energy Efficiency and Conservation Block Grant Program – CFDA No. 81.128

Subrecipient Monitoring

Recommendations

During the year, the Trust evaluated the effectiveness of their subrecipient monitoring policies and made changes to the policies to address areas of risk over financial reporting and compliance. One of the more significant changes subsequent to year end was the implementation of a checklist to be used upon a subrecipient's application for a federal grant. The checklist gathers information regarding the entity, general financial information, internal and external reviews, financial and compliance systems, administrative policies and lastly, certification from a responsible official of the Organization. The updated policies and checklist were approved by the Board of Trustees during their September 2011 meeting.

We recommend that the Trust review and update their subrecipient monitoring policies and checklists annually for potential risks associated with the nature of ongoing grants, compliance requirements, and the organizational soundness of potential subrecipients.

Action Taken

Following the disclosure of the questioned costs and other related issue that were identified during the Maine Green Energy Alliance (MGEA) audit, the Trust staff met with and assisted MGEA's Executive Director and Treasurer with developing and implementing their corrective action plan (CAP).

Upon completion of the MGEA CAP Efficiency Maine engaged Macdonald Page & CO, LLC to undertake an "Agreed Upon Procedures" (AUP) review of the results of the MGEA CAP and to report their findings to our Board of Trustees (Board).

The staff of the Trust also redrafted sections of its ARRA Compliance and Monitoring Plan (Plan) concerning the selection, risk evaluation and monitoring of subrecipients. The revised Plan was reviewed with the Board's Finance Committee which recommended adoption of the Plan to the full Board. The Board adopted the Plan at its regular September meeting.

Staff began implementing the risk evaluation portion of the Plan by sending a detailed checklist request for information, including samples of time sheets and activity reports, to a number of nonprofits which have responded to the request. We are now in the process of evaluating those responses and making risk assessments that will be fully documented in the written determination and be signed off by the CFO. Risk mitigation steps, if needed, will be included within the determination. We will then contact an additional group of subrecipients with the same request for information and complete a risk determination.

We have also implemented additional steps when signing off on grant contracts with subrecipients, including kickoff meetings, providing copies of relevant federal documents such as 10 CFR 600 and the appropriate OMB circular. Our grants administrators are also paying much closer attention to payment requests and contract requirements to assure that all requests are properly documented and the expenses are allowable.

Contact persons responsible for corrective action:

| | |
|------------------|-------------------------|
| Michael Stoddard | Executive Director |
| John Quartararo | Chief Financial Officer |

The Corrective Action Plan will be completed by December 31, 2011.

PUC Assessments and Revenue Collections - FY 2011

System Benefit Charge (SBC)

| Assessment Quarter: | Apr-Jun 2010 | July-Sep 2010 | Oct-Dec 2010 | Jan-Mar 2011 | |
|-----------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| Billing Date: | 30-Jul-10 | 31-Oct-10 | 31-Jan-11 | 30-Apr-11 | |
| Name | | | | | Total - FY11 |
| Bangor Hydro-Electric Co | \$ 445,662.00 | \$ 514,480.00 | \$ 486,313.00 | \$ 497,097.00 | \$ 1,943,552.00 |
| Central Maine Power Co | \$ 2,229,382.00 | \$ 2,772,828.00 | \$ 2,408,849.00 | \$ 2,633,059.00 | \$ 10,044,118.00 |
| Eastern Maine Electric Coop | \$ 30,300.00 | \$ 33,886.00 | \$ 32,450.00 | \$ 35,045.00 | \$ 131,681.00 |
| Fox Island Electric Coop | \$ 2,921.00 | \$ 4,006.00 | \$ 3,338.00 | \$ 3,262.00 | \$ 13,527.00 |
| Houlton Water Co | \$ 21,992.00 | \$ 23,508.00 | \$ 23,310.00 | \$ 26,124.00 | \$ 94,934.00 |
| Kennebunck Light & Power | \$ 33,649.10 | \$ 39,233.62 | \$ 34,139.32 | \$ 38,532.72 | \$ 145,554.76 |
| Madison Electric Works | \$ 7,911.00 | \$ 9,916.00 | \$ 9,068.00 | \$ 10,888.00 | \$ 37,783.00 |
| Maine Public Service Co | \$ 106,349.00 | \$ 118,838.00 | \$ 109,204.00 | \$ 129,032.00 | \$ 463,423.00 |
| Swan's Island Electric | \$ 642.00 | \$ 966.00 | \$ 694.00 | \$ 698.00 | \$ 3,000.00 |
| Van Buren Light & Power Co | \$ 4,621.37 | \$ 4,611.29 | \$ 4,779.74 | \$ 5,305.53 | \$ 19,317.93 |
| Northern Utilities - Unutil | | | | | \$ - |
| | | | | | \$ - |
| Totals | \$ 2,883,429.47 | \$ 3,522,272.91 | \$ 3,112,145.06 | \$ 3,379,043.25 | \$ 12,896,890.69 |

State Budget Projections

| | FY 2012 | FY 2013 |
|-----------------------------|--------------|--------------|
| Bangor Hydro-Electric Co | \$ 2,049,344 | \$ 1,985,426 |
| Central Maine Power Co | 10,590,844 | 10,260,519 |
| Eastern Maine Electric Coop | 138,849 | 134,518 |
| Fox Island Electric Coop | 14,263 | 13,818 |
| Houlton Water Co | 100,101 | 96,979 |
| Kennebunck Light & Power | 153,478 | 148,691 |
| Madison Electric Works | 39,840 | 38,597 |
| Maine Public Service Co | 488,648 | 473,407 |
| Swan's Island Electric | 3,163 | 3,065 |
| Van Buren Light & Power Co | 20,369 | 19,734 |

Solar/ Wind Rebate Fund

| Assessment Quarter: | Apr-Jun 2010 | July-Sep 2010 | Oct-Dec 2010 | REPEALED | |
|--------------------------|----------------------|----------------------|----------------------|-------------|----------------------|
| Billing Date: | 30-Jul-10 | 31-Oct-10 | 31-Jan-11 | Dec 2010 | |
| Name | | | | | Total - FY11 |
| Bangor Hydro-Electric Co | \$ 18,201.00 | \$ 21,358.00 | \$ 19,551.00 | \$ - | \$ 59,110.00 |
| Central Maine Power Co | \$ 102,534.00 | \$ 121,565.00 | \$ 110,842.00 | \$ - | \$ 334,941.00 |
| Maine Public Service Co | \$ 5,972.00 | \$ 6,305.00 | \$ 4,845.00 | \$ - | \$ 17,122.00 |
| | | | | | \$ - |
| Totals | \$ 126,707.00 | \$ 149,228.00 | \$ 135,238.00 | \$ - | \$ 411,173.00 |

Natural Gas

| Assessment Quarter: | Apr-Jun 2010 | July-Sep 2010 | Oct-Dec 2010 | Jan-Mar 2011 | |
|-----------------------------|--------------|---------------------|----------------------|----------------------|----------------------|
| Billing Date: | 30-Jul-10 | 31-Oct-10 | 31-Jan-11 | 30-Apr-11 | |
| Name | | | | | Total - FY11 |
| Northern Utilities - Unutil | | \$ 53,269.97 | \$ 134,481.64 | \$ 234,575.77 | \$ 422,327.38 |
| | | | | | \$ - |
| | | | | | \$ - |
| Totals | \$ - | \$ 53,269.97 | \$ 134,481.64 | \$ 234,575.77 | \$ 422,327.38 |
| FY12 Projection | | | | | \$ 523,889.00 |
| FY13 Projection | | | | | \$ 523,889.00 |

Appendix I

PUC Assessments and Revenue Collections - FY 2011

| Alternative Compliance Mechanism (ACM) | | | | | |
|----------------------------------------|----------------------|-------------|-------------|-------------|----------------------|
| Name | 30-Jul-10 | | | | Total - FY11 |
| American Powernet | \$ 121.84 | | | | \$ 121.84 |
| Katahdin Services Company | \$ 194.94 | | | | \$ 194.94 |
| Constellation Energy | \$ 5,380.45 | | | | \$ 5,380.45 |
| Independence Power Market | \$ 313,555.24 | | | | \$ 313,555.24 |
| | | | | | \$ - |
| | | | | | \$ - |
| Totals | \$ 319,252.47 | \$ - | \$ - | \$ - | \$ 319,252.47 |

**Appendix J -
Unitil Maine Gas
7/1/2010 to 11/18/2011**

| Unitil Maine Gas Energy Efficiency Programs | Budget Goal | Period 7/01/2010 to 11/18/2011 | | Total | Balance * |
|---------------------------------------------------------|------------------|--------------------------------|------------------|------------------|------------------|
| | | Q4 Total | | | |
| | | 7/01/10-6/30/11 | 7/01/11-11/18/11 | | |
| Program Expenses (\$) | | | | | |
| Low Income MF Weatherization | \$98,325 | \$71,073 | \$2,156 | \$73,229 | \$25,096 |
| Res Weatherization (Support) | \$25,958 | \$13,579 | \$1,139 | \$14,718 | \$11,240 |
| Large C&I Custom | \$182,488 | \$24,187 | \$3,236 | \$27,423 | \$155,065 |
| Small C&I Custom | \$118,325 | \$50,194 | \$2,157 | \$52,351 | \$65,974 |
| C&I GasNetworks | \$147,487 | \$97,642 | \$105,836 | \$203,478 | (\$55,991) |
| SC&I Multifamily Weatherization | \$103,325 | \$92,800 | \$2,157 | \$94,957 | \$8,368 |
| Total | \$675,908 | \$349,474 | \$116,681 | \$466,155 | \$209,753 |
| Program Participation (# of projects or rebates) | | | | | |
| Low Income MF Weatherization | 1 | 1 | 0 | 1 | |
| Res Weatherization (Support) | 0 | 0 | 0 | 0 | |
| Large C&I Custom | 4 | 0 | 0 | 0 | |
| Small C&I Custom | 10 | 0 | 0 | 0 | |
| C&I GasNetworks | 35 | 32 | 21 | 53 | |
| SC&I Multifamily Weatherization | 1 | 2 | 0 | 2 | |
| Total | 51 | 56 | 21 | 56 | |
| Program Savings (Lifetime mmbtu) | | | | | |
| Low Income MF Weatherization | 33,785 | 106,295 | 0 | 106,295 | |
| Res Weatherization (Support) | 0 | 0 | 0 | 0 | |
| Large C&I Custom | 66,229 | 0 | 0 | 0 | |
| Small C&I Custom | 39,488 | 0 | 0 | 0 | |
| C&I GasNetworks | 73,168 | 72,580 | 31,720 | 104,300 | |
| SC&I Multifamily Weatherization | 37,819 | 24,415 | 0 | 24,415 | |
| Total | 250,489 | 203,290 | 31,720 | 235,010 | |

* Balance equals Budget/Goal minus Total spent minus Committed Funds