

Mid-Term Modification Request for the Berkshire Gas Company

The Berkshire Gas Company (“Berkshire” 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. 21-120. Berkshire has experienced greater than anticipated demand for services that is 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, 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, Berkshire has submitted this proposal simultaneously to the EEAC and the Department.

I. Residential Sector

Existing Buildings Program

Berkshire’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.*

Berkshire’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 30 percent of all customer incentives in the Residential Retail core initiative on electrification measures, though the Company had planned for only two heat pumps—equivalent to \$6,000 in incentives—in this sub-offering during the first year of the Plan. So far in 2023, nearly two-thirds of all customer incentives are for electrification measures in that core initiative. This reflects both unprecedented high demand for heat pumps and lower than expected demand for high efficiency natural heating and water systems.

Therefore, the Company seeks approval for a proposed increase of \$2,660,000 in the Residential Existing Buildings Program, which would result in a total authority to spend up to \$10,863,812, or 32 percent more than the budget approved in D.P.U. 21-120. The Company projects a 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 in the Residential Existing Buildings Program to meet the demand for electrification measures will lead to additional natural gas savings. Specifically, the Company estimates a 39 percent increase in annual natural gas savings over the term compared to Plan, and a 30 percent increase in lifetime savings of natural gas compared to Plan.

Hard-to-Measure Program

The Company also requests approval for additional spending authority in the Residential Hard-to-Measure Program, a non-energy saving program through which a myriad of activities supportive of customers, the stakeholder process, and future program planning are served. These funds are for unanticipated needs related to increases in spending for several purposes, including residential education (inclusive of Sales, Technical Assistance, and Training (“STAT”)), evaluation and market research, residential sponsorships, and DOER assessments. The Company requests approval to increase spending for this program by \$140,000, for a total of \$634,676 over the term, equating to a 28% increase.

II. Commercial & Industrial Sector

Existing Buildings Program & New and Replacement Equipment

Berkshire’s C&I Existing Buildings Program consists of two core initiatives: (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. During planning, Berkshire anticipated very little activity in the C&I sector related to heat pumps and variable refrigerant flow HVAC systems given the relatively low cost of natural gas and the lack of demand in the prior term among C&I customers for electrification equipment. 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.

To allow for fulfillment of rebate inquiries in queue and to continue to serve customers seeking both electrification and non-electrification measures in the C&I Existing Building Program, the Company seeks approval of an MTM for a 139 percent increase, or \$4,350,000, to the budget approved in 21-120. This increase would raise the authority to spend over the term to \$7,486,889 for the C&I Existing Buildings Program.

Natural Gas Savings

The Company expects the increased expenditures in both the Existing Building Retrofit and New & Replacement Equipment Core Initiatives to lead to more natural gas savings. Specifically, for the C&I Existing Buildings Program as a whole, Berkshire estimates a 76 percent increase in annual natural gas savings over the term compared to Plan, and a 127 percent increase in lifetime savings of natural gas compared to Plan.

III. 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 the Berkshire Community Action Council and Community Action Pioneer Valley, the local Community Action Agencies, to provide comprehensive weatherization services to income eligible residential living in 1–4-unit buildings, and with a third-party contractor that serves multifamily buildings with 5 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.

The most significant driver for this budget increase request is the potential onboarding of a large, multifamily Income Eligible project during the current term. Further, increasing the budget for the Income Eligible Sector by this amount would ensure that 20% of Berkshire’s Energy Efficiency budget for the term is allocated for Income Eligible programs, as required by statute. The Company seeks approval of a proposed increase of \$450,000, which would result in a total authority to spend up to \$4,977,097, or 10 percent, more than the budget approved for the Income Eligible Sector.

Natural Gas Savings

The Company expects the increased expenditures in the Income Eligible Existing Buildings Program will lead to additional natural gas savings. Specifically, the Company estimates a 3 percent increase in annual natural gas savings over the term compared to Plan, and a 1 percent increase in lifetime savings of natural gas compared to Plan.

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 The Berkshire Gas Company, D.P.U. 21-120 (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 four natural gas programs:

1. Residential Existing Buildings
2. Residential Hard-to-Measure
3. Income Eligible Existing Buildings
4. 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.