

Memo

→ CONSULTANT TEAM

To: **EEAC**
From: **EEAC Consultant Team**
Date: **May 25, 2021**
Subject: **Mid-Term Modification Requests**

INTRODUCTION AND SUMMARY

This memo presents a summary of findings and conclusions from our review of the Mid-Term Modification (MTM) requests submitted to the Council in April 2021. With the exception of one, the proposed adjustments 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. The Berkshire Gas Residential Existing Buildings proposed adjustment, as noted in the table below, triggers a “Category Two” MTM, which requires D.P.U. review and approval. Our memo discusses the impact the MTMs would have on the benefits, savings, and costs for 2021 and the Three-Year Plan period, as well as our recommendations for how the MTM requests should be handled. The table below summarizes the MTM requests received in April.

Program Administrator	Program	Approved 2019-2021 Budget (\$ millions)	Requested Budget Change (\$ millions)	Adjusted Budget (\$ millions)	% Change from Approved
Berkshire	Res New Buildings	\$0.69	-\$0.36	\$0.34	-52%
	Res Existing Buildings ¹	\$5.63	\$3.98	\$9.61	71%
	C&I Hard-to-Measure	\$0.22	\$0.30	\$0.52	136%
Liberty	Res New Buildings	\$0.37	\$0.11	\$0.48	29%
	Res Existing Buildings	\$6.76	\$2.29	\$9.04	34%
	C&I New Buildings	\$0.18	\$0.48	\$0.66	270%
National Grid Electric	C&I New Buildings	\$23.58	\$9.03	\$32.62	38%
National Grid Gas	Res Existing Buildings	\$230.10	\$44.64	\$274.74	20%
Eversource (NSTAR) Electric	Res New Buildings	\$28.85	-\$9.11	\$19.74	-32%
	Res Existing Buildings	\$219.05	\$51.91	\$270.95	24%
Eversource (NSTAR) Gas	IES Hard-to-Measure	\$1.21	-\$0.38	\$0.83	-31%
EGMA (Formerly CMA)	Res Existing Buildings	\$79.96	\$32.14	\$112.11	40%
Until Electric	Res New Buildings	\$0.31	\$0.13	\$0.42	41%
Until Gas	C&I Existing Buildings	\$0.81	\$0.25	\$1.06	30%

The Consultant Team recommends that Council approve all current MTMs as submitted.

¹ Category 2 MTM requiring DPU approval.

HIGH-LEVEL FINDINGS

MTMs result in a net decrease in benefits for both electric and gas programs

The April 2021 MTM requests include requests for both increases and decreases in spending. In aggregate, the proposed MTMs would result in spending that is 5% lower than planned for the electric programs and 10% higher for the gas programs. These reductions, coupled with the PA's projections through the end of the term, result in benefits that are 11% lower than planned for the electric programs and 5% higher for the gas programs. The proposed reductions in Hard-to-Measure programs do not have an impact on the portfolio benefits because no savings are associated and claimed for those programs.

The impact for individual PAs and programs is important to review and address

Although MTM portfolio level impacts are moderate, the changes may have a more significant impact on customers when looking at the individual MTM requests. For example, several of the MTM request include increases or decreases to program budgets representing more than a 50% change from planned spending. For this reason, the Consultant Team provides analysis and recommendations in the following section of this memo that are PA-specific.

Performance Incentives statewide mechanism and payout rates remain unchanged

In their proposed MTMs the PAs are not requesting changes to the 2019-2021 Three-Year Plan performance incentive pool or mechanism, or to the incentive payout rates for benefits ("savings") or net benefits ("value"), the PAs are not requesting changes to their approved Three-Year Plan savings goals or planned benefits, and the requested changes in the MTMs to underspend or overspend program budgets would not change the performance incentive mechanism for 2019-2021. Therefore, the approved performance incentive payout rates would continue to apply for each unit of benefits ("savings") and net benefits ("value") actually achieved.

INDIVIDUAL MTM RECOMMENDATIONS

The table below summarizes the Consultant Team recommendations for each of April 2021 MTM requests. The section following provides an explanation for the recommendations provided.

Program Administrator	Program	Requested Budget Change (\$ millions)	Consultant Recommendation
Berkshire	Residential New Buildings	-\$0.36	Approve
	Residential Existing Buildings	\$3.98	Approve
	C&I Hard-to-Measure	\$0.30	Approve
Liberty	Residential New Buildings	\$0.11	Approve
	Residential Existing Buildings	\$2.29	Approve
	C&I New Buildings	\$0.48	Approve
National Grid Electric	C&I New Buildings	\$9.03	Approve
National Grid Gas	Residential Existing Buildings	\$44.64	Approve
Eversource (NSTAR) Electric	Residential New Buildings	-\$9.11	Approve
	Residential Existing Buildings	\$51.91	Approve
Eversource (NSTAR) Gas	IE Hard-to-Measure	-\$0.38	Approve
EGMA (Formerly CMA)	Residential Existing Buildings	\$32.14	Approve
Until Electric	Res New Buildings	\$0.13	Approve
Until Gas	C&I Existing Buildings	\$0.25	Approve

Berkshire

Program Administrator	Program	Approved 2019-2021 Budget (\$ millions)	Requested Budget Change (\$ millions)	Adjusted Budget (\$ millions)	% Change from Approved
Berkshire	Res New Buildings	\$0.7	-\$0.4	\$0.3	-52%
	Res Existing Buildings	\$5.6	\$4.0	\$9.6	71%
	C&I Hard-to-Measure	\$0.2	\$0.3	\$0.5	270%

The Consultant Team recommends approving Berkshire's request for a decrease to the Residential New Buildings program budget. Although it is disappointing that these funds will not be spent to secure new construction energy savings and benefits this term, Berkshire has presented a reasonable case for the decrease in spending. There are several reasons for a decrease in multifamily new construction in Berkshire's service territory this term in particular and work is in progress to better secure production by this segment in the 2022-2024 term.

The Consultant Team recommends approving Berkshire's request for a budget increase for the Residential Existing Buildings program. The extra budget serves greater than anticipated demand for the Residential Coordinated Delivery Initiative, in large part due to the limited time 100% insulation incentive, and for HVAC measures within the Residential Retail Initiative and will yield higher savings and benefits. Please note that this MTM will also need to be filed with DPU, as it triggers the 2% bill impact.

The Consultant Team recommends approving Berkshires request for an increase to C&I Hard-to-Measure budgets. This request is largely due to higher than anticipated evaluation costs for important program offerings such as Control Measures, Upstream Water Heaters, and Custom Gas programs.

Liberty

Program Administrator	Program	Approved 2019-2021 Budget (\$ millions)	Requested Budget Change (\$ millions)	Adjusted Budget (\$ millions)	% Change from Approved
Liberty	Res New Buildings	\$0.4	\$0.1	\$0.5	29%
	Res Existing Buildings	\$6.8	\$2.3	\$9.0	34%
	C&I New Buildings	\$0.2	\$0.5	\$0.7	270%

The Consultant Team recommends approving Liberty’s request for a budget increase of the Residential New Buildings program. The extra budget serves greater than anticipated demand and will yield higher savings and benefits.

The Consultant Team recommends approving Liberty’s request for a budget increase of the Residential Existing Buildings program. The extra budget serves greater than anticipated demand for the Residential Coordinated Delivery Initiative, in large part due to the limited time 100% insulation incentive, and for HVAC measures within the Residential Retail Initiative and will yield higher savings and benefits.

The Consultant Team recommends approving Liberty’s request for a budget increase of the C&I New Buildings program. New construction can be difficult to project during planning, and Liberty is seeing higher than anticipated savings and program activity, which they believe is partially driven by construction of the South Coast Rail project that bringing commuter rail access to Boston from the Company’s service territory.

National Grid Electric

Program Administrator	Program	Approved 2019-2021 Budget (\$ millions)	Requested Budget Change (\$ millions)	Adjusted Budget (\$ millions)	% Change from Approved
National Grid Electric	C&I New Buildings	\$23.6	\$9.0	\$32.6	38%

The Consultant Team recommends approving National Grid Electric’s request for a budget increase to their C&I New Buildings program. National Grid noted a large Combined Heat and Power (“CHP”) project that overperformed as a major driver of increased savings and need for more budget. CHP projects have very long development cycles, and distribution utilities have advanced notice of system sizing due to interconnection requirements. Given this advanced development cycle from prospective CHP installations at customer sites, the Consultant Team believes National Grid should have had better estimated CHP savings from this project during planning. We recommend that the Council closely examine planned 2022-2024 CHP savings and request detailed forecasting from all PAs of CHP projects in their interconnection queues.

National Grid Gas

Program Administrator	Program	Approved 2019-2021 Budget (\$ millions)	Requested Budget Change (\$ millions)	Adjusted Budget (\$ millions)	% Change from Approved
National Grid Gas	Res Existing Buildings	\$274.7	\$44.6	\$274.7	20%

The Consultant Team recommends approving National Grid’s request for a budget increase for the Residential Existing Buildings program. The extra budget serves greater than anticipated demand for the Residential Coordinated Delivery Initiative, in large part due to the limited time 100% insulation incentive, and for HVAC measures within the Residential Retail Initiative and will yield higher savings and benefits.

Eversource (NSTAR) Electric

Program Administrator	Program	Approved 2019-2021 Budget (\$ millions)	Requested Budget Change (\$ millions)	Adjusted Budget (\$ millions)	% Change from Approved
NSTAR Electric	Res Existing Buildings	\$219.0	\$51.9	\$271.0	24%
	Res New Buildings	\$28.8	-\$9.1	\$19.7	-32%

The Consultant Team recommends approving Eversource’s (NSTAR’s) request for a budget increase for the Residential Existing Buildings program. The extra budget serves greater than anticipated activity in the Residential Coordinated Delivery initiative in part as a result of the limited time 100% insulation incentive and in the Residential Retail initiative particularly due to higher than planned lighting and HVAC measure production. This will yield higher savings and benefits.

The Consultant Team recommends approving Eversource’s (NSTAR’s) request for a decrease to the Residential New Buildings program budget. Although disappointing that these funds will not be spent to secure new construction energy savings and benefits this term, Eversource has presented requested details regarding planned vs. actual participation and incentive numbers to support its request. Eversource has indicated that it will continue to work to capture all available savings from this program and the consultants expect that that will be the case.

Eversource (NSTAR) Gas

Program Administrator	Program	Approved 2019-2021 Budget (\$ millions)	Requested Budget Change (\$ millions)	Adjusted Budget (\$ millions)	% Change from Approved
NSTAR Gas	IES Hard-to-Measure	\$1.2	-\$0.4	\$0.8	32%

The Consultant Team recommends approving Eversource’s request for a budget decrease for the Income Eligible Services Hard to Measure program. Evaluation costs were lower than planned this term. The Consultants expect to see increased focus on IES evaluation in the 2022-2024 term.

EGMA (Formerly Columbia Gas)

Program Administrator	Program	Approved 2019-2021 Budget (\$ millions)	Requested Budget Change (\$ millions)	Adjusted Budget (\$ millions)	% Change from Approved
EGMA	Res Existing Buildings	\$80.0	\$32.1	\$112.1	40%

The Consultant Team recommends approving EGMA’s request for a budget increase for the Residential Existing Buildings program. EGMA has experienced higher than planned activity for HVAC and weatherization in general in its service territory and has also made significant additional expenditures in the Greater Lawrence area. The Consultant Team requested and received additional information on spending in Greater Lawrence. These data show that incentives have continued to disproportionately benefit Andover and North Andover customers as compared to Lawrence. In 2021, the enhanced incentives will be limited to Lawrence.

Unitil Electric

Program Administrator	Program	Approved 2019-2021 Budget (\$ millions)	Requested Budget Change (\$ millions)	Adjusted Budget (\$ millions)	% Change from Approved
Unitil Electric	Res New Buildings	\$0.3	\$0.1	\$0.4	41%

The Consultant Team recommends approving Unitil's request for a budget increase of the Residential New Buildings program. The extra budget serves greater than anticipated demand and will yield higher savings and benefits.

Unitil Gas

Program Administrator	Program	Approved 2019-2021 Budget (\$ millions)	Requested Budget Change (\$ millions)	Adjusted Budget (\$ millions)	% Change from Approved
Unitil Gas	C&I Existing Buildings	\$0.81	\$0.25	\$1.06	30%

The Consultant Team also recommends approving Unitil's budget increase request for the C&I Existing Buildings program. Unitil's notes steady program activity thus far and anticipates a surge in activity in 2021 after the slowdown experience in 2020.