

Memo

→ CONSULTANT TEAM

To: **EEAC**
From: **EEAC Consultant Team**
Date: **July 27, 2018**
Subject: **Berkshire June Mid-Term Modification Request Update**

INTRODUCTION

In June, the Consultant Team provided a memo summarizing findings and conclusions from our review of the Mid-Term Modification (MTM) requests submitted to the Council in June 2018. The proposed adjustments triggered 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. Our memo discussed the impact the MTMs would have on benefits, savings, and costs for 2018 and the Three-Year Plan period, as well as our recommendations for how the MTM requests should be handled. This memo provides an update to the MTM memo written in June, specifically with regards to Berkshire Gas’ proposed reduction in Residential Products spending. At this time, the Consultant Team recommends approving Berkshire’s MTM.

SUMMARY OF BERKSHIRE’S REQUEST

The MTM originally submitted by Berkshire Gas proposed two changes: to reduce spending for the Low Income Hard-to-Measure initiative by \$32 thousand and to reduce spending for the Residential Products initiative by \$756 thousand. When the MTM was reviewed in June, the Consultant Team recommended approving the proposal to reduce spending for the Low Income Hard-to-Measure initiative but suggested that the Council defer its decision on the Residential Products initiative. While Berkshire was not proposing changes to its total projected savings and benefits, the Team was concerned that Berkshire had not engaged in the activities necessary to implement a successful Residential Products program. To better understand Berkshire’s proposal, the Consultant Team indicated that it would first need to assess Berkshire responses to several of their questions.

Since the time the previous memo was written, the Consultant Team received responses to the questions posed about the Residential Products initiative from Berkshire Gas. On July 27, we also learned that Berkshire would be revising its MTM request to reduce spending for the Residential Products initiative by \$680 thousand rather than \$756 thousand. The revised MTM is summarized in the table below.

Program Administrator	Program	Approved 2016-2018 Budget (\$ millions)	Requested Budget Change (\$ millions)	Adjusted Budget (\$ millions)	% Change from Approved
Berkshire	Residential Products	\$2.3	-\$0.7	\$1.6	-29%
	Low-Income Hard-to-Measure	\$0.08	-\$0.03	\$0.05	-40%

ASSESSMENT OF BERKSHIRE MTM AND RECOMMENDATION

The Consultant Team appreciates Berkshire's responses to our comments and questions; however, we still believe that there is an opportunity for Berkshire Gas to do more with its Products Program before the end of the year. We feel there are two main opportunities on which Berkshire can further capitalize:

1. **Increase heating measure units.** Our rough estimate is that Berkshire is capturing around 20 percent of an estimated 1,000 market rate gas heating equipment replacements annually in its service territory (assuming 20-year measure life). We are challenged to see how saturation is a major factor in the face of this statistic. This is a far bigger opportunity than that lost by the moratorium affecting new construction.
2. **Increase WiFi thermostat measures.** We think the savings available from WiFi thermostats are too quickly dismissed in the Berkshire presentation. In 2017, this measure contributed 13,563 MMBtus in net lifetime savings from 137 units to Berkshire's savings accomplishments. With 34,515 residential customers in 2016, there is more that can be done here. The increased incentive is a good step. What efforts are being made otherwise (e.g., through contractors, bundling thermostats with heating equipment) to promote them?

Although the opportunities could have been acted upon if this issue were identified earlier, we are more than 80% through the 2016-2018 Three-Year Plan. In the remaining timeframe, it is unlikely that Berkshire will be able to spend enough money in its Products Program to avoid the need for an MTM. As reflected in the revised MTM, we appreciate that Berkshire plans to spend more of their Residential Products budget than what was projected in June. We also support the return of ratepayer money as soon as it is known that the remaining budget will not be spent. For these reasons, we recommend approving Berkshire's MTM request and returning funds to the rate payers as soon as possible.