KO
LAW, P.C.

ATTORNEYS AT LAW

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

1337 Massachusetts Ave
Box 301
Arlington, MA 02476

617-644-7681

www.kolawpc.com

August 15, 2025

***VIA ELECTRONIC MAIL ONLY (dpu.efiling@mass.gov)***

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 3rd Floor
Boston, Massachusetts 02110

Re: Cape Light Compact JPE, D.P.U. 25-107
2025-2027 Three Year Plan
Quarterly Budget Report for Q2 2025

Dear Secretary Marini:

On behalf of the Cape Light Compact JPE (the "Compact"), please find enclosed the Compact's Quarterly Budget Report for the second quarter of 2025 for the 2025-2027 Three Year Energy Efficiency and Decarbonization Plan. The Compact's Quarterly Budget Report includes a narrative enclosed herewith and statewide quarterly budget report tables filed under separate cover by Rich May, P.C.

Thank you for your time and attention to this matter. If you have any questions, please do not hesitate to contact me.

Very truly yours,

Audrey Eidelman Kiernan

Audrey Eidelman Kiernan

AEK/drb
Enclosures

cc: Stephanie Mealey, Esq., DPU Hearing Officer (w/enc.) (via email only)
William Rose, Esq., Office of the Attorney General (w/enc.) (via email only)
Rachel Graham Evans, Esq., Department of Energy Resources (w/enc.) (via email only)
Service List, D.P.U. 24-126 (w/enc.) (via email only)
Margaret T. Downey, Compact Administrator (w/enc.) (via email only)

**Cape Light Compact JPE, D.P.U. 25-107**
**2025-2027 Three-Year Energy Efficiency and Decarbonization Plan**
**Quarterly Budget Report for the Second Quarter of 2025**

## I. Introduction

As directed by the Department of Public Utilities ("Department") in its Order D.P.U. 24-140 through D.P.U. 24-149 ("Order"), this report includes a description of efforts taken to pursue outside funding, including: (1) the status of any federal funding identified by the program administrators ("Program Administrators" or "PAs")[1] to offset ratepayer funding, including funding from the Home Electrification Appliance Rebates ("HEAR"), Weatherization Assistance Program ("WAP"), and Heating System Repair and Replacement Program ("HEARTWAP"); (2) any activities undertaken by the Program Administrators individually and with the assistance of the working group to pursue sources of other funding to offset ratepayer funding; and (3) the status of efforts to develop potential new funding sources to offset ratepayer funding that may be enabled by the forthcoming Clean Heat Standard ("CHS"). Order at 194-195. Additionally, this report: (1) details spending as a percentage of approved sector budget; (2) provides data on current and forecasted program participation; (3) forecasts whether spending is on track for the Program Administrators to stay within budget; and, if changes to budget are anticipated, (4) provides information regarding how and why Program Administrators think they may overspend. Order at 223-224.

## II. Outside Funding

The Program Administrators expect to receive a variety of funding sources to directly offset ratepayer funding through the energy efficiency surcharge, including:

- Proceeds from the Regional Greenhouse Gas Initiative ("RGGI") auctions, currently estimated at approximately $150 million over the Three-Year term;
- An estimated $100-$120 million in funding from the Independent System Operator of New England's Forward Capacity Market ("FCM");
- An estimated $71.8 million in federal Inflation Reduction Act ("IRA") funding for electrification of low- and moderate-income customers for HEAR; and

[1] The Program Administrators are the Berkshire Gas Company, Eversource Gas Company of Massachusetts, d/b/a Eversource Energy, Fitchburg Gas and Electric Light Company, d/b/a Unitil (Gas Division), Liberty Utilities (New England Natural Gas Company) Corp., d/b/a Liberty, Boston Gas Company, d/b/a National Grid, NSTAR Gas Company, d/b/a Eversource Energy, Cape Light Compact JPE, Fitchburg Gas and Electric Light Company, d/b/a Unitil (Electric Division), Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid and NSTAR Electric Company, d/b/a Eversource Energy.

- Approximately \$2-\$3 million in revenue from minting Clean Peak Energy Certificates associated with dispatching residential devices participating in ConnectedSolutions.

Additionally, the PAs are working with Community Action Program ("CAP") partners to leverage federal WAP and HEARTWAP, which is administered in Massachusetts by the Executive Office of Housing and Livable Communities ("EOHLC"), to support weatherization and emergency heating system repair and replacements for low-income customers.

There are several other sources of funding that are not available to the PAs directly and which do not directly offset ratepayer funding that the PAs are working with partners to leverage for the benefit of customers, including:

- Approximately \$50 million in federal bipartisan Infrastructure Investment and Jobs Act funding awarded to Generac to install batteries for low- and moderate-income customers. This grant funding is available through 2029, although Generac has the ability to fully deploy these funds prior to the end date of the grant.
- Collaboration with the Massachusetts Climate Bank to cross promote its Energy Saver Loan—including by providing information on the Energy Saver Loan to interested customers as part of the new Statewide Contact Center. The PAs hope that these efforts will eventually reduce the number of HEAT loans, as some customers opt to take Energy Saver Loans rather than HEAT loans to finance their energy efficiency improvements.

The PAs also note that the federal One Big Beautiful Bill Act ("OBBA") accelerated the expiration of key residential tax incentives available under the IRA to the end of 2025 or the second quarter of 2026.[2] The PAs will be revising the information provided to customers on tax incentives to incorporate these changes.

Further details are provided below on the status of federal and other funding designed to directly offset ratepayer funds.

1. **The status of federal funding to offset ratepayer funding, including HEAR, WAP, and HEARTWAP funds**

    a. HEAR funding

As noted previously, the Department of Energy Resources ("DOER"), which administers HEAR funds in Massachusetts, applied for this funding in June of 2024. The application included a detailed proposal and statewide budget, and the PAs understand from DOER that this federal

[2] The Energy Efficient Home Improvement Credit (IRC § 25C) and the Residential Clean Energy Credit (IRC § 25D) expire at the end of 2025 and the New Energy Efficient Home Credit (IRC § 45L) and the Energy Efficient Commercial Building Property Deduction (IRC § 179D) expire at the end of the second quarter of 2026.

funding has been obligated as of September 2024. See D.P.U. 24-140 through D.P.U. 24-149, Exh. DPU-Common 22-2. Prior to deploying these funds, the PAs were required to work with DOER to submit subrecipient budgets, address a few remaining questions that DOER had deferred, as well as submit a State Implementation Blueprint to the U.S. Department of Energy ("DOE") for approval.

To develop subrecipient budgets for HEAR funding, the PAs determined a methodology for allocating funding among the PAs and worked with DOER to use these allocations to develop individual subrecipient budgets for each PA that align with the production targets and statewide budget, which DOER has already submitted to DOE and which DOE has approved. The PAs ultimately decided to use the statewide allocation methodology used for statewide requests for proposals, which is based on customer count, to allocate HEAR funds across PAs. The PAs then worked with DOER to develop individual subrecipient budgets, who submitted them to DOE for review and approval in May. DOE requested minor adjustments to the subrecipient budgets, which the PAs refined and resubmitted in June.

The PAs worked with DOER in parallel to finalize responses to a set of questions that DOER had deferred ("Deferred Application Questions") and develop a Consumer Protection Plan and Education and Outreach Plan (together the "State Implementation Blueprint documents"). The PAs submitted the Deferred Application Questions and State Implementation Blueprint documents to DOER in June, who subsequently provided them to DOE. The PAs received feedback from DOE on the documents in late July and are working to address the comments. The Trump Administration is now requiring that states wait to launch the HEAR program until they receive formal approval from DOE. Completion of the Deferred Application Questions, State Implementation Blueprint documents, and pre-launch checklist is currently required for approval. The PAs and DOER are working to finalize each of these components to the satisfaction of DOE and secure approval to begin drawing down these funds as soon as possible.

b. WAP and HEARTWAP funds

As noted above, the PAs work with CAP partners, who leverage federal WAP and HEARTWAP funds for the benefit of low-income customers. EOHLC, which administers this funding in Massachusetts, is in the process of finalizing the WAP State Master Plan for Fiscal Year 2025.[3] Draft WAP Sub-Grantee information is available for Fiscal Year 2025, which indicates that over $8 million is expected to be allocated to CAP partners in Massachusetts.[4] The PAs do not have any further information regarding these programs beyond what is publicly available on EOHLC's website.

---

[3] See Plan Year 2025 State Plans and Grants, available at https://www.mass.gov/info-details/weatherization-assistance-program-wap.
[4] Id.

### 2. Activities undertaken by the Program Administrators to pursue other sources of funding

In addition to the federal funding efforts noted above, the Cape Light Compact JPE ("Compact") in coordination with the other Program Administrators, is engaging with DOER, the Attorney General's Office ("AGO") and stakeholders (including LEAN, Acadia Center and the Energy Efficiency Advisory Council ("EEAC") consultants) to explore potential opportunities for outside funding in order to offset energy efficiency and decarbonization program costs for customers as part of a newly-established focus group, as directed by the Department in its Order at 194-195. The group held its first meeting in July and is focused on: (i) categorizing existing funding sources, (ii) identifying whether there are opportunities to expand those sources, (iii) exploring new sources of funding, and (iv) looking for opportunities to partner with other organizations to access their existing sources of funding. For example, DOER is working with MassPort to determine whether there are opportunities to deploy additional funds in communities surrounding Logan Airport. In July, the focus group specifically reviewed all current existing sources of funding, possible new fees or charges for customers not paying into the energy efficiency surcharge, collection deferral mechanisms such as bonds, possible other new sources, and whether there are areas the PAs are currently funding through energy efficiency that may be better funded from other sources. The PAs presented on the focus group to the EEAC later in July and also asked the EEAC members for their input and ideas at that meeting. The focus group will next meet in September. The Compact will also secure revenue from minting Clean Peak Energy Certificates associated with dispatching residential devices participating in ConnectedSolutions, to commence after this summer. Finally, the Compact has also started to receive proceeds from RGGI and FCM auctions.

### 3. Efforts to develop potential new funding sources to offset ratepayer funding that may be enabled by the forthcoming Clean Heat Standard

The PAs are monitoring how the CHS is developing and are standing by to await any further information from the Massachusetts Department of Environmental Protection. As a result, the PAs are not working to develop new funding sources associated with the CHS at this time.

## III. <u>Budget Forecasting</u>

The Budget Report Tables for the second quarter of 2025 for the Compact are attached as Appendix A. The Budget Report Tables provide the Compact's spending as a percentage of approved sector budget and forecast spending for the term. All forecasted numbers are estimates and do not represent actual future spending. They are based on the Compact's expectations when viewing past and current trends and are subject to change at any time.

The PAs note that it is very early in the term, and there is uncertainty associated with forecasting the next three years. Nevertheless, the PAs are monitoring key trends in production and are preparing to make, or have already made, program changes to manage term budgets where appropriate. Where these program changes are known, forecasts have been updated to reflect what the PAs believe their impact will be. Where program changes have not yet been finalized, forecasts may reflect spending that continues on the current trajectory, which may project spending over budget. As program changes are finalized, however, forecasts will be updated. Accordingly, the forecasts provided in the attached Quarterly Budget Report Tables and the below narrative are a snapshot in time and should not be considered anticipated, actual spending levels for the term. The PAs are committed to managing to their planned budgets and will make programmatic changes throughout the term to do so.

### 1. Residential

The residential new construction program, a program only offered by electric PAs this term, is seeing much greater participation than planned. The PAs are actively examining changes to the incentive structure for 2026 and 2027 in order to reduce expenditures.

### 2. Low-Income

The Program Administrators have continued to see extremely strong demand for low-income services in the 2025-2027 term and have been actively engaged in coordinating several approaches to ensure continued service to low-income customers while managing within approved budgets. First, starting at the beginning of the year, the PAs assigned budgets and goals to each low-income implementation partner operating within their territory.[5] Budgets were developed based on both assigned goals and planned budgets, and each PA worked in parallel with its low-income lead vendor to put in place additional reporting processes to improve pipeline transparency and closely monitor spending against assigned budgets.

Second, given strong demand, the PAs also released revised policy guidelines in February and August designed to manage costs and prioritize projects with the greatest customer savings and benefits. More specifically, the new guidelines limited the cost of barrier repairs to no more than the total cost of the associated energy efficiency and electrification improvements and established a cap on the cost of pre-electrification barrier repairs. To ensure that as many new customers as possible are able to benefit from program investments, the guidelines also established tighter standards for when previously-served customers can become eligible for appliance replacements, additional weatherization, and a heat pump installation. As of August 11th, and in response to particularly strong demand in low-income gas programs, the gas PAs further limited gas to air source heat pump conversions to whole home displacement of heating systems that have

[5] This included each CAP agency, and—for Eversource and National Grid—each Home Performance Contractor ("HPC"), operating within the low-income sector.

failed or are at the end of life and are deferring window projects in their service territories. To ensure further adherence to assigned budgets, Eversource and National Grid have eliminated HPCs' ability to preschedule home energy assessments.

Third, to further slow the growth of the pipeline, the PAs have instructed their low income implementation partners to cease all proactive marketing of low-income offers and are working with Community First Partners to refocus their outreach efforts on non-low income priority populations, such as small businesses, moderate income customers, renters, and customers that prefer to be served in a language other than English.

Fourth, the PAs are working closely with DOER and EOHLC to reduce the cost of weatherization jobs in the low-income programs by adopting lower-cost weatherization pricing that was developed for the residential programs in response to a recent RFQ conducted by Eversource and National Grid, in place of the pricing that was developed by EOHLC for the WAP program. The PAs will continue to monitor the situation closely and coordinate to address further changes as needed.

### 3. Commercial & Industrial

Several PAs are seeing greater-than-expected interest in C&I electrification measures. The PAs are actively examining whether adjustments to prescriptive and custom electrification incentive levels are warranted in order to contain budgets. The Compact continues to monitor the pipeline, but in its current projection, the Compact will manage to the approved budget.

### 4. Statewide Prescriptive Heat Pump Pool

As approved by the Department in its Order, the Program Administers are aggregating and apportioning costs, savings, and benefits of prescriptive electrification projects. These costs include: (1) prescriptive electrification measure costs, including incentives; (2) HEAT loan costs; and (3) certain STAT costs that relate to the delivery of prescriptive electrification measures. During the first two quarters of 2025, the Program Administrators worked with external vendors to develop and implement a standardized process for the statewide prescriptive heat pump pool as the PAs awaited final Department approval of the pool and residential budget. This process was substantially completed on July 21, 2025. As of that date, all related rebate processing costs are now paid and allocated through the pool.[6]

Prior to July 21, 2025, each PA independently covered these expenses within their respective service territories following the protocols in place for the 2022-2024 Plan. The attached Q2 Budget Report tables therefore reflect that prior accounting mechanism. The PAs are currently

[6] Costs associated with prescriptive heat pump inspections are invoiced on a monthly basis. Accordingly, these costs began being funded through the pool starting August 1, 2025. Efforts to pool HEAT Loan costs are still in process.

in the process of reallocating those pre-July 21 costs and savings in accordance with the new pooled structure and expect to report fully pooled costs and savings as of Q3.[7]

a. Residential

As of July 2025, residential prescriptive heat pumps are performing slightly above projections and remain on track to meet or exceed year-end goals. Nonetheless, due to a scheduled reduction in incentive amounts beginning in 2026, the PAs believe they will be able to manage within approved budgets and do not foresee any need to modify current program offerings at this time. The PAs will continue to monitor the situation closely and coordinate to address further changes as needed.

b. C&I

The PAs report that C&I prescriptive heat pump installations are currently on track to significantly exceed the planned budget for 2025. The PAs are monitoring the situation closely and will be making programmatic changes to manage within approved budgets, which could include, but not be limited to, significantly reducing incentive levels.

The high end of the spending forecast provided in the Budget Report Tables shows a hypothetical scenario where production and spending continue at current rates. This places total spending for the pool much higher than the term budget. To mitigate this overspending, as stated above, the PAs will be making program adjustments. Accordingly, this forecast is not a realistic scenario and is being provided for informational purposes only; this forecast will be an input in any decision of the PAs to reduce incentive levels.

The low end of the provided forecast demonstrates what the PAs believe the outcome of these program changes will be: a 25 percent reduction in monthly production as compared to the current trends. This reduction would keep the total spending for the pool within the term budget and avoids overspending. Nonetheless, this low-end forecast is still an estimate and will be adjusted as the term progresses. Further, the scale of the range between the low and high forecasts exemplifies the challenges of forecasting an offering with existing significant demand and anticipated programmatic changes. A more detailed analysis with updated low and high forecasts will be included in the next Quarterly Budget Report.

[7] The PAs will also include in Q3: (1) the number of prescriptive electrification measures (i.e., those included in the statewide pool); and (2) the costs of installing the prescriptive electrification measures, including incentives, STAT costs, and marketing costs (i.e., the costs included in the statewide pool).

**THE COMMONWEALTH OF MASSACHUSETTS**
**DEPARTMENT OF PUBLIC UTILITIES**

| | | |
|---|---|---|
| Quarterly Budget Report of the Cape Light Compact JPE to the Department of Public Utilities for its 2025-2027 Three Year Energy Efficiency and Decarbonization Plan. | ) ) ) ) | D.P.U. 25-107 |

**NOTICE OF APPEARANCE OF COUNSEL**

The undersigned attorney hereby gives notice of appearance as counsel on behalf of the Cape Light Compact JPE in the above-captioned proceeding.

Respectfully submitted,

CAPE LIGHT COMPACT JPE

By its attorney,

Audrey Eidelman Kiernan

Audrey Eidelman Kiernan, Esq.
akiernan@kolawpc.com
KO Law, P.C.
1337 Massachusetts Avenue, Box 301
Arlington, MA 02476
(617) 644-7681 (Phone)

Dated: August 15, 2025

**THE COMMONWEALTH OF MASSACHUSETTS**
**DEPARTMENT OF PUBLIC UTILITIES**

| | | |
|---|---|---|
| Quarterly Budget Report of the Cape Light Compact JPE to the Department of Public Utilities for its 2025-2027 Three Year Energy Efficiency and Decarbonization Plan. | ) ) ) ) | D.P.U. 25-107 |

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing documents upon all parties of record in this proceeding in accordance with the requirements of 220 CMR 1.05(1) (Department's Rules of Practice and Procedure).

Dated this 15th day of August 2025.

Respectfully submitted,

CAPE LIGHT COMPACT JPE

By its attorney,

Audrey Eidelman Kiernan

Audrey Eidelman Kiernan, Esq.
akiernan@kolawpc.com
KO Law, P.C.
1337 Massachusetts Avenue, Box 301
Arlington, MA 02476
(617) 644-7681 (Phone)