**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 the Residential Existing Buildings program, Residential Hard to Measure program, Income Eligible Hard to Measure program and C&I Hard to Measure program.

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. 21-120 – D.P.U. 21-129, 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, Liberty has submitted this proposal simultaneously to the EEAC and the Department.

## I. Residential Sector

### Residential 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.

The Company continues to experience unprecedented demand for heat pumps within the Residential Retail core initiative. The Company is requesting an incremental budget increase of $1,150,000 to cover the remaining pipeline of heat pump projects through the remainder of this year. The Company has engaged in robust promotion of its wi-fi thermostats and showerhead measures beyond that initially

anticipated in the three-year plan at an unprecedented level, in order to achieve the goals of the Settlement Agreement as approved in D.P.U. 23-91.

Demand for residential weatherization is also trending above projected levels and is resulting in an expected incremental spending within Residential Coordinated Delivery of $850,000.

Therefore, the Company seeks approval for a proposed increase of $2,000,000, which would result in a total authority to spend up to $17,057,141, or 13 percent more than the budget approved for the Residential Existing Buildings program in D.P.U. 23-91.

**Residential Hard to Measure Program**

Liberty's Residential Hard to Measure ("HTM") Program consists of several expense activities related to the Mass Save® program delivery that do not directly result in energy savings or benefits. Several of these activities are statewide expenses shared with other PAs, including Statewide Marketing, the Mass Save Data Statewide Database, Workforce Development, Evaluation and Market Research, EEAC Consultants and Residential Education. Additional line items are driven by PA-specific activities and include Sponsorships and Subscriptions, and HEAT Loan activities. The Company is expecting expenditure for the Residential HEAT Loans, and expenses related to the Community First Partnerships, to exceed the approved budget at the end of the 2022-2024 Term.

The unexpectedly high demand for heat pumps, which are a relatively expensive customer energy efficiency project, has driven the demand for associated HEAT Loans, as customers seek to reduce the cost of financing their portion of retrofit projects. Additionally, the higher-than-planned-for interest rates have contributed to the additional loan buydown cost to the Company. Without an increase, the Company will not be able to continue to offer Heat Loans through the remainder of the term of the Plan, as the demand for such requests has far outpaced any forecastable amount associated with the initial Plan filing.

Additionally, the Company also requests additional funds to continue its work through the Community First Partnership ("CFP") activities. The CFP leverages the local knowledge and trusted relationships of municipalities and community-based organizations to increase participation in Mass Save energy efficiency programs. This initiative drives participation among renters, landlords, low-to-moderate income households, language-isolated households, and small businesses in participating communities.

The Company has provided funding, resources, trainings, and support to a participating local community-based organization to increase participation in the Mass Save programs. This includes funding and support to hire an Energy Advocate and implement outreach campaigns in two of our communities, Fall River and the Town of Westport ("Westport"). In order to continue to support our community-based organization through the CFP more funding is required.

For the reasons described above the Company requests approval of an incremental increase of $150,000 for its Residential Hard to Measure Program (a 13.4 percent increase in the Residential Hard to Measure budget from the amount approved in the initial three-year plan budget for 2022-2024).

**Natural Gas Savings**

The Company expects the increased expenditures to meet the demand for greater than anticipated services to yield some incremental natural gas savings as compared to the goals projected in D.P.U. 23-91. Specifically, the Company estimates a seven percent increase in annual natural gas savings over the term, a five percent increase in lifetime savings of natural gas, a nine percent increase in benefits and a seven percent increase in CO2e emissions reductions.

The HTM Program and increased need for funding of the Heat Loan and CFP consists of expenses that support energy efficiency programs but to which energy savings cannot be directly attributed. While approving this MTM request will not directly result in additional energy savings, it will enable participation by customers for whom the cost of money, i.e., interest on loans related to weatherization and heating equipment, including heat pumps, is a barrier to participation. It will also allow the Company to continue the work with its community-based organization under the CFP and meet its obligations to statewide partners related to workforce development, evaluation activities and statewide marketing.

## II. Income Eligible Sector

**Income Eligible Hard to Measure Program**

Liberty's Income Eligible HTM Program consists of several expense activities related to the Mass Save program delivery that do not directly result in energy savings or benefits. Several of these activities are statewide expenses shared with other PAs, including Statewide Marketing, the Mass Save Data Statewide Database, Workforce Development, Evaluation and Market Research, EEAC Consultants and Residential Education. The Company is expecting expenditure related to the CFPs to exceed the approved budget at the end of the 2022-2024 Term. As discussed above, the CFP leverages the local knowledge and trusted relationships of municipalities and community-based organizations to increase participation in Mass Save energy efficiency programs. This initiative drives participation among renters, landlords, low-to-moderate income households, language-isolated households, and small businesses in participating communities. The Company has provided funding, resources, trainings, and support to a participating local community-based organization to increase participation in the Mass Save programs. This includes funding and support to hire an Energy Advocate and implement outreach campaigns in two of our communities, Fall River and Westport. In order to continue to support our community-based organization through the CFP, more funding is required.

For the reasons described above the Company requests approval of an incremental increase of $30,000 for its Income Eligible Hard to Measure Program (a 9.4 percent increase in the Income Eligible Hard to Measure budget from the amount approved in the initial three-year plan budget for 2022-2024) and a 0.4 percent increase at the sector level, compared to the sector budget approved by the Department in D.P.U. 24-89.

## III. Commercial & Industrial Sector

### C&I Hard to Measure Program

Liberty's C&I HTM Program consists of several expense activities related to the Mass Save program delivery that do not directly result in energy savings or benefits. Several of these activities are statewide expenses shared with other PAs, including Statewide Marketing, the Mass Save Data Statewide Database, Workforce Development, Evaluation and Market Research, EEAC Consultants and Residential Education. The Company is expecting expenditure related to the CFPs to exceed approved budget at the end of the 2022-2024 Term. As discussed above, the CFP leverages the local knowledge and trusted relationships of municipalities and community-based organizations to increase participation in Mass Save energy efficiency programs. This initiative drives participation among renters, landlords, low-to-moderate income households, language-isolated households, and small businesses in participating communities. The Company has provided funding, resources, trainings, and support to a participating local community-based organization to increase participation in the Mass Save programs. This includes funding and support to hire an Energy Advocate and implement outreach campaigns in two of our communities, Fall River and Westport. In order to continue to support our community-based organization through the CFP, more funding is required.

For the reasons described above the Company requests approval of an incremental increase of $60,000 for its C&I Hard to Measure Program (a 9.3 percent increase in the C&I Hard to Measure budget from the amount approved in the initial three-year plan budget for 2022-2024) and a 1.3 percent increase at the sector level, compared to the sector budget approved by the Department in D.P.U. 23-91.

## 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 currently seeks approval to exceed previously approved program budgets as described above for the following natural gas programs:

1. Residential Existing Buildings
2. Residential Hard to Measure
3. Income Eligible Hard to Measure
4. C&I Hard to Measure

On August 12, 2024, Liberty (as part of the PAs), along with the Department of Energy Resources ("DOER"), the Office of the Attorney General ("AGO"), and the Low-Income Weatherization and Fuel Assistance Program Network and the Low-Income Energy Affordability Network ("LEAN") (together, "The Network"), pursuant to 220 C.M.R. § 1.01(4), requested a waiver from the Department of the directive requiring Department approval prior to a Program Administrator exceeding its planned program budget (the "Joint Waiver"). 2022-2024 Three-Year Plans Order, D.P.U. 21-120 through D.P.U. 21-129, at 225 (2022). A ruling on that waiver is still pending. However, if approved in the manner sought by the Joint Waiver, the Company would be able to withdraw several of the MTMs requested by this filing.

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.