



Memorandum

October 22, 2025

To: Board of Trustees
From: Greg Leclair, Director of Finance and Administration
Peter Eglinton, Deputy Director
Re: Proposed FY2026 Budget Adjustments

Proposed Motion

Move to adjust the FY2026 source of funding and expenditure budgets as reflected in Tables 1 and 2 and described in this memorandum, resulting in a total FY2026 source of funding and expenditure budgets of \$264,688,285 and \$262,912,127, respectively.

Background and Recommendations

Now that the FY2025 financial audit is complete, Staff has precise final financials on FY2025 (last year). The Trust had a year-end fund balance of \$76 million net of revolving loan funds and the Administration fund balance. Of this amount, \$9.6 million was previously included in a Triennial Plan V filing to the PUC to offset the need for new electric procurement for the current year (FY2026). On April 23, 2025, the Board approved reserving \$8.7 million of Regional Greenhouse Gas Initiative (RGGI) fund balance for use in FY2026 and FY2027. In addition, on May 28, 2025, the Board added \$34.8 million of anticipated fund balance to the FY2026 budget to cover committed projects and the rollover of uncommitted carryforward into programs based on where the funds were originally budgeted. On June 25, 2025, the Board allocated \$9.5 million of RGGI received earlier that month to Retail and Distributor Initiatives for FY2026, to offset the delay in receiving federal funding from the Climate Pollution Reduction Grant (CPRG).

With that information in hand, Staff proposes the following approach to incorporating \$4.5 million of remaining unbudgeted fund balance revenue into the FY2025 revenue and expenditure budgets (see Tables 1 and 2); and reserving \$13.5 million of RGGI (including the \$8.7 million set aside in April), \$2.3 million of Electric Procurement, and \$620,000 of Forward Capacity Market (FCM) funds to offset Electric Procurement in FY2027 and/or address significant program needs (see Table 3). In addition, Staff proposes to incorporate new funding for the Thermal Energy Investment Program and revise the amount budgeted for the New England Clean Energy Connect–HydroQuebec Electric Vehicle fund and associated program.

Staff anticipates no net change in performance metrics due to these changes, given that the funds and the associated performance metrics are rolling from FY2025 to FY2026, and that the final disposition of reserved fund balance will be determined by the Board in the coming months.

Table 1**Proposed Amendment to the FY2026 Revenue/Source of Funding**

	2020	2030	2036	2050	2052	2063	2073	3040	
		Electric			Thermal Energy	Volkswagen	NECEC		
Funding Source	RGGI	Procurement	FCM	Renewables	Investment	Lead By	HQEV	LD1995	Total
	Fund	Fund	Fund	Fund	Fund	Example	Fund	Fund	
Alternative Compliance Mechanism Payments	-	-	-	-	883,975	-	-	-	883,975
NECEC Settlement Proceeds	-	-	-	-	-	-	2,000,000	-	2,000,000
Use of Fund Balance	312,689	2,551,743	3,937	132,547	1,238,064	201,068	(4,165,956)	45,495	319,587
Total - Funding Source	\$ 312,689	\$ 2,551,743	\$ 3,937	\$ 132,547	\$ 2,122,039	\$ 201,068	\$ (2,165,956)	\$ 45,495	\$ 3,203,562

Table 2**Proposed Amendment to the FY2026 Expenditure Budget**

	2020	2030	2036	2050	2052	2063	2073	3040	
		Electric			Thermal Energy	Volkswagen	NECEC		
Program Budgets	RGGI	Procurement	FCM	Renewables	Investment	Lead By	HQEV	LD1995	Total
	Fund	Fund	Fund	Fund	Fund	Example	Fund	Fund	
C&I Prescriptive Program	312,689	(1,207,345)	-	-	-	-	-	-	(894,656)
C&I Custom Program	-	3,360,365	-	-	-	-	-	-	3,360,365
Thermal Energy Investment Program	-	-	-	-	2,122,039	-	-	-	2,122,039
Electric Vehicle Supply Equipment	-	-	-	-	-	-	(2,165,956)	-	(2,165,956)
Electric Vehicle Rebates	-	-	-	-	-	-	-	45,495	45,495
Lead By Example	-	-	-	-	-	201,068	-	-	201,068
Innovation	-	123,566	3,937	120,396	-	-	-	-	247,899
Evaluation, Measurement, & Verification	-	275,157	-	-	-	-	-	-	275,157
Return to Utilities	-	-	-	12,151	-	-	-	-	12,151
Total- Program Budgets	\$ 312,689	\$ 2,551,743	\$ 3,937	\$ 132,547	\$ 2,122,039	\$ 201,068	\$ (2,165,956)	\$ 45,495	\$ 3,203,562

Table 3

	2020	2030	2036	2050	2052	2063	2073	3040	
		Electric			Thermal Energy	Lead By	NECEC		
Additional Fund Balance Details	RGGI	Procurement	FCM	Renewables	Investment	Example	HQEV	LD1995	Total
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	
Unallocated Fund Balance	13,462,351	2,327,418	620,652	-	-	-	-	-	16,410,421
Funds Previously Reserved By the Board (April 2025)	8,694,010	-	-	-	-	-	-	-	8,694,010
Additional Fund Balance to be Reserved (Proposed)	4,768,341	2,327,418	620,652	-	-	-	-	-	7,716,411
Unbudgeted and Unreserved Fund Balance	-	-	-	-	-	-	-	-	-

Below is a narrative discussion of the changes shown in the tables.

Committed Carryforward from FY2025

- Allocate the following amounts of Electric Procurement fund balance to cover project commitments as of June 2025 in excess of what programs estimated in May 2025:
 - Commercial and Industrial (C&I) Custom – \$3.4 million
 - Innovation – \$124,000
 - Evaluation, Measurement, and Verification (EM&V) – \$275,000
- Reduce the expenditure budget for C&I Prescriptive Initiatives by \$1.2 million, which ended the year with less committed Electric Procurement carryforward than estimated in May. Note that as part of the FY2026 procurement request, Staff proposed and the Board approved setting aside all uncommitted Electric Procurement fund balance to offset the need for new procurement.
- Allocate approximately \$312,000 of RGGI fund balance to C&I Prescriptive Initiatives to cover additional projects that were approved in FY2025 in excess of forecasted activity.
- Allocate approximately \$3,900 of Forward Capacity Market (FCM) fund balance to EM&V to cover additional commitments from FY2025 in excess of forecasted activity.
- Allocate approximately \$120,000 of the Renewables fund to Innovation to cover additional commitments from FY2025 in excess of forecasted activity.

Uncommitted Prior Year Fund Balance

- Allocate approximately \$62,000 of Renewables fund balance to Innovation, to support the ongoing pilot testing heat pumps for hydronic systems, and return \$12,000 to the utilities due to inadvertent payment.
- Allocate \$1.3M of Thermal Energy Investment Fund (TEIF) fund balance to the Thermal Energy Investment Program, which is the only applicable program for those funds.
- Allocate approximately \$200,000 of Volkswagen (VW) Settlement funds to the Lead By Example Initiative, which is the only applicable program for those funds.
- Allocate approximately \$45,000 of LD 1995 funds to Electric Vehicle (EV) Rebates, which is the only applicable program for those funds.

Fund Balance to Reserve

Reserve fund balances in the amounts of \$4.8 million of RGGI (in addition to the \$8.7 million the Board already set aside), \$2.3 million of Electric Procurement, and \$620,000 of FCM for the following purposes, in order of priority:

- 1) Offset the Electric Procurement for FY2027 to reduce rates, pending a decision by the Board on the amount in April 2026. Note that Triennial Plan VI estimates a budget to support a maximum achievable cost-effective savings greater than the amount of procurement allowable under the projected cap.
- 2) Offset funding due to the delay or cancelation of CPRG funds. Triennial Plan VI relies on a significant use of CPRG funding. Although Staff is optimistic that the Trust will receive the funding, the timing is important. Covering any gap will allow the heat pump water heater program to continue and avoid disruption.
- 3) Allocate funds to programs that experience higher than anticipated activity in FY2025. At this time, due to market conditions, the Trust anticipates stable, if not declining, activity across the programs. That said, the situation might change in the coming months. For example, equipment prices might increase enough to warrant changes to incentive levels.

Other Adjustments

- Incorporate \$883,975 in new alternative compliance payments for thermal renewable energy credits (TEIF) and allocate them for use in the Thermal Energy Investment Program.
- Reduce the amount allocated to the New England Clean Energy Connect (NECEC)–HydroQuebec EV fund by \$4.2 million to account for a double-counting of estimated carryforward between the May and June budget adjustments. Partially offsetting this reduction, Staff proposes adding \$2.0 million in expected revenue during FY2026, which is not yet captured in the base (operating) budget.