KO LAW, P.C.

ATTORNEYS AT LAW

The Firm has attorneys also admitted to practice in District of Columbia, Idaho and New Hampshire

1337 Massachusetts Ave
Box 301
Arlington, MA 02476

617-644-7681

www.kolawpc.com

August 15, 2024

**VIA ELECTRONIC MAIL ONLY *(elizabeth.mahony@mass.gov)***

Elizabeth Mahony, Commissioner
Energy Efficiency Advisory Council Chair
Department of Energy Resources
100 Cambridge Street, #1020
Boston, MA 02114

Re: D.P.U. 24-126, *Cape Light Compact JPE Petition for Approval of Mid-Term Modifications of its 2022-2024 Three-Year Energy Efficiency Plan*

Dear Secretary Marini:

On behalf of the Cape Light Compact JPE (the "Compact"), consistent with the Energy Efficiency Guidelines promulgated by the Department of Public Utilities ("Department") in *Investigation by the Department of Public Utilities on its own Motion into Updating its Energy Efficiency Guidelines, D.P.U. 20-150-A (2021)* ("Guidelines") and *Cape Light Compact JPE*, D.P.U. 21-126 (2022), the Compact hereby submits Exhibit CLC-4, the narrative for its proposed Mid-Term Modifications ("MTMs") to its 2022-2024 Three-Year Plan, which was submitted with the Compact's petition to the Department under separate cover today in D.P.U. 24-126.

Please contact me if you have any questions. Thank you for your attention to this matter.

Sincerely,

Audrey Eidelman Kiernan

AEK/drb
Enclosure

cc: Jo Ann Bodemer, Esq., Director of Energy Efficiency, DOER (w/enc.) (via email only)
Energy Efficiency Advisory Council (w/enc.) (via email only)
D.P.U. 21-126 Service List (w/enc.) (via email only)
Margaret T. Downey, Compact Administrator (w/enc.) (via email only)

# Mid-Term Modification ("MTM") Request for the Cape Light Compact JPE

The Cape Light Compact JPE ("Compact") is committed to securing energy savings consistent with its portfolio level savings goals for the period of 2022-2024, as endorsed by the Energy Efficiency Advisory Council ("Council") and approved by the Department of Public Utilities ("Department") in D.P.U. 21-126 and D.P.U. 22-137. The Compact has experienced greater than anticipated demand for services that it projects will lead to expenditures exceeding 100 percent of the Department approved term budgets for seven programs. In addition, the Compact has experienced greater than anticipated demand for services in the Income Eligible sector that it projects will result in the Compact expending 18% more than the Department approved term budget in D.P.U. 23-58 and 122% more than the original budget approved by the Department in D.P.U. 21-126 and D.P.U. 22-137.

The currently effective Energy Efficiency Guidelines were promulgated in D.P.U. 20-150-A on May 3, 2021 ("Guidelines"). Additional and supplanting directives on MTMs were provided in D.P.U. 21-126, 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 Guidelines at Section 3.8.2(c) also state that a Program Administrator that seeks to increase 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 Compact has submitted this proposal simultaneously to the Council and the Department.

## I. Residential Sector Programs

### A. Residential Hard-to-Measure Program

#### 1. Background and Request

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 Compact'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 Compact 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 Compact'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 more. 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. The electric Program Administrator administers the HEAT Loan for all customers regardless of how they heat their homes.[1]

In general, customers are financing higher amounts through the HEAT Loan than in previous years, and higher amounts than the Compact expected when planning the HEAT Loan budget for the Plan term. Further, the current prime interest rate has significantly increased from the time of the Plan filing, adding to larger expenditures for this offering than originally planned. For example, in 2022, the average HEAT Loan amount financed for Compact customers was $13,096.68, with an average interest buydown per loan at $2,395.79. To date in 2024, the average HEAT Loan amount financed for Compact customers is $17,668.85, with an average interest buydown per loan of $4,773.36.

Therefore, the Compact seeks approval for an increase of $6,603,134 over the three-year term, which would bring the total Residential Hard-to-Measure Program budget to $21,542,720 (a 44% increase over the current approved budget (approved as part of the Compact's 2023 MTM) and a 61% increase over the original budget approved by the Department).

### 2. Electric Savings and/or Customer Benefit

The increased expenditure on the HEAT Loan will not lead to additional electric 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." 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 energy savings and/or greenhouse gas ("GHG") emissions reductions. The HEAT Loan also enables customers to implement energy efficiency measures that would otherwise be cost-prohibitive (when looking at the upfront costs of a particular measure or group of measures).

[1] The gas PAs do budget for HEAT Loan costs associated with municipal light plant customers.

### B. Residential New Building Program

#### 1. Background and Request

The Residential New Building Program aims to reduce energy use in the construction of new homes and existing homes undergoing renovation. The program also supports the transition of the residential new construction market toward the highest efficiency building standards and equipment installations.

The Compact is seeing a higher than anticipated increase in all-electric projects in the program pipeline and is therefore forecasting more projects are likely to be complete by the end of 2024 than the Compact planned for.

Therefore, the Compact seeks approval for an increase of $255,988 over the three-year term, which would bring the total Residential New Buildings Program budget to $14,168,079 (a 2% increase over the original budget approved by the Department).

#### 2. Electric Savings and/or Customer Benefit

The requested budget increase for the Compact's Residential New Buildings Program will increase lifetime savings in megawatt-hours ("MWh") by 553%.

## II. Income-Eligible Sector

### A. Income Eligible Hard-to-Measure Program

#### 1. Background and Request

The Income-Eligible sector includes core initiatives that fall under the category of Income-Eligible Hard-to-Measure in the data tables. These Income-Eligible Hard-to-Measure core initiatives that support the Compact's implementation of its Plan are: Statewide Marketing; Statewide Database; DOER Assessment; Sponsorships and Subscriptions; Workforce Development; Evaluation and Market Research; and Low-Income Energy Affordability Network ("LEAN"). These core initiatives contribute to or facilitate the PAs' achievement of their goals. *See* D.P.U. 21-120 through D.P.U. 21-129, Exhibit 1 at 187-88.

The Compact is seeing increased costs in the Workforce Development and DOER Assessment core initiatives. The increased cost in Workforce Development is due to the statutory mandate for the Program Administrators to provide funding to the Massachusetts Clean Energy Center ("MassCEC"). The DOER Assessment is also passed on to the Program Administrators by statute. These costs are non-controllable by the Program Administrators.

Therefore, the Compact seeks approval for an increase of approximately $134,750 over the three-year term, which would bring the total Income Eligible Hard-to-Measure Program budget to $1,217,619 (a 12% increase over the current approved budget (approved as part of the Compact's 2023 MTM) and a 22% increase over the original budget approved by the Department).

#### 2. Electric Savings and/or Customer Benefit

As described above, hard-to-measure programs by definition are non-energy saving programs. However, the increased funding will support DOER's efforts to work with the Council in support of the three-year plans and will support MassCEC's efforts to create and sustain a workforce capable of implementing the energy efficiency measures in the three-year plan.

### B. Income Eligible Existing Buildings Program

#### 1. Background and Request

The Income Eligible Existing Buildings Program provides cost-effective, energy efficiency products and services to income eligible residential customers. The Plan defines income eligible as at or below 60% of the state median income level for 1-4 unit buildings and having at least 50% of units be at or below 60% of the area median income level for 5+ unit buildings. Customers that qualify for the utility discount rate are also considered income eligible. The Income Eligible Coordinated Delivery Initiative within the Income Eligible Existing Buildings Program is administered in coordination with LEAN.

The Compact is experiencing greater than expected costs for heat pump installation in the Income Eligible Existing Buildings Program as well as greater than planned for installations. On average, heat pump costs are more than double what the Program Administrators planned for in advance of this three-year plan term. In addition, over the term, the Compact is seeing a 27% volume increase above planned in heat pump installations. In 2024, the Compact projects to finish the year with a volume increase of 48% more than planned. Other drivers of this budget request include improved weatherization results due to the combination of increased R-value guidelines and by addressing more weatherization barriers such as vermiculite and mold, as well as window replacements, all of which are new to the Plan term.

Therefore, the Compact seeks approval for a three-year term budget increase of $6,672,117 for its Income Eligible Existing Buildings Program, which would bring the total Income Eligible Existing Buildings Program budget to $44,316,779 (an 18% increase over the current approved budget (approved as part of the Compact's 2023 MTM) and a 127% increase over the original budget approved by the Department).

### 2. Electric Savings and/or Customer Benefit

The increased spending is not expected to result in an increase in electric savings for the Income Eligible Existing Buildings Program. Currently, the Compact projects that its lifetime kilowatt-hour ("kWh") savings for the program will be 34% compared to the Plan, due in large part to greater demand from customers with oil and propane heat to convert to heat pumps, which yields negative electric savings. These fossil fuel conversions provide increased benefits and GHG emissions reductions, but not increased electric savings. However, while not increasing electric savings, the Compact's continued implementation of the Income Eligible Existing Buildings Program will help move customers towards building decarbonization, an important goal of the Commonwealth. The increased spending will also achieve additional GHG emissions reductions and help support achievement of the goals the Program Administrators are required to meet pursuant to 2021 climate legislation, St. 2021, c. 8, §106. The additional budget will more than double the Compact's planned GHG emissions reductions for the income eligible sector (the 2030 avoided CO2e metric tons), from ~1,300 metric tons to a total of ~3,500 metric tons.

Historically, the Compact has had trouble spending its statutorily required spending levels for income eligible customers. This budget increase will help support the Compact's achievement of the statutory mandate and allow the Compact to revisit income eligible customers with remediation of pre-weatherization barriers, enhanced weatherization, and electrification.

## C. Income Eligible Sector

### 1. Background and Request

The Program Administrators offer energy efficiency products and services in a fuel-blind approach to income-eligible, residential customers. "Income eligible" is defined as at or below 60 percent of the state median income level for 1–4 unit buildings and at or below 60 percent of the area median income level for 5+ unit buildings.

The level of income eligible customer interest in electrification measures is the primary driver behind the Compact's request for a sector level spending increase. See the Income Eligible Existing Buildings Program MTM request description above for additional information.

The Compact seeks approval for an increase of $6,806,867 over the three-year term, which would bring the total Income Eligible sector budget to $45,534,398 (an 18% increase over the current budget (approved as part of the Compact's 2023 MTM) and a 122% increase over the original budget approved by the Department).

#### 2. Electric Savings and/or Customer Benefit

See the Income Eligible Hard-to-Measure Program and Existing Buildings Program MTM request descriptions above for additional information on the benefits associated with the increased spending request.

## III. C&I Sector

In D.P.U. 23-58, as part of the Compact's 2023 MTM, the Department granted the Compact a decrease in its overall Commercial & Industrial ("C&I") sector budget, from an originally planned budget of $56,915,139 to a modified budget of $43,322,721 (a 24% decrease). The decreased spending request was due to material and labor shortages as well as rising prices for material and equipment resulting from the COVID 19 pandemic. The Compact continued to undertake all reasonable efforts to increase C&I sector level spending for the remainder of the three-year plan term. These efforts are the drivers of the C&I program level budget increase requests described below.

### A. Hard-to-Measure Program

#### 1. Background and Request

The C&I sector includes core initiatives that fall under the category of C&I Hard-to-Measure in the data tables. These C&I Hard-to-Measure core initiatives that support the Compact's implementation of its Plan are: Statewide Marketing; Statewide Database; DOER Assessment; Sponsorships & Subscriptions; Workforce Development; Evaluation and Market Research; EEAC Consultants and R&D and Demonstration. For purposes of this MTM request, the Compact is referring to this group of core initiatives as the "C&I Hard-to-Measure Program." These core initiatives contribute to or facilitate the PAs' achievement of their goals. *See* D.P.U. 21-120 through D.P.U. 21-129, Exhibit 1 at 187-88 for additional detail on these core initiatives.

The primary drivers of the Compact's increased costs in the C&I Hard-to-Measure Program are associated with the Evaluation and Market Research and DOER Assessment core initiatives. The Compact's share of costs under the Evaluation and Market Research core initiative has increased more than planned due to additional studies required of the PAs. In addition, the DOER Assessment costs allocated to the Compact have been higher than planned. The DOER Assessment is a non-controllable cost item that is passed on to the PAs pursuant to G.L. c. 25A, §11H.

Therefore, the Compact seeks approval for an increase of $58,084 over the three-year term, which would bring the total C&I Hard-to-Measure Program budget to $3,531,414 (a 2% increase over the current budget (approved as part of the Compact's 2023 MTM).

### 2. Electric Savings and/or Customer Benefit

As described above, hard-to-measure programs by definition are non-energy saving programs. However, the DOER Assessment is a statutory mandate that supports DOER's work in the oversight and coordination of ratepayer funded programs for energy efficiency that benefit the Compact's customers. In addition, the Evaluation and Market Research activities are essential to the energy efficiency program lifecycle and are directly tied to satisfying the key priorities of the Plan.

## B. Existing Buildings Program

### 1. Background and Request

Through the C&I Existing Buildings Program, the Program Administrators work with building owners to help them upgrade existing systems and equipment with more efficient options. The Program Administrators use a portfolio of technical and financial support and participation pathways to assist the wide variety of customer types and sizes, building types and end uses participating in this program.

As part of its efforts to increase C&I sector level spending for the Plan, the Compact's vendors have provided ongoing training to current and new energy specialists of comprehensive offers available to customers, which has identified new opportunities for saving energy. This engagement resulted in more customers moving forward to design and implement weatherization and heat pump projects than anticipated.

Therefore, the Compact seeks approval for an increase of $1,424,006 over the three-year term, which would bring the total C&I Existing Buildings Program budget to $39,280,125 (a 4% increase over the current budget (approved as part of the Compact's 2023 MTM)).

### 2. Electric Savings and/or Customer Benefit

The requested increase in program funding will result in a slight decrease, by 3%, of the expected lifetime MWh savings. This slight decrease is due to a change in the measure mix as compared to the Plan. Nevertheless, the increased spending will help move customers towards building decarbonization, an important goal of the Commonwealth. The increased spending will also achieve additional GHG emissions reductions and help support achievement of the goals the Program Administrators are required to meet pursuant to 2021 climate legislation, St. 2021, c. 8, §106.

### C. C&I New Buildings Program

#### 1. Background and Request

The C&I New Buildings Program assists customers planning new buildings or major renovations to help them achieve the lowest GHG emissions, lowest Energy Use Intensity ("EUI") and greatest energy efficiency possible. The program offers customers multiple participation pathways to provide options that meet customers' needs.

The request for increased spending is intended to ensure that any fluctuations in program level activity for the remainder of the Plan term are within the Compact's approved program level budget (consistent with the Department's directives in the Three-Year Plans Order). The new construction market is affected by a variety of factors (e.g., funding, permitting and weather) and the expected completion dates for projects participating in this program are therefore highly variable.

Therefore, the Compact seeks approval for an increase of $22,808 over the three-year term, which would bring the total C&I New Buildings Program budget to $2,016,079 (a 1% increase over the current budget (approved as part of the Compact's 2023 MTM).

#### 2. Electric Savings and/or Customer Benefit

The Compact's lifetime savings in MWh in the C&I New Buildings Program is expected to decrease from 36,208 to 6,353, which is a decrease of 82%. However, the program activity is expected to significantly increase GHG emissions reductions (the 2030 avoided CO2e metric tons) from 174 metric tons to a total of 438 metric tons, a 251% increase that will help contribute to the Program Administrators' GHG emissions reductions goals.

## IV. Summary

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

1. Residential Hard-to-Measure
2. Residential New Buildings
3. Income Eligible Hard-to-Measure
4. Income Eligible Existing Buildings
5. C&I Hard-to-Measure
6. C&I Existing Buildings
7. C&I New Buildings

The Compact further seeks approval to increase its Income Eligible sector budget as described above.