

**Mid-Term Modification Requests for National Grid Gas**  
**July 6, 2015**

National Grid is committed to achieving its Three-Year Plan portfolio level savings goals. In order to do so, National Grid Gas 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 and Department of Public Utilities (“Department”) approval for National Grid Gas 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 its 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 and approval from the Department to make significant modifications to its gas Energy Efficiency Plan (“Plan”).

The following modifications are submitted for review and support from the EEAC and will require Department approval pursuant to § 3.8.2:

1. Increase funding in the Residential Whole House program.
2. Increase funding in the Residential Products program.
3. Underspend in the C&I Retrofit program.

The following modifications are submitted for review and support from the EEAC, but do not require Department approval pursuant to § 3.8.1:

1. Increase funding in the Low-Income Whole House program.
2. Overspend in the C&I Hard-to-Measure program.
3. Underspend in the Residential Hard-to-Measure program.
4. Underspend in the Low Income Hard-to-Measure program.

Details about each of these requests follow.

Modifications that need EEAC support and Department approval:

- 1) Budget increase in the Company’s gas Residential Whole House program. This requested increase in budget will result in a 3.6% residential gas customer rate increase.<sup>1</sup> The analysis that was conducted to determine this bill impact can be found in Attachment A.

<b>Program</b>	<b>2013-2015 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>
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<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 3.6%.

<b>Residential Whole House</b>	\$98.3 million	\$122.9 million	\$24.5 million	+25%
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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. As shown in the 2014 Plan-Year Report, National Grid achieved almost 115% of lifetime savings in the Residential Whole House program by the end of 2014. National Grid is requesting additional funds in order to complete more Home Energy Services (HES) audits, perform more insulation and air sealing jobs, and continue to drive efficiency in a resurging new construction market. National Grid is anticipating that the 25% increase in spending will yield an additional 69% in lifetime savings for the Residential Whole House program.

- 2) Budget increase in the Company’s gas Residential Products program. This requested increase in budget will result in a 3.6% residential gas customer rate increase.<sup>2</sup> The analysis that was conducted to determine this bill impact can be found in Attachment A.

<b>Program</b>	<b>2013-2015 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>Residential Products</b>	\$38.3 million	\$46.0 million	\$7.6 million	+20%

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. As shown in the 2014 Plan-Year Report, National Grid achieved 113% of lifetime savings in the Residential Products program by the end of 2014. This achievement is driven by higher than planned participation in the Residential Heating and Water Heating core initiative. In order to meet continued strong demand for residential products and services, National Grid is requesting additional funds to continue offering incentives through this core initiative. National Grid is anticipating that the 20% increase in spending will yield an additional 56% in lifetime savings for the Residential Products program.

- 3) Underspend in the C&I Retrofit Program. This requested decrease in budget will result in a 4.4% C&I gas customer rate decrease.<sup>3</sup> The analysis that was conducted to determine this bill impact can be found in Attachment B.

<b>Program</b>	<b>Planned Budget</b>	<b>2013-2015 Projected (2013 &amp; 2014 Plan Yr Report Actuals + 2015 Projections)</b>	<b>Underspend Requested for Approval</b>	<b>Percentage Change from Plan</b>
<b>C&amp;I Retrofit</b>	52.3 million	32.1 million	20.2 million	-39%

<sup>2</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 3.6%.

<sup>3</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 4.4%.

Lower than planned participation in the C&I Retrofit Program is driving this projected underspending.

Modifications that need EEAC support only:

- 1) Budget increase in the Company’s Low-Income Whole House Program. 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 gas customers.

<b>Program</b>	<b>2013-2015 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 Whole House</b>	\$54.9 million	\$65.6 million	\$10.8 million	+20%

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. As shown in the 2014 Plan-Year Report, National Grid achieved almost 120% of its three-year lifetime savings goals by the end of 2014. National Grid is requesting additional funds in order to continue to serve low-income customers with much needed services. The Company projects that the 20% increase in spending will yield an additional 82% in lifetime savings in the Low-Income Whole House program.

- 2) Underspend in the gas Residential Hard-to-Measure program. The budget change would not require Department approval as it does not surpass the 2% rate impact threshold for the Company’s residential gas customers.

<b>Program</b>	<b>2013-2015 Planned Budget</b>	<b>2013-2015 Projected (2013 &amp; 2014 Plan Yr Report Actuals + 2015 Projections)</b>	<b>Underspend Requested for Approval</b>	<b>Percentage Change from Plan</b>
<b>Residential Hard-to-Measure</b>	\$6.8 million	\$5.0 million	\$1.8 million	-26%

Underspending is driven by lower than planned spending in the Residential R&D and Demonstration, Heat Loan, EEAC Consultants, Sponsorships & Subscriptions, and Workforce Development initiatives. 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 over the Plan goal. While the Company seeks Council support for the underspend in the Residential Hard-to-Measure program, the Company is not seeking to reduce its total Residential sector budget as a result of this change. Underspending in this program will be redirected to support achieving additional cost-effective savings in the Residential Whole House and Products programs.

- 3) Underspend in the gas Low-Income Hard-to-Measure program. 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 gas customers.

<b>Program</b>	<b>2013-2015 Planned Budget</b>	<b>2013-2015 Projected (2013 &amp; 2014 Plan Yr Report Actuals + 2015 Projections)</b>	<b>Underspend Requested for Approval</b>	<b>Percentage Change from Plan</b>
<b>Low-Income Hard-to-Measure</b>	\$1.8 million	\$1.0 million	\$0.8 million	-43%

Underspending in the Low-Income Hard-to-Measure Program reflects lower than anticipated administrative expenses from the Low-Income Energy Affordability Network. The Company notes that this “Hard-to-Measure” initiative has no savings associated with it. Although the variance for this program is significant, the change at the sector level is negligible as spending is projected to be over the Plan goal. While the Company seeks Council support for the underspend in the Low-Income Hard-to-Measure program, the Company is not seeking to reduce its total Low Income sector budget as a result of this change. Underspending in this program will be redirected to support achieving additional cost-effective savings in the Low-Income Whole House program.

- 4) Overspend in the gas C&I Hard-to-Measure program. 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 gas 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>C&amp;I Hard-to-Measure</b>	\$1.8 million	\$2.7 million	\$0.9 million	52%

Overspending is driven by higher than planned spending for C&I DOER Assessment, C&I EEAC Consultants, and C&I Sponsorships & Subscriptions. The Company notes that this “Hard-to-Measure” initiative has no savings associated with it. Although the variance for this program is significant, the change at the sector level is small. While the Company seeks Council support for the overspend in the C&I Hard-to-Measure program, the Company is not seeking to increase its total C&I sector budget as a result of this change. Overspending in this program can be supported by the underspend in the C&I Retrofit Program.

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>4</sup>

<sup>4</sup> National Grid acknowledges that the filed Performance Incentive mechanism is pending in D.P.U. 15-49.

National Grid requests Council review and support to make the seven significant modifications to its 2013-2015 gas Energy Efficiency Plan as described above.

**Additional Information Provided for Informational Purposes Only – Not Part of EEAC Request for Support or Department Request for Approval**

The additional information summarized below is provided by National Grid for context and informational purposes only. Council action is requested solely on the seven 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 projected by National Grid to be approximately 65% higher than Department-approved residential savings goals, with the cost for residential efforts projected to be approximately 21% higher than the approved residential 3-year budget. The dollar value of benefits expected from residential efforts is projected to increase by 38% when compared to the approved Plan.

Lifetime savings from Low-Income customers in the three-year period are projected to be approximately 82% above the goals approved by the Department, with the cost for low-income efforts estimated to be 18% higher than the approved budget. The dollar value of benefits expected from residential efforts is projected to increase by 56% when compared to the approved Plan.

C&I program lifetime savings in the three-year period are projected by National Grid to be approximately 77% of the Department-approved C&I savings goals, with the cost for C&I efforts projected to be approximately 71% of the approved C&I budget. The dollar value of benefits expected from commercial and industrial efforts is projected to approximate 75% of the projected value of benefits included in the approved Plan. While National Grid is projecting this level of savings and benefits for C&I, it is not changing its goals and is still fully committed to providing comprehensive energy efficiency services to its C&I customers.

At the portfolio level, National Grid anticipates achieving 121% of its approved lifetime savings goals, with projected costs approximately 6% above the approved portfolio level budget. National Grid projects it will achieve 117% 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 projected adjustments for annual savings, lifetime savings, benefits and budget by sector. The 2013-2015 projections incorporate 2013 Plan-Year Report results for 2013, 2014 Plan-Year Report results for 2014, and proposed adjustments for 2015.

NATIONAL GRID GAS 2013-2015 ANTICIPATED ADJUSTMENTS BY SECTOR												
SECTOR	ANNUAL SAVINGS (Therms)			LIFETIME SAVINGS (Therms)			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	21,060,610	28,092,606	133%	180,759,009	297,648,941	165%	\$354.0 million	\$489.1 million	138%	\$143.5 million	\$173.9 million	121%
LI	2,277,771	3,993,729	175%	44,021,046	80,139,043	182%	\$102.3 million	\$159.7 million	156%	\$56.6 million	\$66.6 million	118%
C&I	16,314,657	13,149,528	81%	240,012,492	185,886,279	77%	\$279.3 million	\$210.0 million	75%	\$82.6 million	\$58.4 million	71%
<b>TOTAL</b>	<b>39,653,037</b>	<b>45,235,863</b>	<b>114%</b>	<b>464,792,548</b>	<b>563,674,263</b>	<b>121%</b>	<b>\$735.7 million</b>	<b>\$858.8 million</b>	<b>117%</b>	<b>\$282.7 million</b>	<b>\$299.0 million</b>	<b>106%</b>

NATIONAL GRID GAS 2013-2015 ANTICIPATED ADJUSTMENTS BY PROGRAM & CORE INITIATIVE												
PROGRAM & CORE INITIATIVE	ANNUAL SAVINGS (Therms)			LIFETIME SAVINGS (Therms)			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)
<b>Residential Whole House</b>	<b>17,959,876</b>	<b>23,323,228</b>	<b>130%</b>	<b>122,541,109</b>	<b>206,625,882</b>	<b>169%</b>	<b>\$244.4 million</b>	<b>\$371.7 million</b>	<b>152%</b>	<b>\$98.3 million</b>	<b>\$122.9 million</b>	<b>125%</b>
Residential New Construction	584,049	1,788,738	306%	13,550,718	62,338,666	460%	\$30.6 million	\$99.9 million	327%	\$7.8 million	\$17.3 million	221%
Residential Multi-Family Retrofit	968,965	1,077,668	111%	14,792,837	16,785,995	113%	\$43.2 million	\$45.5 million	105%	\$11.5 million	\$10.0 million	86%
Residential Home Energy Services	4,359,203	6,002,992	138%	82,149,893	113,047,391	138%	\$157.6 million	\$210.2 million	133%	\$71.1 million	\$88.1 million	124%
Residential Behavior/Feedback	12,047,660	14,453,830	120%	12,047,660	14,453,830	120%	\$13.1 million	\$16.1 million	123%	\$7.9 million	\$7.6 million	96%
<b>Residential Products</b>	<b>3,100,733</b>	<b>4,769,378</b>	<b>154%</b>	<b>58,217,900</b>	<b>91,023,058</b>	<b>156%</b>	<b>\$109.6 million</b>	<b>\$117.5 million</b>	<b>107%</b>	<b>\$38.3 million</b>	<b>\$46.0 million</b>	<b>120%</b>
Residential Heating & Water Heating	3,100,733	4,769,378	154%	58,217,900	91,023,058	156%	\$109.6 million	\$117.5 million	107%	\$38.3 million	\$46.0 million	120%
<b>Residential Hard-to-Measure</b>	-	-	-	-	-	-	-	-	-	<b>\$6.8 million</b>	<b>\$5.0 million</b>	<b>74%</b>
<b>Low-Income Whole House</b>	<b>2,277,771</b>	<b>3,993,729</b>	<b>175%</b>	<b>44,021,046</b>	<b>80,139,043</b>	<b>182%</b>	<b>\$102.3 million</b>	<b>\$159.7 million</b>	<b>156%</b>	<b>\$54.9 million</b>	<b>\$65.6 million</b>	<b>120%</b>
Low-Income Single Family Retrofit	1,577,227	1,050,444	67%	31,544,548	24,346,920	77%	\$69.0 million	\$54.9 million	80%	\$30.7 million	\$28.6 million	93%
Low-Income Multi-Family Retrofit	700,544	2,943,285	420%	12,476,499	55,792,123	447%	\$33.3 million	\$104.8 million	315%	\$24.1 million	\$37.0 million	153%
<b>Low-Income Hard-to-Measure</b>	-	-	-	-	-	-	-	-	-	<b>\$1.8 million</b>	<b>\$1.0 million</b>	<b>57%</b>
<b>C&amp;I New Construction</b>	<b>5,132,471</b>	<b>4,057,099</b>	<b>79%</b>	<b>101,209,375</b>	<b>97,825,797</b>	<b>97%</b>	<b>\$98.5 million</b>	<b>\$95.2 million</b>	<b>97%</b>	<b>\$28.5 million</b>	<b>\$23.6 million</b>	<b>83%</b>
C&I New Construction	5,132,471	4,057,099	79%	101,209,375	97,825,797	97%	\$98.5 million	\$95.2 million	97%	\$28.5 million	\$23.6 million	83%
<b>C&amp;I Retrofit</b>	<b>11,182,186</b>	<b>9,092,430</b>	<b>81%</b>	<b>138,803,117</b>	<b>88,060,482</b>	<b>63%</b>	<b>\$180.8 million</b>	<b>\$114.7 million</b>	<b>63%</b>	<b>\$52.3 million</b>	<b>\$32.1 million</b>	<b>61%</b>
C&I Retrofit	10,796,530	8,738,915	81%	135,472,303	85,924,658	63%	\$172.5 million	\$109.4 million	63%	\$51.3 million	\$31.1 million	61%
C&I Direct Install	385,656	353,515	92%	3,330,814	2,135,823	64%	\$8.3 million	\$5.3 million	64%	\$1.1 million	\$1.1 million	100%
<b>C&amp;I Hard-to-Measure</b>	-	-	-	-	-	-	-	-	-	<b>\$1.8 million</b>	<b>\$2.7 million</b>	<b>152%</b>
<b>Total</b>	<b>39,653,037</b>	<b>45,235,863</b>	<b>114%</b>	<b>464,792,548</b>	<b>563,674,263</b>	<b>121%</b>	<b>\$735.7 million</b>	<b>\$858.8 million</b>	<b>117%</b>	<b>\$282.7 million</b>	<b>\$299.0 million</b>	<b>106%</b>