Memo

MA ENERGY EFFICIENCY ADVISORY COUNCIL

→ CONSULTANT TEAM

To: **EEAC**

From: **EEAC Consultant Team**

Date: **January 8, 2023**

Subject: **November/December Mid-Term Modification Requests**

INTRODUCTION AND SUMMARY

This memo presents a summary of findings and conclusions from our review of the Mid-Term Modification (MTM) requests submitted to the Council between November and December 2023 and simultaneously submitted to the Department of Public Utilities (Department) in dockets D.P.U. 23-147, D.P.U. 23-153, D.P.U. 23-149, D.P.U. 23-144, D.P.U. 23-154, and D.P.U. 23-155. Many of the proposed adjustments meet the criteria for a Category Two MTM and represent changes to the three-year term sector budgets that is greater than 10 percent. Pursuant to § 3.8.2 of the revised Energy Efficiency Guidelines (Guidelines) issued by the Department in D.P.U. 20-150-A, requests for such modifications must be submitted at the same time for review by the Council and the Department. Additionally, for the 2022-2024 Three-Year Plan term in lieu of the third Category Two MTM, a Program Administrator that seeks to exceed a program-level budget at any level shall submit its proposed modifications at the same time for review by the Council, and for review and approval by the Department. For each requested budget modification, Eversource Electric (NSTAR), Eversource Gas (NSTAR), Eversource Gas (EGMA), Unitil Electric, National Grid Electric, and National Grid Gas describe which specific program(s) they intend to use the additional budget to support or budget to reduce, summarized in the table below. This memo discusses the impact the MTMs would have on benefits and costs for the Three-Year Plan period, as well as our recommendations for how the MTM requests should be handled.

Sector/Program	Approved 2022-2024 Budget ($)	Requested Budget Change ($)	Adjusted Budget ($)	% Change from Approved
EVERSOURCE ELECTRIC				
Income Eligible	**$157,097,500**	**-$45,043,500**	**$112,054,000**	**-29%**
Existing Buildings	$152,072,500	-$44,558,500	$107,514,000	-29%
Hard-to-Measure	$5,025,000	-$485,000	$4,540,000	-10%
C&I	**$556,685,000**	**-$217,211,000**	**$339,474,000**	**-39%**
New Buildings	$39,530,000	-$11,260,000	$28,270,000	-28%
Existing Buildings	$488,670,000	-$197,762,000	$290,908,000	-40%
Hard-to-Measure	$28,485,000	-$8,189,000	$20,296,000	-29%
EVERSOURCE GAS (NSTAR)				
Residential	**$120,820,000**	**+$26,662,000**	**$147,482,000**	**+22%**
New Buildings	$5,825,000	+$1,134,000	$6,959,000	+19%
Existing Buildings	$108,610,000	+$24,351,000	$132,961,000	+22%
Hard-to-Measure	$6,385,000	+$1,177,000	$7,562,000	+18%
C&I	**$68,095,000**	**-$13,223,000**	**$54,872,000**	**-19%**
New Buildings	$4,440,000	+$4,702,000	$9,142,000	+106%

Existing Buildings	$59,690,000	-$17,087,000	$42,603,000	-29%
Hard-to-Measure	$3,965,000	-$838,000	$3,127,000	-21%
EVERSOURCE GAS (EGMA)				
Residential	**$144,970,000**	**+$1,842,000**	**$146,812,000**	**+1%**
New Buildings	$3,640,000	+$1,242,000	$4,882,000	+34%
Hard-To-Measure	$6,030,000	+$600,000	$6,630,000	+10%
C&I	**$67,295,000**	**-$24,355,000**	**$42,940,000**	**-36%**
New Buildings	$3,745,000	-$1,695,000	$2,050,000	-45%
Existing Buildings	$59,165,000	-$21,605,000	$37,560,000	-37%
Hard-To-Measure	$4,385,000	-$1,055,000	$3,330,000	-24%
UNITIL ELECTRIC				
Residential	**$9,045,485**	**+$1,900,000**	**$10,945,485**	**+21%**
New Buildings	$428,934	+$200,000	$628,934	+47%
Existing Buildings	$7,046,877	+$1,700,000	$8,746,877	+24%
NATIONAL GRID ELECTRIC				
Residential	**$544,270,126**	**+$7,543,594**	**$551,813,720**	**+1%**
Hard-to-Measure	$91,702,253	+$7,543,594	$99,245,847	+8%
C&I	**$584,666,240**	**-$287,360,017**	**$297,306,223**	**-49%**
New Buildings	$27,802,746	-$5,989,838	$21,812,907	-22%
Existing Buildings	$534,619,016	-$280,811,433	$253,807,584	-53%
Hard-to-Measure	$22,244,478	-$558,746	$21,685,732	-3%
NATIONAL GRID GAS				
Residential	**$399,274,515**	**+$53,452,948**	**$452,727,463**	**+13%**
New Buildings	$17,752,758	+$2,444,267	$20,197,025	+14%
Existing Buildings	$359,956,971	+$46,264,946	$406,221,917	+13%
Hard-to-Measure	$21,564,786	+$4,743,735	$26,308,521	+22%
Income Eligible	**$135,835,306**	**+$7,723,652**	**$143,558,958**	**+6%**
Existing Buildings	$131,469,153	+$7,723,652	$139,192,805	+6%
C&I	**$157,417,912**	**-$50,854,691**	**$106,563,221**	**-32%**
New Buildings	$14,148,058	-$2,097,115	$12,050,943	-15%
Existing Buildings	$133,869,185	-$48,757,576	$85,111,609	-36%

The Consultant Team recommends that the Council support all of the above MTMs except for Eversource Electric's request to reduce its Income Eligible sector budget. High-Level findings and individual PA MTM requests are discussed in further detail below.

HIGH-LEVEL FINDINGS

MTMs result in total benefits lower than planned

The majority of PAs' requested MTMs result in a net reduction in both spending and benefits for their overall portfolios. Only Unitil's MTMs result in a net increase in both spending and benefits. The proposed Hard-to-Measure program MTMs do not have an impact on the portfolio benefits because no savings are associated and claimed for those programs. The Consultant Team encourages the PAs to continue to identify ways to spend their existing budget to meet term goals but recognizes that one year may be an insufficient amount of time to fully expend planned funds.

Many MTM requests driven by electrification efforts

Throughout the development of the 2022-2024 Plan, electrification was one of the highest priorities identified by the Council. Specifically, the Council urged the PAs to align the Plan with the Commonwealth's GHG reduction goals through a strong focus on weatherization and electrification, with a significant expansion of the heat pump targets, among other recommendations. Many of the MTMs are driven by electrification measures. On the residential side, the PAs have made several requests for budget increases due to higher than expected demand

for heat pumps and associated HEAT Loan financing. For the C&I sector, however, lower than expected electrification activity is contributing to underspending.

Work needed to transition residential new construction market to all-electric offerings

Several gas PAs are seeking increases in their New Buildings Program budgets. National Grid Gas, Eversource (NSTAR) Gas, and Eversource Gas of Massachusetts (EGMA) are seeing greater than planned activity for residential new construction projects with primary gas space and water heating. The companies had planned for a reduction in the number of new homes and dwelling units receiving incentives this Term in anticipation of more homes and dwelling units using new incentives toward all-electric construction, yet the transformation of residential new construction practices proved more challenging than anticipated when planning. The PAs report that 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.

The PAs have indicated they are working to notify and prepare the market of upcoming program changes to phase out fossil fuel incentives in favor of all-electric new construction. However, given the higher than expected pipeline of gas new construction projects, the Consultant Team recommends the PAs undertake additional efforts to transition the market to ensure success in the next Term.[1] These should include more targeted sales and education efforts to individual developers and builders of gas homes and their subcontractors (especially HVAC) to address their specific concerns and introduce them to the benefits of electrification.

On the electric side, Unitil Electric saw increased enrollment in the all-electric pathway within the Residential New Construction core intiative.

Performance Incentives statewide mechanism and payout rates remain unchanged and MTM unlikely to result in increased PI earnings

In their proposed MTMs the PAs are not requesting changes to the 2022-2024 Three-Year Plan performance incentive (PI) pool or mechanism, or to the incentive payout rates for benefits. The PAs are not requesting changes to their approved Three-Year Plan savings goals or planned benefits, and the requested changes in the MTMs to overspend program budgets would not change the performance incentive mechanism for 2022-2024. Therefore, the approved performance incentive payout rates would continue to apply to each unit of benefits for each of the PI components.

INDIVIDUAL MTM RECOMMENDATIONS

Eversource Electric (NSTAR)

INCOME ELIGIBLE SECTOR

Sector/Program	Approved 2022-2024 Budget	Requested Budget Change	Adjusted Budget	% Change from Approved
Income Eligible	**$157,097,500**	**-$45,043,500**	**$112,054,000**	**-29%**
Existing Buildings	$152,072,500	-$44,558,500	$107,514,000	-29%
Hard-to-Measure	$5,025,000	-$485,000	$4,540,000	-10%

The Consultant Team is not comfortable recommending approval of this MTM at this time. NSTAR (Eversource) Electric indicated that its MTM request to decrease spending for the Income-Eligible Existing-Buildings Program is largely driven by barriers encountered with electrifying this sector in the first two years of the Term, such as customer discomfort with unfamiliar technology and technical barriers with the low-income housing stock. At the time the MTM was filed, production data through September and October of 2023 indicated to Eversource that

[1] In 2023 through Q3, the PAs reported program production of 5,174 new gas homes and 2,614 new electric homes.

they would not reach the 90% spending threshold for the income-eligible sector. However, information discussed during the December Council meeting as well as in a subsequent meeting between the Consultant Team and Eversource suggests that the current pipeline for the IES Existing Buildings program looks considerably more promising. Based on heat pump projects completed in November and December and the current pipeline, Eversource is currently projecting 105% of its 2022-2024 heat pump unit goal in process and complete by Term's end. Given this recent evidence and last Term's underspend for NSTAR Electric's IES Sector (9.4% of Portfolio budget vs. statutory minimum of 10%), the Consultant Team recommends that the Council not support this MTM request. We suggest Eversource continue its efforts to serve as many Income Eligible participants as possible and work to spend its existing budget.

COMMERCIAL & INDUSTRIAL (C&I) SECTOR

Sector/Program	Approved 2022-2024 Budget	Requested Budget Change	Adjusted Budget	% Change from Approved
C&I	**$556,685,000**	**-$217,211,000**	**$339,474,000**	**-39%**
New Buildings	$39,530,000	-$11,260,000	$28,270,000	-28%
Existing Buildings	$488,670,000	-$197,762,000	$290,908,000	-40%
Hard-to-Measure	$28,485,000	-$8,189,000	$20,296,000	-29%

The Consultant Team recommends supporting NSTAR Electric's MTM to decrease spending for its C&I sector. NSTAR Electric continues to deliver significant energy efficiency results. However, there are challenges in electrification of existing buildings, which leads to an underspend for the entire sector. NSTAR Electric projects an underspend in the Existing Buildings Program with expectations to use 60% of the budget by the end of the term. Although the Consultant Team is disappointed with the C&I electrification results, we acknowledge that at this point in the 2022-2024 Plan, the PAs are likely too far behind to spend the budget originally allocated to this sector in the Plan.

We encourage the PAs to identify opportunities to spend their current budget to reach additional customers in this Three-Year Plan and begin ramping up opportunities for the next Plan. As the Team identified in its 2025-2027 Plan Workshop Recommendations, the next plan should seek to widely deploy Existing Building Commissioning (EBCx) across medium and large customers to capture near term efficiency opportunities and support planning for investments in new infrastructure as customers transition to clean energy over time. The Consultant Team suggests the PAs undertake efforts now to start scaling EBCx including engaging with the contractors to ensure a sufficient workforce to support expanded EBCx. The Team also suggests the PAs exploring increasing cost coverage for electrification measure to assess the impact upfront costs may be having on participation and provide insight on program design for the next Plan.

Eversource Gas (NSTAR)

RESIDENTIAL SECTOR

Sector/Program	Approved 2022-2024 Budget	Requested Budget Change	Adjusted Budget	% Change from Approved
Residential	**$120,820,000**	**+$26,662,000**	**$147,482,000**	**+22%**
New Buildings	$5,825,000	+$1,134,000	$6,959,000	+19%
Existing Buildings	$108,610,000	+$24,351,000	$132,961,000	+22%
Hard-to-Measure	$6,385,000	+$1,177,000	$7,562,000	+18%

The Consultant Team recommends the Council support NSTAR Gas's MTM to increase spending for the Residential sector. The Consultant Team was initially concerned about the fact that the increased spending requested for the Residential New Buildings Program would result in new gas-heated homes, which runs counter to policy direction to move away from funding new fossil fuel equipment. However, the Consultant Team realizes that there needs to be adequate time and notice to transition the market, and there may be existing projects in the pipeline that have already been offered incentives for new gas homes. Moreover, the PAs are planning to stop approving any new gas applications for this program as of July 1 of this year, leaving a relatively short window in

which additional gas new construction projects will be built. For these reasons, we are willing to support this MTM.

The Residential Existing Buildings Program, comprised of Residential Coordinated Delivery and Residential Retail, has encountered more activity than initially anticipated for the Term. The overspending for the Residential Existing Buildings Program is linked to overperformance on savings, most of which come from the Residential Retail core initiative and much higher than planned demand for heat pumps from gas customers.

The Company also requested an increased budget for the Residential Hard-to-Measure Program, which encountered greater than planned activity for the HEAT Loan Program. 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. MLP customers are participating in the programs at much higher rates than anticipated, therefore causing HEAT Loan costs to exceed what was planned. The increase in budget will help to finance 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 and insulation, in addition to other measures.

COMMERCIAL & INDUSTRIAL (C&I) SECTOR

Sector/Program	Approved 2022-2024 Budget	Requested Budget Change	Adjusted Budget	% Change from Approved
C&I	**$68,095,000**	**-$13,223,000**	**$54,872,000**	**-19%**
New Buildings	$4,440,000	+$4,702,000	$9,142,000	+106%
Existing Buildings	$59,690,000	-$17,087,000	$42,603,000	-29%
Hard-to-Measure	$3,965,000	-$838,000	$3,127,000	-21%

The Consultant Team recommends supporting NSTAR Gas's MTM to increase spending for the New Buildings Program and decrease spending for its Existing Buildings Program and Hard-to-Measure Program. The New Buildings Program is seeing substantially more electrification production than planned. While the Company is forecasted to overspend in the New Buildings Program, there are challenges in the electrification of existing buildings. There is underspending on custom electrification within the Existing Building Retrofit Core Initiative and changes in the measure mix with less large and complex custom projects. Although the Consultant Team is disappointed with the C&I electrification results, we acknowledge that at this point in the 2022-2024 Plan, the PAs are likely too far behind to spend the budget originally allocated to this sector in the Plan.

We encourage the PAs to identify opportunities to spend their current budget to reach additional customers in this Three-Year Plan and begin ramping up opportunities for the next Plan. As the Team identified in its 2025-2027 Plan Workshop Recommendations, the next plan should seek to widely deploy Existing Building Commissioning (EBCx) across medium and large customers to capture near term efficiency opportunities and support planning for investments in new infrastructure as customers transition to clean energy over time. The Consultant Team suggests the PAs undertake efforts now to start scaling EBCx including engaging with the contractors to ensure a sufficient workforce to support expanded EBCx. The Team also suggests the PAs exploring increasing cost coverage for electrification measure to assess the impact upfront costs may be having on participation and provide insight on program design for the next Plan.

EVERSOURCE GAS COMPANY OF MASSACHUSETTS (EGMA)

RESIDENTIAL SECTOR

Sector/Program	Approved 2022-2024 Budget	Requested Budget Change	Adjusted Budget	% Change from Approved
Residential	**$144,970,000**	**+$1,842,000**	**$146,812,000**	**+1%**
New Buildings	$3,640,000	+$1,242,000	$4,882,000	+34%
Hard-to-Measure	$6,030,000	+$600,000	$6,630,000	+10%

The Consultant Team recommends the Council support EGMA Gas's MTM to increase spending for the Residential sector. EGMA had significantly higher production and associated incentives than planned for the New Buildings Program, particularly for multi-family high rise projects. The Consultant Team was initially concerned about the fact that the increased spending requested for the Residential New Buildings Program would result in new gas-heated homes, which runs counter to policy direction to move away from funding new fossil fuel equipment. However, the Consultant Team realizes that there needs to be adequate time and notice to transition the market, and there may be existing projects in the pipeline that have already been offered incentives for new gas homes. Moreover, the PAs are planning to stop approving any new gas applications for this program as of July 1 of this year, leaving a relatively short window in which additional gas new construction projects will be built. For these reasons, we are willing to support this MTM.

The Company also requested an increased budget for the Residential Hard-to-Measure Program, which encountered greater than planned activity for the HEAT Loan Program. 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. MLP customers are participating in the programs at much higher rates than anticipated, therefore causing HEAT Loan costs to exceed what was planned. The increase in budget will help to finance 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 and insulation, in addition to other measures.

Commercial & Industrial (C&I) Sector

Sector/Program	Approved 2022-2024 Budget	Requested Budget Change	Adjusted Budget	% Change from Approved
C&I	**$67,295,000**	**-$24,355,000**	**$42,940,000**	**-36%**
New Buildings	$3,745,000	-$1,695,000	$2,050,000	-45%
Existing Buildings	$59,165,000	-$21,605,000	$37,560,000	-37%
Hard-to-Measure	$4,385,000	-$1,055,000	$3,330,000	-24%

The Consultant Team recommends that the Council support EGMA's MTM to reduce spending in the New Buildings, Existing Buildings, and Hard-to-Measure programs. EGMA is facing greater than anticipated challenges in electrification for existing buildings and large custom efficiency projects. EGMA forecasted to spend 55% of the planned term budget for the C&I New Buildings Program due to lower participation than expected. The underspending for the C&I Existing Buildings Program is largely due to lower spending on electrification for the Existing Building Retrofit Core Initiative. Although the Consultant Team is disappointed with the C&I electrification results, we acknowledge that at this point in the 2022-2024 Plan, the PAs are likely too far behind to spend the budget originally allocated to this sector in the Plan.

We encourage the PAs to identify opportunities to spend their current budget to reach additional customers in this Three-Year Plan and begin ramping up opportunities for the next Plan. As the Team identified in its 2025-2027 Plan Workshop Recommendations, the next plan should seek to widely deploy Existing Building Commissioning (EBCx) across medium and large customers to capture near term efficiency opportunities and support planning for investments in new infrastructure as customers transition to clean energy over time. The Consultant Team suggests the PAs undertake efforts now to start scaling EBCx including engaging with the contractors to ensure a sufficient workforce to support expanded EBCx. The Team also suggests the PAs exploring increasing cost coverage for electrification measure to assess the impact upfront costs may be having on participation and provide insight on program design for the next Plan.

UNITIL ELECTRIC

RESIDENTIAL SECTOR

Sector/Program	Approved 2022-2024 Budget	Requested Budget Change	Adjusted Budget	% Change from Approved

Residential	**$9,045,485**	**+$1,900,000**	**$10,945,485**	**+21%**
New Buildings	$428,934	+$200,000	$628,934	+47%
Existing Buildings	$7,046,877	+$1,700,000	$8,746,877	+24%

The Consultant Team recommends the Council support Unitil Electric's MTM to increase spending for the Residential New Buildings Program and Existing Buildings Program. Unitil Electric has seen increased interest and enrollment in the all-electric pathway in the Residential New Construction and Major Renovation core initiative. The Company planned for 3 all-electric projects during the term, however, it is now expecting up to 9 completed projects by the end of the term. Unitil Electric also expects the average cost of customer incentives for low-rise projects to be higher than initially anticipated.

In its Existing Buildings Program, Unitil Electric's higher-than-expected expenditures within the Residential Retail core initiative are driven by unprecedented interest in and demand for prescriptive heat pump measures, which was not anticipated during planning. The company has also experience higher than planned demand for weatherization and other measures within the Residential Coordinated Delivery core initiative.

NATIONAL GRID ELECTRIC

RESIDENTIAL SECTOR

Sector/Program	Approved 2022-2024 Budget	Requested Budget Change	Adjusted Budget	% Change from Approved
Residential	**$544,270,126**	**+$7,543,594**	**$551,813,720**	**+1%**
Hard-to-Measure	$91,702,253	+$7,543,594	$99,245,847	+8%

The Consultant Team recommends the Council support National Grid Electric's MTM to increase spending for the Residential Hard-to-Measure program due to greater than planned activity and participation in the HEAT Loan Program. The HEAT Loan is available to customers who heat with electricity or natural gas and includes an additional $25,000 for customers who install heat pumps. No additional benefits will result from the increase budget, since there are no benefits associated with the Hard-to-Measure program. However, the additional funding will help to reduce customer barriers to electrification, support increased customer demand, and ensure heat pump installation goals can be met. This may result in additional kWh savings or greenhouse gas emissions reductions.

COMMERCIAL & INDUSTRIAL (C&I) SECTOR

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C&I	**$584,666,240**	**-$287,360,017**	**$297,306,223**	**-49%**
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Existing Buildings	$534,619,016	-$280,811,433	$253,807,584	-53%
Hard-to-Measure	$22,244,478	-$558,746	$21,685,732	-3%

The Consultant Team recommends that the Council National Grid Electric's MTM to reduce spending in the New Buildings, Existing Buildings, and Hard-to-Measure Programs. National Grid Electric forecasted to underspend in traditional energy efficiency measures. This affects C&I New Buildings Program and the C&I Existing Buildings Program. The underspending for these programs is largely due to greater than anticipated market saturation and exacerbated by economic and supply chain challenges. Large custom projects often lose customer interest due to the increased time requirement to scope the project. National Grid has identified the following strategies to mitigate these challenges: vendor skillset diversification, incentives, weatherization, building management systems, enhanced monitoring-based commissioning, new measures, and lighting.

The C&I Existing Buildings Program largely faces challenges with electrification measures due to the limited number of customers on delivered fuels, long paybacks for converting from delivered fuels to heat pumps for

heating, and technical limitations. National Grid has identified the following strategies to mitigate these challenges: developing the industry ecosystem, creating new measures and custom express tools, vendor contracts, raising customer awareness, and revising the C&I New Buildings Program construct.

Although the Consultant Team is disappointed with the C&I electrification results, we acknowledge that at this point in the 2022-2024 Plan, the PAs are likely too far behind to spend the budget originally allocated to this sector in the Plan. In addition to the strategies National Grid identified above, we encourage the PAs to identify opportunities to spend their current budget to reach additional customers in this Three-Year Plan and begin ramping up opportunities for the next Plan. As the Team identified in its 2025-2027 Plan Workshop Recommendations, the next plan should seek to widely deploy Existing Building Commissioning (EBCx) across medium and large customers to capture near term efficiency opportunities and support planning for investments in new infrastructure as customers transition to clean energy over time. The Consultant Team suggests the PAs undertake efforts now to start scaling EBCx including engaging with the contractors to ensure a sufficient workforce to support expanded EBCx. The Team also suggests the PAs exploring increasing cost coverage for electrification measure to assess the impact upfront costs may be having on participation and provide insight on program design for the next Plan.

NATIONAL GRID GAS

RESIDENTIAL SECTOR

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The Consultant Team recommends the Council support National Grid Gas's MTM to increase spending for the Residential sector. The Consultant Team was initially concerned about the fact that the increased spending requested for the Residential New Buildings Program would result in new gas-heated homes, which runs counter to policy direction to move away from funding new fossil fuel equipment. However, the Consultant Team realizes that there needs to be adequate time and notice to transition the market, and there may be existing projects in the pipeline that have already been offered incentives for new gas homes. Moreover, the PAs are planning to stop approving any new gas applications for this program as of July 1 of this year, leaving a relatively short window in which additional gas new construction projects will be built. For these reasons, we are willing to support this MTM.

The Residential Existing Buildings Program is expected to have greater activity than planned, which is largely driven by the Residential Retail core initiative. National Grid requested the budget increase due to anticipated higher than planned demand for heat pumps within that initiative.

The Company also requested an increased budget for the Residential Hard-to-Measure Program, which encountered greater than planned activity for the HEAT Loan Program. 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. MLP customers are participating in the programs at much higher rates than anticipated, therefore causing HEAT Loan costs to exceed what was planned. The increase in budget will help to finance 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 and insulation, in addition to other measures.

INCOME ELIGIBLE SECTOR

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Income Eligible	**$135,835,306**	**+$7,723,652**	**$143,558,958**	**+6%**

Existing Buildings	$131,469,153	+$7,723,652	$139,192,805	+6%

The Consultant Team recommends that the Council support National Grid Gas's MTM to increase spending for the Income-Eligible sector. The request is due to an increase in production and the rise in program costs. Increased production has been driven by a change in lead vendor with greater capacity compared to historic capacity of the previous CAP agencies and will result in increased savings. The addition of new measures, including windows, greater demand for heat pumps, and the rise of market prices for heating systems and appliances have also increased the program costs. With the requested budget increase, National Grid will achieve 100% of their planned savings.

COMMERCIAL & INDUSTRIAL (C&I) SECTOR

Sector/Program	Approved 2022-2024 Budget	Requested Budget Change	Adjusted Budget	% Change from Approved
C&I	**$157,417,912**	**-$50,854,691**	**$106,563,221**	**-32%**
New Buildings	$14,148,058	-$2,097,115	$12,050,943	-15%
Existing Buildings	$133,869,185	-$48,757,576	$85,111,609	-36%

The Consultant Team recommends that the Council support National Grid Gas's MTM to reduce spending in the New Buildings and Existing Buildings Programs. National Grid anticipates an overall underspend in the New Buildings Program due to underspending for traditional new construction measures. This is largely due to stringent code requirements for new buildings that have left limited claimable savings for new projects. National Grid faces challenges with the Existing Buildings Program, particularly with the Existing Building Retrofit Core Initiative. The Existing Building Retrofit Program has been impacted by a gas market that has achieved significant amounts of potential, which leads to less project opportunities. Although the Consultant Team is disappointed with the C&I electrification results, we acknowledge that at this point in the 2022-2024 Plan, the PAs are likely too far behind to spend the budget originally allocated to this sector in the Plan.

We encourage the PAs to identify opportunities to spend their current budget to reach additional customers in this Three-Year Plan and begin ramping up opportunities for the next Plan. As the Team identified in its 2025-2027 Plan Workshop Recommendations, the next plan should seek to widely deploy Existing Building Commissioning (EBCx) across medium and large customers to capture near term efficiency opportunities and support planning for investments in new infrastructure as customers transition to clean energy over time. The Consultant Team suggests the PAs undertake efforts now to start scaling EBCx including engaging with the contractors to ensure a sufficient workforce to support expanded EBCx. The Team also suggests the PAs exploring increasing cost coverage for electrification measure to assess the impact upfront costs may be having on participation and provide insight on program design for the next Plan.

SUMMARY OF RECOMMENDATIONS

The Table below summarizes the Consultant Team's recommended action for the MTMs filed by the PAs in the November/December timeframe.

Sector/Program	Requested Budget Change ($)	Recommended Action
EVERSOURCE ELECTRIC		
Income Eligible	-$45,043,500	Do Not Support
C&I	-$217,211,000	Support
EVERSOURCE GAS (NSTAR)		
Residential	+$26,662,000	Support
C&I	-$13,223,000	Support
EVERSOURCE GAS (EGMA)		
Residential	+$1,842,000	Support

C&I	-$24,355,000	Support
UNITIL ELECTRIC		
Residential	+$1,900,000	Support
NATIONAL GRID ELECTRIC		
Residential	+$7,543,594	Support
C&I	-$287,360,017	Support
NATIONAL GRID GAS		
Residential	+$53,452,948	Support
Income Eligible	+$7,723,652	Support
C&I	-$50,854,691	Support