

**Mid-Term Modification Request for Liberty Utilities (New England Natural Gas Company)  
Corp. d/b/a Liberty**

Liberty Utilities (New England Natural Gas Company) Corp. d/b/a Liberty (“Liberty” 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 D.P.U. 21-123. Liberty 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 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. 21-120 – D.P.U. 21-129, which included the Order approving Liberty’s three-year plan in D.P.U. 21-123, as issued on January 31, 2022, and 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, Liberty has submitted this proposal simultaneously to the EEAC and the Department.

**I. Residential Sector**

**Existing Buildings Program**

Liberty’s Residential Existing Buildings Program consists of two energy-saving core initiatives: Residential Coordinated Delivery (“RCD”) and Residential 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.*).

Liberty’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 are driven by unprecedented interest in and demand for prescriptive heat pump measures, which were not anticipated during planning.

For 2022, the Company expended 38 percent of all customer incentives in the Residential Retail core initiative on electrification measures, though the Company had planned to expend \$20,000, or less than three percent of customer incentives on electrification in the first year of the Plan. So far in 2023, more than three quarters of all customer incentives are for electrification measures in that core initiative,

reflecting an unprecedented high demand for heat pumps within this core initiative. The Company is requesting an incremental budget of \$3,200,000 to cover the increase costs and customer incentives resulting from the increase in demand for electrification measures.

Demand for residential weatherization is also trending slightly above projected levels as of the end of Q2 of 2023 resulting in expected incremental spending within Residential Coordinated Delivery of \$950,000 and Residential Conservation Services core initiatives of \$100,000.

Therefore, the Company seeks approval for a proposed increase of \$4,250,000, which would result in a total authority to spend up to \$15,057,141, or 39 percent more than the budget approved for the Residential Existing Buildings program in D.P.U. 21-123. A significant majority of these new funds will be utilized for participant incentives in the Residential Retail core initiative.

### **Natural Gas Savings**

The Company expects the increased expenditures required to meet the demand for electrification measures and weatherization within the core initiative will lead to additional natural gas savings. Specifically, the Company estimates a 63 percent increase in annual natural gas savings over the term compared to Plan, and a 60 percent increase in lifetime savings of natural gas compared to Plan.

## **II. Income Eligible Sector**

### **Existing Buildings Program**

The Income Eligible Existing Buildings Program is designed to serve residential customers whose income is at or below 60 percent of the state median income. The Company works with multiple Community Action Agencies, including Citizens for Citizens (“CFC”), Self Help, and South Middlesex Opportunity Council (“SMOC”) to provide comprehensive weatherization services to income eligible residential customers living in 1-4-unit buildings and multifamily buildings with five or more units. A variety of non-energy saving services as well as energy efficiency measures are provided to this vulnerable, energy burdened population with no out-of-pocket cost to the customer.

While Liberty expects some unplanned activity from heat pumps within the Income Eligible Program, the driver for this MTM request is the greater than planned scale of multi-family projects expected to be completed during the term. The Company currently has one large multi-family weatherization project (200+ units) nearing completion and another multi-family heating system replacement project in the pipeline. The Company seeks approval of a proposed increase of \$800,000, which would result in a total authority to spend up to \$5,678,008, or 16 percent, more than the budget approved for the Income Eligible Program.

### **Natural Gas Savings**

The Company expects the increased expenditures to meet the demand for greater than anticipated services in the multifamily sector to produce modest increases in natural gas savings. Specifically, the

Company estimates a 3 percent increase in annual natural gas savings over the term compared to Plan, and a 3 percent increase in lifetime savings of natural gas compared to Plan.

### **III. Commercial & Industrial Sector: Existing Buildings Program & New and Replacement Equipment**

Liberty's C&I Existing Buildings Program consists of two core initiatives for gas programs: (1) Existing Building Retrofit; and (2) New & Replacement Equipment. The Company works with its C&I customers and vendors to identify and support the improvement and replacement of existing systems and equipment to increase efficiency and reduce energy use.

The C&I Existing Buildings Program has experienced greater activity than anticipated during planning for the 2022-2024 Term driven by unexpectedly high, and increasing, demand for prescriptive electrification measures.

To allow for fulfillment of rebate inquiries approved in the queue and to continue to serve customers seeking both electrification and non-electrification measures in the Existing Building Program, the Company seeks approval of an MTM for an additional \$1,100,000, bringing the authority to spend over the term to \$3,606,206 for this program.

During planning, the Company had not anticipated activity in the C&I sector related to heat pumps and variable refrigerant flow HVAC systems given the relatively low cost of natural gas. Significant marketing both by PAs and by HVAC vendors has led to a rapid increase in awareness of and interest in electrification by C&I customers across the Commonwealth and demand for rebates from the Mass Save® programs.

In addition, for the C&I New and Replacement Equipment Program, the Company had noted modest demand for prescriptive heat pumps displacing natural gas heating in the core initiative in 2022, however demand has increased through Q2 of 2023. Based on applications in hand and sustained interest among customers, the Company currently estimates it will fulfill rebates related to more than 380 tons of heat pump technology in this core initiative over the remainder of the term.

#### **Natural Gas Savings**

In its Order approving the 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." Accordingly, as displayed in Exhibit LU-2, the Company has estimated the expected annual and lifetime natural gas savings that will be realized as a result of the approval of our proposal.

While the cost to achieve natural gas savings is expected to be higher than what the Company included in its initial filing, the increased demand for electrification measures will lead to additional lifetime natural gas savings. Specifically, the Company is estimating a 28 percent increase in lifetime savings compared to the original Plan.

The Company expects the C&I Existing Buildings Program to be cost-effective over the term if the MTM is granted. During the first year of the program, the benefits associated with C&I electrification were not cost-effective, however, the results of a non-energy impact study completed in 2022 and applied to program year 2023 and 2024 increased the benefits associated with these measures so that they now exceed the total resource cost. Over the term, the Company estimates the benefit-cost ratio of the C&I Existing Buildings Program and the C&I New & Replacement Equipment core initiative to exceed 2.0.

#### **IV. Performance Incentives:**

The Company does not propose 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 Liberty Utilities (New England Natural Gas Company) Corp. d/b/a Liberty, D.P.U. 21-123 (2022). 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.

#### **V. Summary:**

The Company seeks approval to exceed previously approved program budgets as described above for three natural gas programs:

1. Residential Existing Buildings
2. Income Eligible Existing Buildings
3. C&I 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.