Mid-Term Modification Request for Eversource Energy
(Eversource Gas Company of Massachusetts)
December 8, 2023

Eversource Gas Company of Massachusetts ("EGMA" or the "Company") d/b/a Eversource Energy is committed to achieving its designated energy efficiency goals and serving its customers in the best, most equitable way through its Energy Efficiency programs. The current trajectory of spending will trigger the need for approval from the Department of Public Utilities (the "Department") and the Energy Efficiency Advisory Council ("EEAC" or "Council") through a Mid-Term Modifications ("MTM") filing. The Company has seen higher-than-expected performance within its Residential programs and lagging demand in its Commercial & Industrial programs. The Company is currently projecting three midterm modifications in its gas portfolio. EGMA is requesting additional funding for its Residential New Buildings & Major Renovations program and its Residential Hard-to-Measure program. Additionally, the Company is notifying the EEAC and Department of an anticipated underspend of greater than ten percent in its Commercial & Industrial ("C&I") sector.

The Energy Efficiency Guidelines were promulgated in D.P.U. 20-150-A on May 3, 2021 ("EE Guidelines"). Additional and supplanting directives on MTMs were provided in D.P.U. 21-121, 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 Three-Year Plans Order, D.P.U. 21-120 through D.P.U. 21-129 ("Three-Year Plans Order") at 224 (2022). 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, n.139. The EE Guidelines at Section 3.8.2 also state that a Program Administrator that anticipates underspending its three-year term sector budget by greater than 10 percent "shall submit its proposed modifications at the same time for (a) review by the Council, and (b) review and approval by the Department…". Accordingly, the Company has submitted this proposal simultaneously to the Council and the Department.

I. Residential Sector

Residential New Buildings Program

The Residential New Buildings Program is forecasted to exceed its filed budget by 34% and the Company is requesting an additional $1.2 million to support greater program activity than planned. Specifically, the Company had planned for a reduction in the number of new homes and dwelling units receiving incentives from the gas operating companies in 2024. This was in anticipation of more homes and dwelling units using new incentives toward all-electric construction. While the programs have seen an increase in all-electric construction compared to prior years, the transformation of residential new construction practices proved more challenging than anticipated when planning. As identified in the MA RNC Electrification Barriers Study, industry professionals remain skeptical of the economics, performance, grid impacts, and homebuyer preferences for all-electric homes compared with homes with natural gas heating, water heating, and cooking equipment (see D.P.U 23-60, 2022 EE PYR, Appendix 4D, Study 22-6). The PAs are continuing to work closely with our market partners to provide education on the benefits of all-electric homes, with a long-term goal of fundamentally transforming building practices. The program overperformance is expected to result in greater therm savings than planned, and the Company is forecasting to reach 145% of its Lifetime MMBTU savings goals. Therefore, the Company seeks approval for a proposed increase of $1,242,000 which would result in a total authority to spend up to $4,882,000, or a 34 percent increase than the budget approved for the Residential New Buildings program in D.P.U. 21-121.

Residential Hard to Measure Program

The Residential sector includes core initiatives that fall under the category of Residential Hard-to-Measure in the data tables. These Residential Hard-to-Measure core initiatives that support the Company's implementation of its 2022-2024 Energy Efficiency Plan ("Plan") are: Statewide Marketing; Statewide Database; DOER Assessment; Sponsorships and Subscriptions; Workforce Development; Evaluation and Market Research; EEAC Consultants; R&D Demonstration; HEAT Loan; and Education. For purposes of this MTM request, the Company is referring to this group of core initiatives as the "Residential Hard-to-Measure Program." These core initiatives contribute to or facilitate the program administrators' ("Program Administrator" or "PA") achievement of their goals. See D.P.U. 21-120 through D.P.U. 21-129, Exhibit 1 at 187-88. The Company's Residential Hard-to-Measure Program has experienced greater than anticipated customer participation in the Mass Save® HEAT Loan ("HEAT Loan"). The HEAT Loan offers interest-free financing opportunities up to $25,000, with terms up to seven years, depending on the loan provider. The "incentive" associated with the HEAT Loan is the Program Administrator's buy-down of the interest on the loan. HEAT Loan financing is available for energy-efficient home upgrades like the installation of air source heat pumps (central or ductless mini-split), ground source heat pumps, heat pump water heaters, insulation and fossil fuel heating equipment. During the Plan term, the Program Administrators are offering an electrification HEAT Loan of up to an additional $25,000 (for a total of $50,000), including up to $5,000 for electrification barriers such as electrical panel upgrades, for customers who install heat pumps in their home.

Under the 2022-2024 Plan construct, Heat Loan incentive costs are only covered by the Gas PAs in areas where the customer is served by a municipal light plant ("MLP"); otherwise, Heat Loan costs are covered by the electric PAs. Term to date, MLP customers are participating in the programs at much higher rates than anticipated, therefore causing Heat Loan costs to exceed what was planned. The Company estimates that Heat Loan costs will be 235% of planned, or $875,000 over the initial budget.

The increased expenditure on the HEAT Loan will not directly lead to additional therm savings. By definition, a Hard-to-Measure Energy Efficiency Program "refers to programs that have costs but do not have direct energy savings or whose energy savings may be difficult to quantify." EE Guidelines, §2. However, the funding increase will support the increased customer demand for use of the HEAT Loan to finance the installation of energy efficiency measures, which themselves may result in therm savings and/or greenhouse gas ("GHG") emissions reductions. Absent the ability for customers to finance an energy efficient measure with the HEAT Loan, a customer may choose not to pursue installation of that efficient measure. Therefore, the Company seeks approval for a proposed increase of $600,000 which would result in a total authority to spend up to $6,630,000, or a 10 percent increase than the budget approved for the Residential Hard to Measure program in D.P.U. 21-121.

II. C&I Sector

The Company continues to deliver strong energy efficiency results for its customers. However, the Company is seeing greater than anticipated challenges in electrification of existing buildings and large custom efficiency projects, both of which are leading to an overall underspend for the sector. Therefore, the Company seeks approval of a proposed decrease in spending of $24,355,000 or a 64 percent decrease that the budget approved for the C&I Sector in D.P.U. 21-121.

C&I New Buildings Program

EGMA is forecasting to spend 55% of the planned term budget for the New Buildings program due to lower participation than anticipated. As noted in previous filings, the Company develops its Plan based on the estimates of new construction activity provided by ConstructConnect (previously CMD Group). That database over-estimated construction activity in the EGMA region for this term. In particular, an expected large cannabis facility did not move forward.

C&I Existing Buildings Program

The Company is projecting an underspend in the Existing Buildings program with only 63% of the budget used by the end of the term. This is primarily due to under-spending on Electrification within the Existing Building Retrofit Core Initiative.

The Company is also underspent on non-electrification measures. The primary reason for this is a change in measure mix compared to Plan. Large custom projects have become increasingly challenging to obtain in the C&I sector, as decades of efficiency programming has achieved much of the potential, and rising interest rates, inflationary effects, and supply chain delays have made new projects even more difficult to undertake. In recognition of this changing dynamic among customers, the PAs worked to add more prescriptive offerings to the portfolio for smaller measures that might be easier for customers to undertake. These efforts saw success, and the Company is over-spent on the New and Replacement Equipment Initiative within Existing Buildings. Despite this success in re-focusing the programs, since these projects tend to require less investment, the Program overall is still substantially underspent.

Despite this success on core EE, custom electrification, which was expected to drive much of the expenditure for this Program, has experienced deep challenges. The Company has found that there are greater technical barriers in medium and large buildings than was understood during planning. For example, there are not heat pump technologies that can be "dropped in" as a simple replacement for existing heating sources such as hot water boilers. This is due to the technical capabilities of each; most building systems that utilize boilers are designed for water temperatures of 180 degrees, while current heat pumps can only deliver a maximum temperature of 140 degrees. Therefore, electrifying the heat would require extremely expensive and disruptive construction within the building to modify the heating distribution system. The Company is working with customers, manufacturers, and building design firms to develop solutions to these barriers, but it will take time beyond the timeframe of this Plan.

The Company remains committed to securing all available energy efficiency savings and to the Commonwealth's long-term decarbonization goals and has been working with customers to implement "electrification readiness" measures in the short term. These include building envelope improvements and optimization of building operations through installation of Building Management Systems (BMS) and Enhanced Monitoring-Based Commissioning (EMBCx), all of which ensures that the building is operating as efficiently as possible prior to electrification. The Company is also offering 100% cost coverage on scoping studies, to ensure that there are no barriers to customers gathering the information needed to make a decision.