

**Mid-Term Modification Request for National Grid Electric**

**June 25, 2015**

National Grid is committed to achieving its Three-Year Plan portfolio level savings goals. In order to do so, National Grid Electric 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 pursuant to § 3.8 of the revised Energy Efficiency Guidelines issued by the Department in D.P.U. 11-120-A, Phase II.

National Grid is committed to securing energy savings consistent with its portfolio level savings goals for the period 2013 – 2015 that were endorsed by the Council and approved by the Department and is not proposing a change to the portfolio-level savings goals. However, in order for National Grid to continue to pursue all available cost-effective energy efficiency in accordance with the Green Communities Act and to meet customer demand for program services, it is requesting support from the Council to make significant modifications to its electric Energy Efficiency Plan (“Plan”).

The following modifications are being submitted for review and support from the EEAC pursuant to § 3.8.1:

1. Increase funding in the Residential Products program.
2. Underspend in the Low Income Hard-to-Measure program.
3. Reallocate dollars from Commercial & Industrial (“C&I”) Retrofit program budget to the C&I New Construction program budget in program year 2015.

Details about each of these requests follow:

- 1) Increase funding in the Residential Products program. This request would result in a 1.9% bill impact; therefore, National Grid requests Council review and support for the significant modification to its 2013-2015 electric Energy Efficiency Plan as described below.<sup>1</sup> The analysis that was conducted to determine this bill impact can be found in Attachment A.

<b>Program</b>	<b>Planned Budget from MTM approved by the Department in Docket D.P.U.15-15<sup>2</sup></b>	<b>2013-2015 Projected (2013 &amp; 2014 Plan Yr Report Actuals + 2015 Projections)</b>	<b>Additional Budget Requested for Approval</b>	<b>Percentage Change from Plan</b>
<b>Residential Products</b>	\$63.2 million	\$81.2 million	\$18.0 million	29%

The request for additional budget is required for National Grid to continue to pursue all available, cost-effective energy efficiency in accordance with the Green Communities Act. In addition, this increased activity is designed to produce savings that will help customers to better manage costs this coming winter when prices are anticipated to increase while helping to reduce demand during the winter peak period. As shown in the 2014 Plan-Year Report, National Grid achieved almost 130% of its three-year

<sup>1</sup> The bill impact analysis was conducted as if the Company was going to recover the costs over a single year. The Company anticipates recovering costs over a three year period and as a result, the bill impact will be lower than the 1.9%

<sup>2</sup> The Department issued an order on April 30, 2015 approving the mid-term modification to increase the three-year budget for residential energy efficiency programs by \$54.7 million.

planned lifetime savings goals in the Residential Products program. This achievement is driven by higher than planned participation in the Residential Cooling & Heating and Residential Lighting core initiatives. In order to meet continued strong demand for residential products and services, National Grid is requesting additional funds to continue offering incentives through these core initiatives. National Grid is projecting that the 29% increase in spending will yield an additional 119% in lifetime savings for the Residential Products program. The Company anticipates that without Council support, the Residential Products program will exhaust its 2013-2015 budget by the end of June 2015.

- 2) Underspend in the Low Income Hard-to-Measure program. This will not result in any rate impacts for the Company’s residential electric customers. The budget change would not require Department approval as it does not surpass the 2% rate impact threshold for the Company’s residential and C&I electric customers.

<b>Program</b>	<b>Planned Budget</b>	<b>2013-2015 Projected (2013 &amp; 2014 Plan Yr Report Actuals + 2015 Projections)</b>	<b>Additional Budget Requested for Approval</b>	<b>Percentage Change from Plan</b>
<b>Low-Income Hard-to-Measure</b>	\$1.9 million	\$1.2 million	\$0 million	-37%

Actual expenditures in this “Hard-to-Measure” initiative are driven by lower than budgeted administrative expenses related to the support that the Low-Income Energy Affordability Network provides. 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 about 4% over the Plan goal. The Company anticipates spending will continue to be above the statutory requirement that 10% of energy efficient funds must be used to deliver low-income services.

- 3) Reallocate dollars from the C&I Retrofit program budget to the C&I New Construction program budget in program year 2015. It is important to note that National Grid is not requesting a change to its total C&I budgets and no customer rate impacts are anticipated as a result.

<b>Program</b>	<b>2013-2015 Plan Budget</b>	<b>Budget Shift Requested for Approval</b>	<b>Revised 2013-2015 Planned Budget</b>	<b>Percentage Change from Plan</b>
<b>C&amp;I New Construction</b>	\$69.8 million	\$23.5 million	\$93.3 million	34%
<b>C&amp;I Retrofit</b>	\$269.2 million	-\$23.5 million	\$245.6 million	-9%

C&I New Construction program expenses in 2013 and 2014 combined reached 82% of the Plan’s three year budget. Demand in this program, driven primarily by upstream lighting, is anticipated to continue at higher than planned levels. National Grid is projecting that it will achieve over 125% of its Plan lifetime savings goal. Conversely, the Company anticipates that it will not require 100% of the funds budgeted in the C&I Retrofit Program. Shifting funds out of the C&I Retrofit Program into the C&I New Construction Program as requested will enable National Grid to better serve its C&I customers.

Since National Grid 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 June 5, 2015 in docket D.P.U. 15-49 are requested.<sup>3</sup>

National Grid requests Council support to make the significant modification to its 2013-2015 electric Energy Efficiency Plan as described above.

### **Additional Information Provided for Informational Purposes Only – Not Part of EEAC Request for Support**

The additional information summarized below is provided by National Grid for context and informational purposes only. Council action is requested solely on the three 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 below.

Lifetime savings from residential customers in the three-year period are anticipated by National Grid to be approximately 98% higher than Department-approved residential savings goals, with the cost for residential efforts projected to be approximately 10% higher than the approved residential budget. The dollar value of benefits expected from residential efforts is projected to increase by 60% when compared to the approved Plan.

Lifetime savings from Low-Income customers in the three-year period are projected to be approximately 79% above the goals approved by the Department, with the cost for low-income efforts estimated to be 4% higher than the approved budget. The dollar value of benefits expected from low-income efforts is projected to increase by 28% when compared to the approved Plan.

For the C&I programs, lifetime savings from C&I customers in the three-year period are anticipated by National Grid to be approximately 80% of the Department-approved C&I savings goals, with the cost for C&I efforts projected to be approximately 89% of the approved C&I budget. The dollar value of benefits expected from commercial and industrial efforts is projected to decrease to 79% of the projected value of benefits included in the approved Plan. While National Grid is projecting this level of savings for C&I, it is not changing its goals and is still fully committed to providing comprehensive energy efficiency service to its C&I customers.

At the portfolio level, National Grid Electric anticipates achieving 100% of its approved lifetime savings goals, with projected costs of approximately 2% below the approved portfolio level budget. National Grid anticipates achieving 105% of the dollar value of benefits in its Plan at the portfolio level.

For informational purposes only, the table below shows National Grid's 2013-2015 anticipated adjustments for annual savings, lifetime savings, benefits and budget for each sector. The 2013-2015 projections incorporate 2013 Plan-Year Report results, 2014 Plan-Year Report results, and proposed adjustments for 2015.

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<sup>3</sup> National Grid acknowledges that the filed Performance Incentive mechanism is pending in D.P.U. 15-49.

NATIONAL GRID ELECTRIC 2013-2015 ANTICIPATED ADJUSTMENTS BY SECTOR												
SECTOR	ANNUAL SAVINGS (MWh)			LIFETIME SAVINGS (MWh)			BENEFITS (LIFETIME \$)			BUDGET		
	2013-15 Approved	2013-15 with Proposed Adjustments	% Of Goal	2013-15 Approved	2013-15 with Proposed Adjustments	% Of Goal	2013-15 Approved	2013-15 with Proposed Adjustments	% Of Goal	2013-15 Approved	2013-15 with Proposed Adjustments	% Of Goal
			(b)			(e)			(h)			(k)
	(a)	(b)	(a)	(d)	(e)	(d)	(g)	(h)	(g)	(j)	(k)	(j)
RES	595,524	737,753	124%	2,772,704	5,484,485	198%	\$934.9 million	\$1494.7 million	160%	\$261.4 million	\$286.6 million	110%
LI	39,177	51,062	130%	347,431	623,585	179%	\$157.9 million	\$201.3 million	128%	\$82.2 million	\$85.5 million	104%
C&I	1,127,695	924,397	82%	14,485,224	11,574,477	80%	\$2172.3 million	\$1726.9 million	79%	\$344.0 million	\$306.5 million	89%
<b>TOTAL</b>	<b>1,762,396</b>	<b>1,713,212</b>	<b>97%</b>	<b>17,605,359</b>	<b>17,682,547</b>	<b>100%</b>	<b>\$3265.1 million</b>	<b>\$3422.9 million</b>	<b>105%</b>	<b>\$687.6 million</b>	<b>\$678.7 million</b>	<b>99%</b>

NATIONAL GRID ELECTRIC 2013-2015 ANTICIPATED ADJUSTMENTS BY PROGRAM												
PROGRAM	ANNUAL SAVINGS (MWh)			LIFETIME SAVINGS (MWh)			BENEFITS (LIFETIME \$)			BUDGET		
	2013-15 Approved	2013-15 with Proposed Adjustments	% Of Goal	2013-15 Approved	2013-15 with Proposed Adjustments	% Of Goal	2013-15 Approved	2013-15 with Proposed Adjustments	% Of Goal	2013-15 Approved	2013-15 with Proposed Adjustments	% Of Goal
			(b)			(e)			(h)			(k)
	(a)	(b)	(a)	(d)	(e)	(d)	(g)	(h)	(g)	(j)	(k)	(j)
Residential Whole House	353,079	393,974	112%	976,201	1,542,711	158%	\$683.8 million	\$927.4 million	136%	\$169.3 million	\$172.3 million	102%
Residential Products	242,444	343,779	142%	1,796,503	3,941,773	219%	\$251.1 million	\$567.3 million	226%	\$63.2 million	\$81.7 million	129%
Residential Hard-to-Measure	-	-	-	-	-	-	-	-	-	\$28.9 million	\$32.6 million	113%
Low-Income Whole House	39,177	51,062	130%	347,431	623,585	179%	\$157.9 million	\$201.3 million	128%	\$80.3 million	\$84.3 million	105%
Low-Income Hard-to-Measures	-	-	-	-	-	-	-	-	-	\$1.9 million	\$1.2 million	63%
C&I New Construction	270,838	349,746	129%	3,440,292	4,349,743	126%	\$501.3 million	\$633.8 million	126%	\$69.8 million	\$93.3 million	134%
C&I Retrofit	856,857	574,651	67%	11,044,931	7,224,734	65%	\$1671.1 million	\$1093.1 million	65%	\$269.2 million	\$208.0 million	77%
C&I Hard-to-Measure	-	-	-	-	-	-	-	-	-	\$5.0 million	\$5.2 million	104%
<b>Total</b>	<b>1,762,396</b>	<b>1,713,212</b>	<b>97%</b>	<b>17,605,359</b>	<b>17,682,547</b>	<b>100%</b>	<b>\$3265.1 million</b>	<b>\$3422.9 million</b>	<b>105%</b>	<b>\$687.6 million</b>	<b>\$678.7 million</b>	<b>99%</b>

**Calculation of Per kWh Adjustment Associated with Proposed MTM**

(1) Residential Whole House Program	\$4,215,625		
(2) Residential Products Program	\$19,305,993		
(3) Residential Hard-to Measure	<u>\$3,703,012</u>		
(4) Total MTM, Residential Sector	<b>\$27,224,630</b>		
(5) Forecasted kWh Deliveries for May 2015 through April 2016	<u>7,904,086,663</u>	0.01624	\$0.01968
(6) Impact of MTM on a per kWh Basis	\$0.00344		

- (1) Per October 15, 2014 EEAC Resolution
- (2) Per October 15, 2014 EEAC Resolution
- (3) Per October 15, 2014 EEAC Resolution
- (4) Sum of Lines (1) through (3)
- (5) Current kWh forecast for Rates R-1, E, R-4 for Mass. Electric and Nantucket Electric
- (6) Line (4) ÷ Line (5), truncated to 5 decimal places

**Application of 2% Bill Impact Threshold Test**

<b>Rate Class</b>	<b>Class Charges at Current Rates</b>	<b>Class Charges at Updated EERF</b>	<b>Change in Class Charges</b>	<b>% Change</b>
	(a)	(e)	(f)	(g)
(1) R-1: Regular Residential	\$1,445,036,773	\$1,472,379,895	\$27,343,121	1.9%
(2) R-4: Large Residential	\$2,229,437	\$2,272,439	\$43,002	1.9%

- (1) Page 3, Line 4; reflects currently effective charges except for EERF, which represents the previously-approved 2015 EERF in D.P.U. 14-70.
- (2) Page 4, Line 4; reflects currently effective charges except for EERF, which represents the previously-approved 2015 EERF in D.P.U. 14-70 plus the MTM adjustment from Page 1, Line (6)

**Impact Analysis for Rate R-1**

R-1	Test Year Units (a)	Current Rates (b)	Current Charges (c)	Updated EERF (d)	Updated Charges (e)
(1) Customer Charge	12,125,040	\$4.00	\$48,500,162	\$4.00	\$48,500,162
(2) Energy Charge					
Distribution Charge (first 600 kWh)	5,414,389,755	\$0.02727	\$147,650,409	\$0.02727	\$147,650,409
Distribution Charge (excess 600 kWh)	2,534,192,012	\$0.03389	\$85,883,767	\$0.03389	\$85,883,767
Cap Ex Factor	7,948,581,767	\$0.00223	\$17,725,337	\$0.00223	\$17,725,337
Basic Service Adjustment Factor	7,948,581,767	(\$0.00084)	(\$6,676,809)	(\$0.00084)	(\$6,676,809)
Residential Assitance Adjustment Factor	7,948,581,767	\$0.00391	\$31,078,955	\$0.00391	\$31,078,955
Storm Replenishment Adjustment Factor	7,948,581,767	\$0.00266	\$21,143,228	\$0.00266	\$21,143,228
Pension/PBOP Adjustment Factor	7,948,581,767	\$0.00244	\$19,394,540	\$0.00244	\$19,394,540
Revenue Decoupling Adjustment Factor	7,948,581,767	\$0.00179	\$14,227,961	\$0.00179	\$14,227,961
Attorney General Consulting Expense	7,948,581,767	\$0.00001	\$79,486	\$0.00001	\$79,486
Solar Cost Adjustment Factor	7,948,581,767	\$0.00007	\$556,401	\$0.00007	\$556,401
Smart Grid Distribution Factor	7,948,581,767	\$0.00027	\$2,146,117	\$0.00027	\$2,146,117
Base Transition Charge	7,948,581,767	(\$0.00154)	(\$12,240,816)	(\$0.00154)	(\$12,240,816)
Transition Adjustment Factor	7,948,581,767	(\$0.00010)	(\$794,858)	(\$0.00010)	(\$794,858)
Energy Efficiency Reconciling Factor	7,948,581,767	\$0.01374	\$109,213,513	\$0.01718	\$136,556,635
Base Energy Efficiency Charge	7,948,581,767	\$0.00250	\$19,871,454	\$0.00250	\$19,871,454
Renewables Charge	7,948,581,767	\$0.00050	\$3,974,291	\$0.00050	\$3,974,291
Base Transmission Charge	7,948,581,767	\$0.02343	\$186,235,271	\$0.02343	\$186,235,271
Tranmission Adjustment Factor	7,948,581,767	\$0.00271	\$21,540,657	\$0.00271	\$21,540,657
Basic Service Charge (Fixed)	7,948,581,767	\$0.09257	<u>\$735,800,214</u>	\$0.09257	<u>\$735,800,214</u>
			\$1,396,809,118		\$1,424,152,239
(3) Farm Credit		-0.09%	(\$272,506)		(\$272,506)
(4) Total Revenue			\$1,445,036,773		\$1,472,379,895

(a) Test Year Units for general rate case in Docket DPU 09-39

(b) Rates Effective March 1, 2015; 2015 Energy Efficiency Reconciling Factor per Attachment 7 of March 3, 2014 Energy Efficiency Reconciling Factor Filing in D.P.U. 14-70

(c) Column (a) x Column (b)

(d) Rates Effective March 1, 2015; Energy Efficiency Reconciling Factor represents approved factor from D.P.U. 14-70 plus MTM adjustment per Page 1, Line (6)

(e) Column (a) x Column (d)

Farm Credit calculated based on effective percentage of distribution revenue included in rate design in Docket DPU 09-39

**Impact Analysis for Rate R-4**

R-4	Test Year Units (a)	Current Rates (b)	Current Revenue (c)	Updated 2015 EERF (d)	Updated Charges (e)
(1) Customer Charge	2,406	\$20.87	\$50,213	\$20.87	\$50,213
(2) Energy Charge					
Distribution Charge (Peak kWh)	3,702,671	\$0.06644	\$246,005	\$0.06644	\$246,005
Distribution Charge (Off Peak kWh)	8,797,820	\$0.00582	\$51,203	\$0.00582	\$51,203
Cap Ex Factor	12,500,492	\$0.00276	\$34,501	\$0.00276	\$34,501
Basic Service Adjustment Factor	12,500,492	(\$0.00144)	(\$18,001)	(\$0.00144)	(\$18,001)
Residential Assistance Adjustment Factor	12,500,492	\$0.00670	\$83,753	\$0.00670	\$83,753
Storm Replenishment Adjustment Factor	12,500,492	\$0.00320	\$40,002	\$0.00320	\$40,002
Pension/PBOP Adjustment Factor	12,500,492	\$0.00399	\$49,877	\$0.00399	\$49,877
Revenue Decoupling Adjustment Factor	12,500,492	\$0.00308	\$38,502	\$0.00308	\$38,502
Attorney General Consulting Expense	12,500,492	\$0.00002	\$250	\$0.00002	\$250
Solar Cost Adjustment Factor	12,500,492	\$0.00013	\$1,625	\$0.00013	\$1,625
Smart Grid Distribution Factor	12,500,492	\$0.00046	\$5,750	\$0.00046	\$5,750
Base Transition Charge	12,500,492	(\$0.00154)	(\$19,251)	(\$0.00154)	(\$19,251)
Transition Adjustment Factor	12,500,492	\$0.00004	\$500	\$0.00004	\$500
Energy Efficiency Reconciling Factor	12,500,492	\$0.01374	\$171,757	\$0.01718	\$214,758
Base Energy Efficiency Charge	12,500,492	\$0.00250	\$31,251	\$0.00250	\$31,251
Renewables Charge	12,500,492	\$0.00050	\$6,250	\$0.00050	\$6,250
Base Transmission Charge	12,500,492	\$0.02138	\$267,261	\$0.02138	\$267,261
Transmission Adjustment Factor	12,500,492	\$0.00247	\$30,876	\$0.00247	\$30,876
Basic Service Charge (Fixed)	12,500,492	\$0.09257	<u>\$1,157,171</u>	\$0.09257	<u>\$1,157,171</u>
			\$2,179,283		\$2,222,284
(3) Farm Credit		-0.01%	(\$59)		(\$59)
(4) Total Revenue			\$2,229,437		\$2,272,439

(a) Test Year Units for general rate case in Docket DPU 09-39

(b) Rates Effective March 1, 2015; 2015 Energy Efficiency Reconciling Factor per Attachment 7 of March 3, 2014 Energy Efficiency Reconciling Factor Filing in D.P.U. 14-70

(c) Column (a) x Column (b)

(d) Rates Effective March 1, 2015; Energy Efficiency Reconciling Factor represents approved factor from D.P.U. 14-70 plus MTM adjustment per Page 1, Line (6)

(e) Column (a) x Column (d)

Farm Credit calculated based on effective percentage of distribution revenue included in rate design in Docket DPU 09-39