

Mid-Term Modification Requests for National Grid Electric
June 15, 2018

Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid (“National Grid Electric” or the “Company”) is committed to achieving its Three-Year Plan portfolio level savings goals while minimizing customer bill impacts. In order to do so, the Company is adjusting efforts to meet customer demand for services and to achieve desired results. The proposed adjusted efforts trigger the need for Energy Efficiency Advisory Council (“EEAC” or “Council”) review and support for National Grid Electric pursuant to § 3.8 of the revised Energy Efficiency Guidelines issued by the Department of Public Utilities (the “Department”) in D.P.U. 11-120-A, Phase II.

The Company is committed to securing energy savings consistent with its portfolio level savings goals for the period 2016 – 2018 that were endorsed by the Council and approved by the Department and is not proposing a change to its portfolio-level savings goals. National Grid Electric requests Council approval to make modifications as described below.

The following modifications are submitted for review and approval from the EEAC, but do not require Department approval pursuant to § 3.8.1:

1. Underspend in the Commercial & Industrial (“C&I”) New Construction program.
2. Underspend in the Low Income Hard-to-Measure program.
3. Underspend in the C&I Hard-to-Measure program.

The Company is not seeking to change its electric Energy Efficiency Plan (“Plan”) budget approved by the Department. Any changes from its planned budget will be reconciled in subsequent Energy Efficiency Reconciliation Factor (“EERF”) filings.

Details about each of these requests follow.

- 1) Underspend in the Company’s electric C&I New Construction program. This underspend would not require Department approval as it does not surpass the 2% rate impact threshold for the Company’s C&I electric customers.

Program	2016-2018 Planned Budget	2016-2018 Projected (2016 & 2017 Plan Yr Report Actuals + 2018 Projections)	Underspend Requested for Approval	Percentage Change from Plan	Percentage Change from Plan (C&I Sector)
C&I New Construction	\$85.5 million	\$60.5 million	\$25 million	-29%	-3%

The Company is projecting to underspend in the C&I New Construction program by 29% over the 2016-2018 term; however, it is projecting to achieve 92% of lifetime savings. Underspending in this program is largely driven by the C&I New Buildings and Major Renovations core initiative. The number of savings generating projects in this core initiative is lower than planned and incentives comprise the majority of program spending. While the Company seeks Council approval for the underspend in the C&I New Construction program, the Company is not seeking to decrease its total C&I sector budget as a result of this change. Underspending in this program will be redirected to support achieving additional cost-effective

savings in the C&I sector. Taking into account the projected underspending in this program, the anticipated redirect of the spend to C&I retrofit, and the anticipated underspending in the C&I Hard-to-Measure program described below, the projected C&I sector level spending is 3% below the Department-approved C&I sector budget.

- 2) Underspend in the electric Low-Income Hard-to-Measure program. The budget change would not require Department approval as it does not surpass the 2% rate impact threshold for the Company’s residential and C&I electric customers.

Program	2016-2018 Planned Budget	2016-2018 Projected (2016 & 2017 Plan Yr Report Actuals + 2018 Projections)	Underspend Requested for Approval	Percentage Change from Plan	Percentage Change from Plan (Low-Income Sector)
Low-Income Hard-to-Measure	\$2.3 million	\$1.4 million	\$0.8 million	-36%	-1%

Underspending in the Low-Income Hard-to-Measure Program is driven by the lower than anticipated administrative expenses from the Low-Income Energy Affordability Network in addition to lower than planned spending in the Low-Income Statewide Database and Sponsorships & Subscription initiatives. The Company notes that this “Hard-to-Measure” initiative has no savings associated with it. Although the variance for this program is significant, the change at the sector level is negligible as spending is projected to be over the Plan goal. While the Company seeks Council approval for the underspend in the Low-Income Hard-to-Measure program, the Company is not seeking to reduce its total Low Income sector budget as a result of this change. Underspending in this program will be redirected to support achieving additional cost-effective savings in the Low-Income Whole House program. Taking into account the underspending in this program, the projected Low-Income sector level spending is 1% below the Department-approved Low-Income sector budget.

- 3) Underspend in the electric C&I Hard-to-Measure program. The budget change would not require Department approval as it does not surpass the 2% rate impact threshold for the Company’s residential and C&I electric customers.

Program	2016-2018 Planned Budget	2016-2018 Projected (2016 & 2017 Plan Yr Report Actuals + 2018 Projections)	Underspend Requested for Approval	Percentage Change from Plan	Percentage Change from Plan (C&I Sector)
C&I Hard-to-Measure	\$6.7 million	\$4.6 million	\$2.1 million	-31%	-3%

Underspending is driven by lower than planned spending in C&I Statewide Database, Sponsorships & Subscriptions, Workforce Development, and R&D and Demonstration initiatives. The Company notes that this “Hard-to-Measure” initiative has no savings associated with it. Although the variance for this program is significant, the change at the sector level is small. While the Company seeks Council approval for the

underspend in the C&I Hard-to-Measure program, the Company is not seeking to decrease its total C&I sector budget as a result of this change. Underspending in this program will be redirected to support achieving additional cost-effective savings in the C&I sector. Taking into account the projected underspending in this program in addition to the underspending in the C&I New Construction program described above, the projected C&I sector level spending is 3% below the Department-approved C&I sector budget.

Since the Company is not requesting changes to its Three-Year Plan approved savings goals, no changes to the Performance Incentive pool or mechanism filed with the Department on December 21, 2015 in docket D.P.U. 15-168 are requested.

The Company requests Council review and approval to make the three modifications as described above.

Additional Information Provided for Informational Purposes Only – Not Part of EEAC Request for Support or Department Request for Approval

The additional information summarized below is provided by the Company for context and informational purposes only. Council action is requested solely on the three significant modifications described above. The Council, in acting on the above modifications, is not acting on or approving the anticipations or estimates provided by National Grid Electric below.

At the portfolio level, National Grid Electric anticipates achieving 116% of its approved lifetime savings goals, with projected costs approximately 1% below the approved portfolio level budget. National Grid Electric projects it will achieve 115% of the dollar value of benefits in its Plan at the portfolio level. Note that National Grid used lifetime savings as a proxy for benefits.

C&I sector level lifetime savings in the three-year period are projected by National Grid Electric to be approximately 129% of the Department-approved C&I savings goals, with the cost for C&I efforts projected to be approximately 97% of the approved C&I budget. The dollar value of benefits expected from commercial and industrial efforts is projected to approximate 129% of the projected value of benefits included in the approved Plan. While the Company is projecting this level of savings and benefits for C&I, it is not changing its goals and is still fully committed to providing comprehensive energy efficiency services to its C&I customers.

For informational purposes only, the table below shows National Grid Electric's 2016-2018 projected adjustments for lifetime savings, benefits and budget by sector. It also shows C&I program level and C&I New Construction level projections. Proposed budgets (and associated lifetime savings and benefits) that trigger an MTM are modified in this table. All other proposed budgets, savings, and benefits are equal to the filed budget. The modified proposed projections that trigger an MTM include 2016 Plan-Year Report results for 2016, 2017 preliminary results for 2017, and forecasted results for 2018.

National Grid 2016-2018 Anticipated Outcomes with Adjustments

Sector	Budget			Lifetime Mwh			Benefits		
	2016-2018 Approved (\$ million) (a)	2016-2018 Proposed (\$ million) (b)	% of Goal (b)/(a)	2016-2018 Approved (d)	2016-2018 Proposed (e)	% of Goal (e)/(d)	2016-2018 Approved (\$ million) (f)	2016-2018 Proposed (\$ million) (g)	% of Goal (g)/(f)
Residential	\$392.1	\$392.1	100%	7,264,088	7,264,088	100%	\$1188.9	\$1188.9	100%
Low-Income	\$98.4	\$97.6	99%	554,799	554,799	100%	\$173.5	\$173.5	100%
C&I	\$359.5	\$349.6	97%	9,874,795	12,730,835	129%	\$1378.1	\$1776.7	129%
C&I New Construction	\$85.5	\$60.5	71%	2,712,403	2,486,404	92%	\$413.4	\$379.0	92%
C&I New Buildings & Major Renovations	\$43.2	\$28.0	65%	1,537,097	1,073,275	70%	\$202.3	\$141.2	70%
C&I Initial Purchase & End of Useful Life	\$42.3	\$32.5	77%	1,175,306	1,413,129	120%	\$211.2	\$253.9	120%
C&I Retrofit	\$267.3	\$284.6	106%	7,162,393	10,244,431	143%	\$964.7	\$1379.8	143%
C&I Hard-to-Measure	\$6.7	\$4.6	69%						
Total	\$850.0	\$839.3	99%	17,693,682	20,549,722	116%	\$2740.5	\$3139.1	115%