

2016-2018 ENERGY EFFICIENCY PLAN TERM SHEET

Statewide Electric Summary

	Units	2016	2016-2017	2016-2018
Forecasted Annual Retail Energy Sales	<i>MWh</i>	46,908,188	93,745,319	140,331,922
Average Annual Savings Over Three Years	<i>% of sales</i>	2.93%		
Cumulative Annual Savings Goals	<i>MWh</i>	1,405,258	2,781,941	4,107,928
Cumulative Lifetime Savings Goals	<i>MWh</i>	13,417,287	26,875,903	40,334,904
Cumulative Budget: Program Costs	<i>millions of \$</i>	\$ 606.4	\$ 1,227.9	\$ 1,860
Cost per Annual kWh Saved	<i>\$/kWh</i>	\$0.453		
Summer Demand Savings	<i>MW</i>	203	404	598
Winter Demand Savings	<i>MW</i>	222	440	649
Benefits	<i>millions of \$</i>	\$ 2,103.5	\$ 4,208.4	\$ 6,345.2
Cumulative Performance Incentive Pool at Design	<i>\$</i>			\$ 100,000,000
Performance Incentive Levels				
Threshold	<i>%</i>			75%
Design	<i>%</i>			100%
Exemplary - Cap	<i>%</i>			125%

Statewide Gas Summary

	Units	2016	2016-2017	2016-2018
Forecasted Annual Retail Energy Sales	<i>Therms</i>	2,270,659,323	4,576,164,520	6,915,678,418
Average Annual Savings Over Three Years	<i>% of sales</i>	1.24%		
Cumulative Annual Savings Goals	<i>Therms</i>	28,093,107	56,590,545	85,777,384
Cumulative Lifetime Savings Goals	<i>Therms</i>	375,920,734	756,335,552	1,147,759,310
Cumulative Budget: Program Costs	<i>millions of \$</i>	\$ 218.0	\$ 440.5	\$ 669.5
Cost per Annual therm Saved	<i>\$/Therm</i>	\$7.805		
Benefits	<i>millions of \$</i>	\$ 561.9	\$ 1,123.8	\$ 1,695.5
Cumulative Performance Incentive Pool at Design	<i>\$</i>			\$ 18,000,000
Performance Incentive Levels				
Threshold	<i>%</i>			75%
Design	<i>%</i>			100%
Exemplary - Cap	<i>%</i>			125%

These tables represent only PA energy efficiency costs; they do not include additional cost for new demand programs. The PAs will provide an updated set of detailed energy efficiency data tables consistent with and derived from this Term Sheet in the next draft of this Plan (anticipated to be filed by September 25, 2015). These data tables provide extensive additional information such as benefits, program-specific budgets, MW savings, etc. Performance incentives are not applicable to Cape Light Compact.

This Term Sheet outlines savings and budget terms that have been negotiated, with supporting details to be provided in the Plan. This framework is designed with an expectation of a detailed review of the full Three-Year Plan. The costs to achieve and other terms in this Term Sheet are negotiated with the understanding that the final Plan will reflect the majority of Council input and recommendations from the July 21, 2015 resolution and that all recommendations adopted by the PAs are able to be accommodated consistent with the overall provisions of this Term Sheet.

Additional Commitments

The following 2016-2018 Plan priorities of the Council will be specifically addressed in the final Plan:

1) **New Demand Reduction/Peak Reduction Efforts.**

The PAs and the Council recognize the growing economic importance of achieving demand reduction goals and mitigating winter and summer peaks. The Term Sheet does not include targets for potential new statewide summer and winter demand peak reduction initiatives, and does not reflect costs, benefits or incentives associated with such initiatives. Subject to open meeting law requirements, PA representatives will work with a small Demand Savings Group that includes the DOER, the Attorney General's Office, the Low-Income Energy Affordability Network, interested expert and qualified stakeholders and the Council's consultants to explore approaches to cost-effective new demand reduction/peak reduction electric and gas initiatives. This Demand Savings Group will be addressing challenging and important matters, and all parties are committed to the successful development and actual implementation in-the-field during the 2016-2018 Plan period of new demand/peak reduction initiatives. To ensure that this in-the-field implementation goal is reached, the PAs will provide a report to the Council setting forth the specific scope, tasks, and detailed timelines for this group by the end of Q1 2016. This report will also provide an anticipated, high-level in-the-field deployment schedule for 2016-2018 based upon the then most current information. Deployment in-the-field will be subject to approval by the Department of Public Utilities and confirmation of cost-effectiveness. The PAs will also provide a report to the Council on the ongoing "super peak" avoided cost study on or before December 31, 2015 (if that study is delayed, this PA deliverable date will be appropriately adjusted).¹

2) **Continued Commitment to Innovation and Technology.**

The Council and the PAs agree on the importance of implementation of new technologies and program approaches. The PAs are committed to increasingly develop and deploy new technologies, delivery models and business strategies with performance-based results that are appropriate for the customers and that are proven to be cost-effective. The Plan will reflect a continuous commitment by the PAs to exploring and adopting cost-effective innovations and new technologies in the residential, low-income and C&I sectors. In addition to specific efforts

¹ CLC reserves its right to raise issues at any time with either the Demand Savings Group or the EEAC generally regarding its unique role as a municipal aggregator that may affect its ability to fully participate in the development and implementation of demand/peak reduction initiatives.

identified in the Plan, the PAs commit to continuous collaboration on innovation, including appropriate program updates and evaluation efforts with the Council.

3) **Contractor Engagement.**

The Council and the PAs recognize that the successful implementation of the Three-Year Plan requires an engaged contractor community. The PAs and the Council will collaborate to identify opportunities to continue to maximize the impact of the contractor community in order to maintain high quality, cost-effective/efficient, high impact programs and increase penetration and success in new sectors. As part of this effort, the PAs will participate in a new Residential Contractor engagement effort to be convened by the DOER. PAs will participate in residential program related topics as appropriate, which may include how residential program contractors can be most effectively engaged in the programs, quality assurance/quality control related topics, appropriate data collection and analysis, and suggestions from the contractor community and the PAs for enhancements and improvements. This DOER effort is not in replacement of the ongoing contractor Best Practices group and does not constitute the formation of a new regulatory or adjudicatory body. The PAs will continue to have the right and responsibility to require contractor engagement and contract terms that protect customers consistent with their corporate/institutional quality and safety standards.

NOTES

- **Core Electric Terms.** Annual savings goal for 2016-2018 of 2.93% of retail sales (based upon April 2015 sales forecast). At least 40.3M MWh lifetime savings goal, with lifetime savings goal showing year-over-year growth from 2016-2018. Annual cost-to-achieve budget for 2016-2018 of \$0.453 or below. Performance incentive pool of \$100M at design, with threshold of 75% and cap of 125%.²
- **Core Gas Terms.** Annual savings goal for 2016-2018 of 1.24% of retail sales (based upon April 2015 sales forecast). At least 1.1B therms lifetime savings goal, with lifetime and annual savings goals showing year-over-year growth for 2016-2018. Annual cost-to-achieve budget for 2016-2018 of \$7.81 or below. Performance incentive pool of \$18M at design, with threshold of 75% and cap of 125%.³
- **Confirmation.** All savings and budget figures are subject to confirmation and quality control checks as the PAs develop detailed tables consistent with this term sheet. Final savings and budget numbers may be slightly higher or lower than these values, but all within a reasonable, non-material bandwidth that does not reduce the overall statewide annual savings

² Performance incentives are not applicable to Cape Light Compact.

³ National Grid Gas goals and performance incentives incorporate savings and benefits of both the National Grid and Blackstone Gas service areas, consistent with the Council Resolution of March 31, 2015, and are subject to the Department of Public Utilities issuing an order in support of this approach endorsed by the Council, including the Council-supported conditions that there are not separate reporting requirements for the Blackstone and National Grid services areas, and that savings and benefits secured in the Blackstone service area count toward National Grid's performance incentive.

target. Retail sales projections reflect forecasts that were available in April 2015 and may not reflect each PA's most up-to-date sales forecast; forecasts are updated periodically.⁴

- **Aggressive Goals**. The PAs have utilized an integrated, statewide approach to commit to the increased aggressive statewide savings levels set forth in this term sheet at costs that reflect reductions from those proposed costs presented to the Energy Efficiency Advisory Council in the April 30, 2015 draft 2016-2018 Plan. The individual PA savings levels and costs reflected in Attachment A are appropriate for the 2016-2018 Plan and have been developed through analysis and consideration of evaluation and potential studies.

Savings goals assume consistent treatment for co-generation facility-related savings as in the past. Consistent with other measures, this includes that new projects installed after the end-of-life of an existing project are given full credit for all cost-effective project savings.

- **Effect of New Legislation or Regulations**. The PAs may be required to offer an Accelerated Rebate Pilot Program ("ARPP") or similar effort by new legislation. Additionally, DOER is currently in the process of issuing new RCS regulations and guidelines. In the event that material impacts occur from an ARPP, a new municipal aggregator program, the RCS regulations or guidelines, or any other new legislation or regulations issued prior to or during the three-year plan term, any affected PA shall have the opportunity to make appropriate adjustments to its costs and savings goals based upon the nature of the impacts, subject to the Council review under G.L. ch. 25, § 21(c) and the approval of the Department of Public Utilities.
- **Performance Incentives**.
 - Statewide performance incentive pool at design level: \$100 million (electric); \$18 million (gas).
 - Two components of PI mechanism: Savings (dollar value of benefits) and Value (dollar value of net benefits).
 - Incentive component weights: 61.5% Savings, 38.5% Value.
 - The threshold for earning performance incentives shall be 75% of target, with a cap of 125% of design level of performance incentive, each at the at the portfolio level of performance for each PA by component.⁵

⁴ Cape Light Compact's final agreement to any settlement Term Sheet is contingent on Governing Board approval on October 14, 2015. If the Governing Board amends Cape Light Compact program enhancements, it may impact savings and cost to achieve.

⁵ Performance incentives are not applicable to Cape Light Compact.