Mid-Term Modification Request for Fitchburg Gas and Electric Light Company d/b/a Unitil (Electric Division)

Fitchburg Gas and Electric Light Company d/b/a Unitil ("FG&E" or the "Company") is committed to securing energy savings consistent with its portfolio level savings goals for the period 2022 through 2024, as endorsed by the Energy Efficiency Advisory Council ("EEAC" or "Council") and approved by the Department of Public Utilities (the "Department") in Fitchburg Gas and Electric Light Company d/b/a Unitil, D.P.U. 21-127 (2022) ("D.P.U. 21-127"). FG&E's electric division has experienced greater than anticipated demand for services that is reasonably expected to lead to expenditures exceeding 100 percent of approved term budgets for several programs.

The currently effective Energy Efficiency Guidelines were promulgated in D.P.U. 20-150-A, on May 3, 2021. Additional and supplanting directives on midterm modifications ("MTM") were provided in D.P.U. 21-127, as issued on January 31, 2022, in which the Department ordered that "a Program Administrator may not exceed its planned program budget without approval by the Department." See Order D.P.U. 21-120-D.P.U. 21-129, at 224. Further, the Department ordered that "[i]f a Program Administrator projects it will exceed a program-level budget, the Program Administrator shall simultaneously submit any proposed budget change (1) for review by the Council and (2) for review and approval by the Department." Id. at 225. Accordingly, FG&E has submitted this proposal simultaneously to the EEAC and the Department.

I. Residential Sector

New Buildings Program

FG&E's Residential New Buildings Program for the Company's electric portfolio consists of one core initiative, the Residential New Construction and Major Renovation core initiative, which is designed to reduce energy use and demand in new homes and existing homes undergoing major renovation. The initiative's secondary objective is to support the transition of the residential new construction market toward the highest efficiency building standards and equipment installations, including electric heating and water heating measures (D.P.U 21-120-D.P.U. 21-129, Exhibit 1, at 60).

The Company has seen greater interest and enrollment in the all-electric pathway within the Residential New Construction and Major Renovation core initiative, which is associated with a $15,000 incentive per home. Whereas the Company had planned for 3 all-electric projects during the term, it now expects up to 9 projects to be completed by the end of the term. In addition to the doubling of production for the all-electric pathway compared to plan, the Company also anticipates average cost of customer incentives for low rise projects will be higher than initially planned though accompanied by greater MMBtu savings than initially planned.

Therefore, the Company seeks approval for a proposed increase of $200,000, which could result in a total authority to spend up to $628,934, or 47 percent more than the budget approved for the Residential New Buildings program in D.P.U. 21-127. The entirety of these new funds will be utilized for participant incentives in the Residential New Construction and Major Renovation core initiative.

Existing Buildings Program

FG&E's Residential Existing Buildings Program for the Company's electric portfolio consists of four energy-saving core initiatives: Residential Coordinated Delivery ("RCD"), Residential Retail, Residential Behavior and Residential Active Demand Response, as well as one non-energy saving core-initiative, Residential Conservation Services ("RCS").

The demand for additional spending is driven primarily by two core initiatives: RCD and Retail. The RCD initiative is designed to promote and facilitate the implementation of energy efficiency upgrades in existing homes to help customers reduce their overall whole-home energy usage, with a particular focus on improvements to the building envelope (D.P.U. 21-120–D.P.U. 21-129, Exhibit 1, at 60). The Residential Retail core initiative "provides a broader integrated marketplace where energy- efficient products and equipment are positioned as attractive, primary choices for customers making purchasing decisions, whether online, in-store, or through independent contractors and distributors" (id.).FG&E's Residential Existing Buildings Program has experienced greater activity than anticipated during planning for the 2022-2024 Term, and spending over the term is expected to exceed the approved term budget. The higher-than-expected expenditures within the Residential Retail core initiative is driven by unprecedented interest in and demand for prescriptive heat pump measures, which was not anticipated during planning.

For 2022, the Company expended 67 percent of all customer incentives in the Residential Retail core initiative on electrification measures and so far in 2023, more than 75 percent of all customer incentives are for electrification measures in that core initiative.

Therefore, the Company seeks approval for a proposed increase of $1,700,000, which would result in a total authority to spend up to $8,746,877, or 24 percent more than the budget approved for the Residential Existing Buildings program in D.P.U. 21-127. A significant majority of these new funds will be utilized for participant incentives in the Residential Retail core initiative.

Electricity Savings

In its Order approving the Company's 2022-2024 Plan, the Department noted that in order to be successful, an MTM "proposal must clearly demonstrate that the proposed budget change will result in an increase in kWh or therm savings" See Order D.P.U. 21-120-D.P.U. 21-129, at 225. However, as displayed in Exhibit FGE-2, the increased demand for electrification measures in both the New and Existing Building Programs results in increased fossil fuel and GHG savings, but an *increase* in electricity usage. As a result, the Company expects lifetime electric savings in the Residential Sector to decrease from (4,110) MWh to (27,612) MWh, should the MTM be approved and expected electrification activity be realized.

II. Performance Incentives

The Company is not proposing any changes to the Department-approved performance incentive ("PI") model or payout rates as a result of these proposed changes, and will maintain the threshold, design, and exemplary levels of performance as approved in the PI model submitted to the Department in D.P.U. 21-127. The Company intends to compare actual results for the programs to the original Department-approved budgets and goals as part of the Company's Plan Year and overall Term performance reporting.

III. Summary

The Company seeks approval to exceed previously approved program budgets as described above for two electric programs:

1. Residential New Buildings Program
2. Residential Existing Buildings Program

The Company will continue to monitor all initiatives and programs closely, as well as market and environmental factors related to program delivery with a commitment to continuing to serve its customers in all sectors. Should the need arise, the Company will notify and work with the EEAC and the Department to request additional adjustments through the mid-term modification process to ensure that all efforts are made to continue program offerings in a cost-effective manner that serves common interests.