

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

Boston Gas Company and Colonial Gas Company each d/b/a National Grid (“National Grid Gas” 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 Gas 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 Gas requests Council approval to make modifications as described below.

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

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

National Grid Gas is not seeking to change its gas Energy Efficiency Plan (“Plan”) budget approved by the Department. Any changes from its planned budget will be reconciled in subsequent Local Distribution Adjustment Factor (“LDAF”) filings.

Details about each of these requests follow.

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

Program	2016-2018 Planned Budget	2016-2018 Projected (2016 & 2017 Plan Yr Report Actuals + 2018 Projections)	Overspend Requested for Approval	Percentage Change from Plan	Percentage Change from Plan (C&I Sector)
C&I New Construction	\$27.4 million	\$33.9 million	\$6.6 million	+24%	+8%

The request for permission to overspend is required for National Grid Gas to continue to pursue all available, cost-effective energy efficiency in accordance with the Green Communities Act. Overspending is primarily driven by the C&I Initial Purchase and End of Useful Life core initiative, which as reported in the 2016 Plan-Year Report, achieved 191% of the 2016 lifetime savings goal. Preliminary results show that the Company achieved 188% of its 2017 lifetime savings goal and is projecting to achieve 248% of its 2018 lifetime savings goal. National Grid Gas surpassed lifetime savings goals in 2016 and 2017 primarily

because of the success of the upstream water heating initiative. National Grid Gas projects that the 24% increase in spending will yield an additional 8% in lifetime savings in the C&I New Construction program. While National Grid Gas seeks Council approval for the overspend in the C&I New Construction program, it is not seeking to increase its total C&I sector budget as a result of this change. Taking into account the projected overspending in this program in addition to the underspending in the C&I Hard-to-Measure program described below, the projected C&I sector level spending is 8% above the Department-approved C&I sector budget.

- 2) Underspend in the gas Residential Hard-to-Measure program. This underspend would not require Department approval as it does not surpass the 2% rate impact threshold for the Company’s residential gas 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 (Residential Sector)
Residential Hard-to-Measure	\$8.3 million	\$5.4 million	\$3.0 million	-36%	-1%

Underspending is driven by lower than planned spending in the Residential Statewide Database, EEAC Consultants, Sponsorships & Subscriptions, Heat Loan, Workforce Development, R&D and Demonstration and Residential Education initiatives. The Company notes that these “Hard-to-Measure” initiatives have no savings associated with them. 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 Residential Hard-to-Measure program, the Company is not seeking to reduce its total Residential sector budget as a result of this change. Underspending in this program will be redirected to support achieving additional cost-effective savings in the Residential Whole House and Products programs. Taking into account the projected underspending in the Residential Hard-to-Measure program, the projected Residential sector level spending is 1% below the Department-approved Residential sector budget.

- 3) Underspend in the gas Low-Income Hard-to-Measure program. This underspend would not require Department approval as it does not surpass the 2% rate impact threshold for the Company’s residential and C&I gas 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	\$2.0 million	\$1.3 million	\$0.7 million	-37%	-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 projected underspending in the Low-Income Hard-to-Measure program, the projected Low-Income sector level spending is 1% below the Department-approved Low-Income sector budget.

- 4) Underspend in the gas C&I Hard-to-Measure program. This underspend would not require Department approval as it does not surpass the 2% rate impact threshold for the Company’s residential and C&I gas 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	\$2.2 million	\$1.6 million	\$0.6 million	-28%	+8%

Underspending is driven by lower than planned spending in C&I Statewide Database, DOER Assessment, EEAC Consultants, 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 New Construction and Retrofit programs. Taking into account the projected underspending in this program in addition to the overspending in the C&I New Construction program described above, the projected C&I sector level spending is 8% above 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. 15-161 are requested.

The Company requests Council review and approval to make the four modifications to its 2016-2018 gas Energy Efficiency Plan 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 four 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 Gas below.

At the portfolio level, National Grid Gas anticipates achieving 102% of its approved lifetime savings goals, with projected costs approximately 1% above the approved portfolio level budget. The Company projects it will achieve 102% of the dollar value of benefits in its Plan at the portfolio level. Note that National Grid Gas used lifetime savings as a proxy for benefits.

C&I sector level lifetime savings in the three-year period are projected by the Company to be approximately 105% of the Department-approved C&I savings goals, with the cost for C&I efforts projected to be approximately 108% of the approved C&I budget. The dollar value of benefits expected from commercial and industrial efforts is projected to approximate 102% of the projected value of benefits included in the approved Plan. While National Grid Gas 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 Gas' 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 Therms			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	\$234.2	\$231.2	99%	312,341,515	312,341,515	100%	\$1188.9	\$1188.9	100%
Low-Income	\$77.4	\$76.7	99%	73,416,840	73,416,840	100%	\$173.5	\$173.5	100%
C&I	\$70.6	\$76.6	108%	219,948,188	229,976,072	105%	\$1378.1	\$1441.0	105%
C&I New Construction	\$27.4	\$34.0	124%	124,658,179	134,686,063	108%	\$413.4	\$446.7	108%
C&I New Buildings & Major Renovations	\$18.5	\$14.3	77%	93,397,324	69,156,979	74%	\$202.3	\$149.8	74%
C&I Initial Purchase & End of Useful Life	\$8.8	\$19.7	223%	31,260,855	65,529,084	210%	\$211.2	\$442.6	210%
C&I Retrofit	\$41.0	\$41.0	100%	95,290,009	95,290,009	100%	\$964.7	\$964.7	100%
C&I Hard-to-Measure	\$2.2	\$1.6	72%						
Total	\$382.1	\$384.4	101%	605,706,543	615,734,427	102%	\$2740.5	\$2803.4	102%