



MASSACHUSETTS JOINT STATEWIDE ELECTRIC & GAS

2022-24 Performance Incentive Discussion

October 24, 2021

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Summary of PI Mechanism



- Mechanism includes three components based on benefits and is aligned with the priorities set forth in the 2022-2024 Plan:
 - 1) Equity Component
 - 2) Electrification Component
 - 3) Standard Component
- Each component has its own, distinct threshold and design levels
- Equity & Electrification components are not capped, subject to total/portfolio PI capped at 125% of planned
- Standard component achievement > 125% cannot contribute to portfolio max until Equity & Electrification thresholds met
- Equity & Electrification payout rates higher than Standard payout rate
- Discontinuation of Value Component and Targeted Active Demand Savings Component from 2019-2021 PI Mechanism
- \$170m statewide pool (\$131.8m electric, \$38.2m gas)

Summary of PI Components



Component	What's Included	Threshold	Design	Cap
Equity	Benefits achieved in specific EJ communities and selected Boston zip codes (not including large C&I) and for moderate income customers statewide, including from electrification Equity benefits for Res/IE to be at least 25% of Res/IE portfolio benefits for electric and 45% for gas by 2024	85%	100%	N/A
Electrification	Benefits from electrification measures that are not in EJ communities or not for moderate income customers statewide	60%	100%	N/A
Standard	Benefits achieved in the rest of the service territories that are not counted in the two benefits components above	75% threshold of standard component or meeting weighted average portfolio threshold	100%	125% of standard EE until equity & electrification thresholds are met
Portfolio	All program benefits, with the exception of MAC benefits from fossil fuel systems, are eligible to earn PI in one (and only one) of the above PI components	Weighted Avg Threshold of 73% elec / 77% for gas *	100%	125%

There may be slight shifts in these percentages as numbers are updated to reflect final agreement/term sheet

Components - Detailed



- **Equity Component**
 - 85% threshold, tied to proposed growth rates to ensure that threshold represents increase over baseline benefits
 - Based on activity 1) occurring in agreed upon subset of agreed on EJ communities & Boston zip codes and 2) through the moderate income offering
 - Includes C&I Turnkey, Residential End Use, Midstream measures – excludes other C&I
 - Includes electrification measures in EJ communities & for moderate income participants
 - Includes fossil fuel measures in EJ communities & moderate income participants
 - Excludes any lighting delivered to renters & moderate income participants
 - Excludes benefits associated with the MAC on fossil fuel systems
 - Enhanced payout rate relative to Standard component

- **Electrification Component**
 - 60% threshold
 - All electrification measures less those that occur in the designated EJ communities and moderate income participants
 - Enhanced payout rate relative to Standard component

- **Standard Component**
 - 75% threshold of standard component **or** meeting weighted average portfolio threshold
 - All other residential and income eligible measures not already counted in the Equity or Electrification components
 - All C&I measures not already counted in the Equity or Electrification Components
 - Excludes benefits associated with the MAC on fossil fuel systems

- **Summary**
 - All program benefits, with the exception of MAC benefits from fossil fuel systems, are eligible to earn PI in one (and only one) of the above PI components

Payout Rates



ELECTRIC PI 2022-2024*

Component	Statewide Benefits (No CLC)	% of Total	Statewide PI Pool	PI as % of Pool	Payout Rates
Equity	\$1.4B	16.2%	\$23.7m	17.9%	\$0.0172
Electrification	\$2.2B	25.9%	\$37.8m	28.7%	\$0.0172
Standard	\$4.9B	57.8%	\$70.38m	53.3%	\$0.0143
Total	\$8.5B		\$131.8m		

GAS PI 2022-2024*

Component	Statewide Benefits	% of Total	Statewide PI Pool	PI as % of Pool	Payout Rates
Equity	\$1.1B	28.8%	\$14.1m	36.9%	\$0.0126
Electrification**	\$0.3B	8.7%	\$4.2m	11.1%	\$0.0126
Standard	\$2.4B	62.5%	\$19.8m	51.9%	\$0.0081
Total	\$3.9B		\$38.2m		

*There may be slight shifts in these totals and payout rates as numbers are updated to reflect final agreement/term sheet

**PAs are specifically looking into gas electrification to QC; current estimates look too high

Sample Electric Scenarios



	% of benefits achieved	PI earned (illustrative design pool of \$100)		
Equity	100%	\$ 17.67	equity threshold met	
Electrification	100%	\$ 27.76	electrification threshold met	
Standard	100%	\$ 54.57	standard threshold met	
Portfolio	100%	\$ 100.00	hitting 100% of total benefits yields 100% PI	
	% of benefits achieved	PI earned (illustrative design pool of \$100)		
Equity	85%	\$ 15.02	equity threshold met	
Electrification	60%	\$ 16.66	electrification threshold met	
Standard	125%	\$ 68.21	standard threshold met	
Portfolio	102%	\$ 99.89	hitting 102% of total benefits yields 100% PI	
	% of benefits achieved	PI earned (illustrative design pool of \$100)		
Equity	85%	\$ 15.02	equity threshold met	
Electrification	60%	\$ 16.66	electrification threshold met	
Standard	171%	\$ 93.32	standard threshold met	
Portfolio	130%	\$ 125.00	hitting 130% of total benefits yields 125% PI	
	% of benefits achieved	PI earned (illustrative design pool of \$100)		
Equity	130%	\$ 22.98	equity threshold met; no cap applied on equity	
Electrification	60%	\$ 16.66	electrification threshold met	
Standard	70%	\$ 38.20	standard threshold not met, but portfolio threshold met	
Portfolio	77%	\$ 77.83	hitting 77% of total benefits yields 78% PI	

Sample Electric Scenarios



	% of benefits achieved	PI earned (illustrative design pool of \$100)	
Equity	75%	\$ -	equity threshold not met
Electrification	65%	\$ 18.04	electrification threshold met
Standard	130%	\$ 68.21	standard component capped at 125% since equity threshold not met
Portfolio	105%	\$ 86.25	hitting 105% of total benefits yields 86% PI
	% of benefits achieved	PI earned (illustrative design pool of \$100)	
Equity	75%	\$ -	equity threshold not met
Electrification	55%	\$ -	electrification threshold not met
Standard	130%	\$ 68.21	standard component capped at 125% since equity threshold not met
Portfolio	102%	\$ 68.21	hitting 100% of total benefits yields 68% PI
	% of benefits achieved	PI earned (illustrative design pool of \$100)	
Equity	75%	\$ -	equity threshold not met
Electrification	80%	\$ 22.21	electrification threshold met
Standard	70%	\$ 38.20	standard component not met, portfolio threshold met
Portfolio	73%	\$ 60.40	hitting 73% of total benefits yields 60% PI

Sample Gas Scenarios



	% of benefits achieved	PI earned (illustrative design pool of \$100)		
Equity	100%	\$ 33.24	equity threshold met	
Electrification	100%	\$ 6.16	electrification threshold met	
Standard	100%	\$ 60.60	standard threshold met	
Portfolio	100%	\$ 100.00	hitting 100% of total benefits yields 100% PI	
	% of benefits achieved	PI earned (illustrative design pool of \$100)		
Equity	85%	\$ 28.25	equity threshold met	
Electrification	60%	\$ 3.69	electrification threshold met	
Standard	125%	\$ 75.75	standard threshold met	
Portfolio	110%	\$ 107.70	hitting 110% of total benefits yields 108% PI	
	% of benefits achieved	PI earned (illustrative design pool of \$100)		
Equity	85%	\$ 28.25	equity threshold met	
Electrification	60%	\$ 3.69	electrification threshold met	
Standard	155%	\$ 93.67	standard threshold met	
Portfolio	129%	\$ 125.62	hitting 129% of total benefits yields 126% PI	
	% of benefits achieved	PI earned (illustrative design pool of \$100)		
Equity	130%	\$ 43.21	equity threshold met; no cap applied on equity	
Electrification	60%	\$ 3.69	electrification threshold met	
Standard	70%	\$ 42.42	standard threshold not met, but portfolio threshold met	
Portfolio	87%	\$ 89.33	hitting 87% of total benefits yields 89% PI	

Sample Gas Scenarios



	% of benefits achieved	PI earned (illustrative design pool of \$100)	
Equity	75%	\$ -	equity threshold not met
Electrification	65%	\$ 4.00	electrification threshold met
Standard	130%	\$ 75.75	standard component capped at 125% since equity threshold not met
Portfolio	110%	\$ 79.76	hitting 110% of total benefits yields 80% PI
	% of benefits achieved	PI earned (illustrative design pool of \$100)	
Equity	75%	\$ -	equity threshold not met
Electrification	45%	\$ -	electrification threshold not met
Standard	130%	\$ 75.75	standard component capped at 125% since equity threshold not met
Portfolio	109%	\$ 75.75	hitting 109% of total benefits yields 76% PI
	% of benefits achieved	PI earned (illustrative design pool of \$100)	
Equity	80%	\$ -	equity threshold not met
Electrification	100%	\$ 6.16	electrification threshold met
Standard	73%	\$ 44.24	standard component not met, portfolio threshold met
Portfolio	77%	\$ 50.40	hitting 77% of total benefits yields 50% PI

Thank you

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