

**RESOLUTION OF THE ENERGY EFFICIENCY ADVISORY COUNCIL
REGARDING THE PROPOSED MID-TERM MODIFICATIONS
OF NATIONAL GRID GAS**

Adopted July 14, 2015

Pursuant to § 3.8.1 of the Revised Energy Efficiency Guidelines set forth in D.P.U. 11-120-A, Phase II (January 31, 2013) (“Guidelines”), an energy efficiency Program Administrator that seeks to make the following significant mid-term modifications (“modifications” or “MTMs”) to its Energy Efficiency Plan shall submit its proposed modifications to the Energy Efficiency Advisory Council (“EEAC”) for review:

- 1) the addition of a Hard-to-Measure Energy Efficiency Program;
- 2) the termination of an existing Energy Efficiency Program or Hard-to-Measure Energy Efficiency Program;
- 3) a change in the three-year term budget of an Energy Efficiency Program or Hard-to-Measure Energy Efficiency Program of greater than (1) 20 percent, or (2) a dollar value to be specified by the Department; or
- 4) a modification to the design of an Energy Efficiency Program that is projected to result in a decrease in program benefits over the three-year term that is greater than 20 percent.

Additionally, pursuant to § 3.8.2 of the Guidelines, a Program Administrator that seeks to make the following significant modifications to its Energy Efficiency Plan shall submit its proposed modifications first for review by the Council, and then for review and approval by the Department of Public Utilities (“Department” or “DPU”):

- 1) the addition of a new Energy Efficiency Program;
- 2) the transition of a Hard-to-Measure Energy Efficiency Program to an Energy Efficiency Program; or
- 3) a change in the three-year term budget of a customer sector that would require a cents per kilowatt-hour (calculated using the method described in § 3.2.1.6) or cents per therm charge for the sector that, if it were to replace the Department-approved Energy Efficiency Surcharge for the applicable year, would result in a bill increase for an average customer in the sector exceeding two percent.

In accordance with the Guidelines described above, National Grid is currently seeking the support of the EEAC to implement seven mid-term modifications of its natural gas energy efficiency programs. Specific details from National Grid describing the requested modifications and related information are set forth in the attached document.

National Grid submitted the following three modifications for review and support from the EEAC and will require Department approval pursuant to § 3.8.2:

1. Residential Whole House program: increase in the budget of \$24.5 million (25%).
2. Residential Products program: increase in the budget of \$7.6 million (20%).
3. C&I Retrofit program: decrease in the budget of \$20.2 million (39%) due to underspending in the program.

National Grid submitted the following four modifications for review and support from the EEAC, and these MTMs do not require Department approval pursuant to § 3.8.1:

1. Low-Income Whole House program: increase in the budget of \$10.8 million (20%).
2. Residential Hard-to-Measure program: notification of the EEAC regarding an under-expenditure of \$1.8 million (26%) due to underspending of the budget.
3. Low Income Hard-to-Measure program: notification of the EEAC regarding an under-expenditure of \$0.8 million (43%) due to underspending of the budget.
4. C&I Hard-to-Measure program: notification of the EEAC regarding an over-expenditure of the program budget of \$0.9 million (52%).

Summary of EEAC Review and Analysis

The Residential Whole House and Residential Products proposed MTMs are based on the need to increase the program budgets in order to meet customer demand for the programs' products and services. Specifically, in the Residential Whole House program, the additional budget is needed to conduct more Home Energy Services (HES) audits, perform more insulation and air sealing jobs, and respond to higher-than-expected demand in the growing new construction market. For the Residential Products program, the need for the increased budget is driven by the higher customer participation in the Residential Heating and Water Heating core initiative that is significantly higher than what was planned originally in the 2013-2015 Plan.

In reviewing the Residential Whole House and Residential Products MTMs, the EEAC confirms its commitment to achieving the savings and benefits of the Three-Year Plan. The EEAC and its Consultants have examined the data and information presented by National Grid in support of these two MTM proposals, and the EEAC concludes that the modifications to these program budgets will provide National Grid the opportunity to meet the higher customer demand in the Residential Whole House and Residential Products programs, and achieve associated energy savings that are also higher than planned.

Regarding the C&I Retrofit program MTM proposal to decrease the three-year program budget by \$20.2 million, or 39% of the original \$52.3 million budget, the EEAC remains concerned about the quality and effectiveness of National Grid's efforts to serve its C&I customers. These concerns have been expressed and discussed at several EEAC meetings, and National Grid has been working to respond to the concerns. As a result of the concerns expressed, the EEAC takes notice of the National Grid C&I Retrofit MTM request and does not oppose it, but declines to support the MTM request, and is forwarding the request to the Department. The EEAC encourages National Grid to continue to reach out to its C&I customers during the remainder of 2015 and ensure that all available cost-effective energy efficiency opportunities are being

pursued and achieved, and that adequate C&I Retrofit program funding is available to support such achievements.

The Low-Income Whole House program MTM is based on the need to increase the program budget in order to meet customer demand for the program's products and services. The EEAC is committed to achieving the savings and benefits of the Three-Year Plan. The EEAC and its Consultants have examined the data and information presented by National Grid in support of this MTM proposal, and the EEAC concludes that the modification to this program budget will provide National Grid the opportunity to meet the higher customer demand in the Low-Income Whole House program, and achieve associated energy savings that are also higher than planned.

Regarding the two MTMs for the Residential and Low-Income Hard-to-Measure programs, actual expenditures are lower than planned, driven by lower-than-budgeted administrative and other expenses. Per the Guidelines, National Grid is required to notify the EEAC due to the size (based on % of budget) of the expected under-expenditure, and National Grid plans to use the underspent budget from the Hard-to-Measure programs to support the other Residential and Low-Income programs in 2015. The EEAC recommends that ratepayer funding be used cost-efficiently, and therefore supports and takes notice of these Low Income Hard-to-Measure program budget expenditures that are expected to be lower than the planned budget.

Regarding the gas C&I Hard-to-Measure program MTM, actual expenditures are higher than planned, driven by higher-than-budgeted administrative and other expenses. Per the Guidelines, National Grid is required to notify the EEAC due to the size (based on % of budget, 52% in this case) of the expected over-expenditure, even though the dollar amount of the over-expenditure is relatively small (\$0.9 million) compared to the total C&I sector budget. The EEAC and its Consultants have examined the expenditure data presented by National Grid in support of this MTM proposal, and the EEAC concludes that the C&I Hard-to-Measure program MTM is reasonable.

EEAC Review and Support

Having reviewed the seven proposed natural gas program mid-term modifications set forth in the attached document from National Grid, and summarized above, the EEAC resolves to support six of the mid-term modifications. In addition, as described above, the EEAC takes notice of the National Grid C&I Retrofit MTM request and does not oppose it, but declines to support the MTM request, and is forwarding the request to the Department.

The EEAC directs that this Resolution be transmitted in full by DOER to the Department.

Effect of Mid-Term Modifications on Regulatory Reporting and the Original DPU-Approved Three-Year Plans and Performance Incentives for 2013-2015

For future regulatory reporting during the Three-Year Plan period, including the Plan-Year Reports and Term Report, the EEAC understands that for Category One MTMs (per § 3.8.1, meaning those not requiring DPU approval), National Grid will not be revising its approved Three-Year Plan goals to reflect the Category One mid-term modifications. All future reporting

on the Three-Year Plan will report and compare actual results to the Department-approved budgets and goals. This resolution will be submitted to the Department as support for any variance explanations related to the mid-term modifications addressed here. The original performance incentive model would remain unchanged. There is no increase or decrease to the performance incentive pool or any change to the payout rates derived in the performance incentive model as the result of the Category One modifications.

For Category Two MTMs, meaning those requiring DPU approval per § 3.8.2 of the Guidelines, the EEAC notes that the Energy Efficiency Guidelines do not appear to provide clear and definitive guidance on whether, as a result of DPU approval of any Category Two MTM, modified Plan values should be submitted to the Department or included in any Plan-Year Reports, Term Reports, or other reporting, to represent *Modified* (MTM) Plan values.¹ Such Modified Plans could result in different values for budgets, savings, performance incentives, and other Plan components. The EEAC is not herein taking a position on this matter, and the EEAC believes this matter should be resolved in a proceeding before the DPU. As a result, the EEAC, in supporting the proposed MTMs above in the manner it has, is not stipulating that the Category Two MTMs will not change the budgets, savings, benefits, performance incentive model, or other Plan components in the original Plan.

¹ In the past, prior to 2013, DPU-approved MTMs resulted in a *Modified* Plan, specifically a Plan that was modified by the MTMs that were approved by the DPU.