

**Electric Term Sheet: 2013-2015 Plan**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total 2013-2015</b>
Annual Retail Energy Sales (MWh)	47,763,309	48,460,704	48,960,921	<b>145,184,934</b>
PA Total Annual Energy Savings as % of Energy Sales*	2.50%	2.55%	2.60%	<b>2.55%</b>
PA Total Annual Energy Savings Goals (MWh)	1,194,114	1,235,761	1,272,969	<b>3,702,844</b>
Benefits (\$, million)**				<b>\$7,500</b>
Performance Incentive Pool at <u>Design</u>	\$25,798,851	\$26,698,635	\$27,502,514	<b>\$80,000,000</b>
Performance Incentive Levels (%):				
Threshold***	75%	75%	80%	<b>75%-80%</b>
Design	100%	100%	100%	<b>100%</b>
Exemplary - Cap	125%	125%	125%	<b>125%</b>
Budget: Program Costs (\$, million)	\$479.10	\$499.37	\$516.53	<b>\$1,495.0</b>
Cost per Annual kWh Saved	\$0.401	\$0.404	\$0.406	<b>\$0.4037</b>

\* Council savings targets (total annual energy savings as % of energy sales) are 2.50% in 2013, 2.55% in 2014, and 2.60% in 2015, with a three-year target of 2.55%.

\*\* Benefits to be confirmed based on the resolution of the technical application of NEIs for 2013-2015.

\*\*\* Performance Incentive threshold for National Grid and NU is based on the 2.50%, 2.55%, and 2.60% savings targets, in applicable years when their savings goals are in excess of these savings targets.

\*\*\*\* All savings and budget figures are subject to confirmation and quality control checks as the PAs develop detailed DPU 08-50 tables based upon this term sheet. As budget reductions are rolled into Plans, there may be some variance in allocation of overall budget among 2013, 2014, and 2015. Specifically, some costs may be reallocated into 2014 or 2015, but the 2013 budget above is not expected to increase. Final numbers may be slightly higher or lower than these values, but all within a reasonable, non-material bandwidth. Retail sales are estimates; forecasts are updated periodically.

**Savings Goals:**

Savings goals are set on the path to satisfy the Green Communities Act (“GCA”) mandate to capture all available cost-effective energy efficiency, with consideration of sustainability and bill impacts, while supporting the achievement of the emissions reductions called for in the Clean Energy and Climate Plan (“CECP”). NU and National Grid have shown leadership by proposing savings goals that exceed the statewide total savings targets of 2.50% in 2013, 2.55% in 2014, and 2.60% in 2015, and all Program Administrators (“PAs”) have contributed to committing to unprecedented statewide savings goals.

**Clean Energy and Climate Plan:**

Pursuant to the Global Warming Solutions Act (“GWSA”), the Commonwealth of Massachusetts has set a goal of reducing greenhouse gas emissions from the 1990 business as usual level by 25% by 2020 and 80% by 2050. All cost-effective energy efficiency delivered through the three-year energy efficiency plans accounts for 7.1% of these reductions, as part of a suite of policies set forth in the CECP.

In support of both the mandate of all cost-effective energy efficiency provided for in the GCA and the greenhouse gas reduction goals established by the GWSA, the PAs will utilize full and diligent efforts to meet their established savings goals as set forth in this term sheet and participate in developing strategies to assist the Commonwealth of Massachusetts in meeting its CECF goals.

**Flexibility for PAs:**

The Council acknowledges the need for flexibility for individual PAs. Such flexibility may allow for individual PA savings goals higher or lower than the total savings targets of 2.50% in 2013, 2.55% in 2014, and 2.60% in 2015, but with the PA statewide total savings goals (set forth in MWh in the table above) being met or exceeded by the sum of all PAs; see Attachment A. The PAs have utilized an integrated, statewide approach to commit to the aggressive statewide savings levels set forth in this term sheet at costs that reflect reductions from those proposed costs presented to the Council in the September 19, 2012 draft plan. The savings levels and costs reflected in Attachment A are appropriate for the 2013-2015 Plan. Any PA that proposes a three-year savings goal that is more than 20% lower than the three-year savings target of 2.55% is required to document the penetration of program offerings and remaining cost-effective potential for energy efficiency in that PA's service territory through a study (joint or by PA, and with input and review by the Council's Consultant) that would be prepared and finalized during 2014, in time for the planning stages of the 2016-2018 Plan.<sup>1</sup>

In addition, pursuant to An Act Relating to Competitively Priced Electricity in the Commonwealth (2012), the PAs will be offering a new Accelerated Rebate Pilot Program for the first time. In the event of impact from this pilot program or a new municipal aggregator program, the applicable PA shall have the opportunity to make appropriate adjustments to its costs and savings goals based upon the nature of its customers' participation, subject to the Council review under MGL Ch. 25, Sec. 21(c) and the approval of the Department of Public Utilities.

**Performance Incentives:**

- Maximum performance incentive pool at design level: \$80.0 million.
- Three components: benefits (\$), value (net benefits), and specific performance metrics.
- Incentive component weights: 56% benefits, 35% value, and 9% performance metrics.
- Fewer but meaningful performance metrics, such as on deeper savings and renters.
- The Council and the PAs have not come to an agreement on either the performance metrics or the number of performance metrics. Accordingly, the percentages among the components may change slightly to reflect the final number and meaningfulness of the performance metrics.

**Other Issues:**

- Support of the Mass Save mark and statewide brand is an important priority. The PAs commit to statewide marketing efforts that include the prominent integration and placement of the Mass Save mark as the statewide brand. PAs will include the Mass Save mark on statewide program, outreach and marketing materials and will include a link to the Mass Save website on the portion of their PA websites that is focused on energy efficiency services in Massachusetts, except where expressly limited by internal corporate website policies. PAs, in collaboration with DOER and the EEAC, will conduct an evaluation of the effectiveness of all joint statewide branding efforts to ensure that such brands support clear and recognizable messages that help

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<sup>1</sup> This requirement shall not apply to Cape Light Compact, a municipal aggregator.

promote program awareness. Such an evaluation will be completed by the end of 2013 and submitted to the EEAC.

- The PAs are committed to perform a follow-up study on the level and accuracy of Demand Reduction Induced Price Effects (“DRIPE”) as set forth in the 2011 Avoided Energy Supply Cost Study and as utilized as an economic benefit in the Total Resource Cost (“TRC”) test. This study will help inform and optimize the accuracy of DRIPE in future avoided cost studies, which is a continued and important priority for the Attorney General, DOER and the PAs, as is the accuracy of all components of the TRC test. The DRIPE study will not affect the performance incentive pool set forth in this term sheet.

**Note on Program Budgets:**

Budgets identified in Attachment A will be reduced to levels set forth above (\$1,495 million total for 2013-2015). This reduction will include but is not limited to EM&V budget reductions. The maximum additional electric EM&V budget reduction will still maintain a total electric and gas EM&V budget of not less than \$69.2 million (with approximately \$48.0 million budgeted for electric and approximately \$21.2 million budgeted for gas). All reductions in EM&V budgets and all EM&V budget reallocations will be determined jointly with the Council EM&V Consultant.

**ATTACHMENT A to Electric Term Sheet**

<b>STATEWIDE ELECTRIC</b>				
	<b>OCTOBER</b>			
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2013-2015</b>
<b>Annual Savings (MWh)</b>	1,194,114	1,235,761	1,272,969	3,702,845
<b>Goals as % Of Sales</b>	2.50%	2.55%	2.60%	2.55%
<b>Budgets</b>	\$ 486,350,616	\$ 499,370,902	\$ 521,931,121	\$ 1,507,652,639
<b>Cost per Annual kWh</b>	\$ 0.407	\$ 0.404	\$ 0.410	\$ 0.407

<b>NATIONAL GRID</b>				
	<b>OCTOBER</b>			
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2013-2015</b>
<b>Annual Savings (MWh)</b>	558,547	588,079	613,923	1,760,550
<b>Goals as % Of Sales</b>	2.53%	2.58%	2.64%	2.58%
<b>Budgets</b>	\$ 207,558,635	\$ 214,219,874	\$ 223,369,614	\$ 645,148,123
<b>Cost per Annual kWh</b>	\$ 0.372	\$ 0.364	\$ 0.364	\$ 0.366

<b>NSTAR/WMECO ("NU")</b>				
	<b>OCTOBER</b>			
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2013-2015</b>
<b>Annual Savings (MWh)</b>	586,019	601,489	613,091	1,800,600
<b>Goals as % Of Sales</b>	2.52%	2.59%	2.64%	2.58%
<b>Budgets</b>	\$ 243,930,507	\$ 254,085,337	\$ 265,783,891	\$ 763,799,736
<b>Cost per Annual kWh</b>	\$ 0.416	\$ 0.422	\$ 0.434	\$ 0.424

<b>UNITIL</b>				
	<b>OCTOBER</b>			
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2013-2015</b>
<b>Annual Savings (MWh)</b>	7,713	7,883	8,014	23,610
<b>Goals as % Of Sales</b>	1.90%	1.93%	1.95%	1.93%
<b>Budgets</b>	\$ 5,085,704	\$ 5,199,357	\$ 5,288,906	\$ 15,573,967
<b>Cost per Annual kWh</b>	\$ 0.659	\$ 0.660	\$ 0.660	\$ 0.660

<b>CAPE LIGHT COMPACT</b>				
	<b>OCTOBER</b>			
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2013-2015</b>
<b>Annual Savings (MWh)</b>	41,835	38,308	37,941	118,085
<b>Goals as % Of Sales</b>	2.09%	1.92%	1.90%	1.97%
<b>Budgets</b>	\$ 29,775,771	\$ 25,866,333	\$ 27,488,709	\$ 83,130,813
<b>Cost per Annual kWh</b>	\$ 0.712	\$ 0.675	\$ 0.725	\$ 0.704