Mid-Term Modification Request for The Berkshire Gas Company
For Consideration at the June 2018 EEAC Executive Committee and EEAC Meeting

The Berkshire Gas Company ("Berkshire" or the "Company") is committed to securing energy savings in a cost-effective manner consistent with its portfolio level savings goals for the period 2016 through 2018, as endorsed by the Energy Efficiency Advisory Council ("EEAC" or "Council") and approved by the Department of Public Utilities ("Department"). Berkshire has experienced lower than planned demand for gas retrofit energy efficiency products in the Residential Products program. As of this request, the Company has spent approximately 49.5 percent of its three-year Residential Products program budget and anticipates ending the term at 68 percent of budget. Additionally, the Company's Low-Income Hard-to-Measure Program expenditures are projected to be 40 percent lower than planned. As of this request, the Company has spent approximately 34 percent of its three-year program budget and anticipates ending the term at 60 percent of budget. As such, pursuant to the Department's Guidelines Berkshire proposes to decrease its Residential Products program budget by $756,000 (32 percent) and its Low-Income Hard-to-Measure program budget by $47,734 (40 percent). Berkshire is not proposing changes to its savings goals and approval of this MTM will not impact projected savings and benefits.

The projected budgets trigger a "Category One" Mid-Term Modification ("MTM"), which requires Council review and approval, pursuant to § 3.8 of the revised Energy Efficiency Guidelines ("Guidelines") issued by the Department in D.P.U. 11-120. Berkshire requests Council approval to make the modifications to its gas Energy Efficiency Plan as further described below.

Residential Products

The Residential Products program has experienced a declining level of activity as the 2016-2018 term has progressed. In 2015, the Company expended $786,543 and achieved almost 100 percent of planned lifetime therm savings. However, in 2016 and 2017, expenditures declined to $512,543 and $375,163, respectively. The Company has attempted to stimulate demand through various methods. Throughout 2017 and the beginning of 2018, the Company increased its radio advertisement campaign and conducted a direct mail advertisement campaign. The Company is currently developing a residential products promotional campaign to be launched later this year to drive additional participation. In spite of these efforts to increase uptake, the Company has spent about 49.5 percent of its total three-year program budget. While the Company has expended over two-thirds of its Residential Products program Marketing and Advertising, STAT, and Evaluation and Market Research budgets to date and anticipates expending the full budgets on each of these categories by the end of the term, participant incentives, which constitute about 82 percent of the planned three-year budget, are currently 54 percent lower than planned. The Company projects that program savings will also be about 40 percent lower than planned at the end of the three-year term.

The Company has been successfully providing energy efficiency services to its customers for over 25 years. Given the small size of its customer base, experiencing market saturation is expected. In addition, fully 25 percent of the Company's service territory is under a moratorium, which limits customer conversions, new construction and renovation projects, and therefore decreases demand for new equipment such as heating systems that are incentivized through the Residential Products program.

This unique service territory issue has not impacted the Company's ability to deliver savings under the Residential Whole House program, however, which is on track to exceed the planned three-year lifetime savings goal. In fact, the Company's direct mail campaign discussed above helped increase participation in the Residential Home Energy Services initiative. This increase shows that the Company's marketing campaign has been effective at reaching customers, but that customer demand for new heating systems and other products offered in the Residential Products program remains lower than expected. The Company plans to continue aggressive marketing of its residential programs and anticipates achieving close to its residential sector three-year savings goal by the end of 2018.

The table below highlights the proposed decrease in the Residential Products program budget.

Program	Approved Three-Year Plan Budget	Requested Change in Budget	Adjusted Budget	Percent Change from Approved Three-Year Plan Budget
Residential Products	$2,329,842	-$756,000	$1,573,842	32% decrease

Low-Income Hard-to-Measure

The Low-Income Hard-to-Measure program expenditures are approximately 66 percent lower than planned to date and the Company expects that it will spend about 60 percent of its three-year plan budget in this program by the end of the term. The primary reason for the variance in expenditure levels is due to lower than planned third-party assessment costs. The Company pays the Department of Energy Resources and Low-Income Energy Affordability Network assessments out of the hard-to-measure program. These assessments, which constitute about 80 percent of the program budget, have been significantly lower than planned. The Company will work with DOER and LEAN to develop estimates of these assessment levels for the 2019-2021 Three-Year Plan.

Although the Company anticipates overall program expenditures to be lower than planned, Berkshire projects that statewide marketing, which constitutes about 17 percent of the program budget, will be at about 100 percent of planned spending. In addition, the Company continues to have strong participation in its Low-Income Whole House Program and projects that it will meet its three-year sector lifetime savings goal.

In accordance with Department Guidelines, the Company proposes to revise its Low-Income Hard-to-Measure budget as shown in the table below.

Program	Approved Three-Year Plan Budget	Requested Change in Budget	Adjusted Budget	Percent Change from Approved Three-Year Plan Budget
Low-Income Hard-to-Measure	$79,984	-$32,250	$47,734	40% decrease

Performance Incentives

The Company does not propose any changes to the Department-approved performance incentive model as a result of this proposed budget reduction, and will maintain the threshold, design, and exemplary levels of performance for the Savings and Value Mechanisms as approved in the updated performance incentive model submitted to the Department in The Berkshire Gas Company, D.P.U. 15-165 (2016). The Company intends to compare actual results for the programs to original Department-approved budgets as part of the Company's Term Report filing.

Additional Material for Informational Purposes Only

The additional information summarized below is provided by Berkshire for context and informational purposes only. Council action is requested solely on the modification described above. The Council, in acting on the above modification, is not acting on or approving the estimates provided by Berkshire below.

The table below shows the Company's 2016-2018 Plan values for annual savings, lifetime savings, benefits, and expenses as currently approved, as well as actual savings and expenditures for 2016, Q4 reported savings and expenditures for 2017, and anticipated savings and expenditures for 2018.

Program	Annual Savings			Lifetime Savings			Benefits			Budget		
	2016-2018 Approved	2016-2018 Proposed	% of Goal	2016-2018 Approved	2016-2018 Proposed	% of Goal	2016-2018 Approved	2016-2018 Proposed	% of Goal	2016-2018 Approved	2016-2018 Proposed	% of Goal
Residential Products	184,335	109,974	60%	3,378,373	1,957,504	58%	$4,400,138	2,450,248	56%	$2,329,842	$1,573,842	68%
Low-Income HTM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$79,984	$47,734	60%