

Gas Term Sheet: 2013-2015 Plan

	2013	2014	2015	Total 2013-2015
Annual Retail Energy Sales (Therms)	2,149,896,059	2,149,990,973	2,162,916,894	6,462,803,926
PA Total Annual Energy Savings as % of Energy Sales*	1.07%	1.13%	1.14%	1.11%
PA Total Annual Energy Savings Goals (Therms)	23,000,000	24,250,000	24,750,000	72,000,000
Benefits (\$, million)**				\$1,270
Performance Incentive Pool at <u>Design</u>	\$5,111,111	\$5,388,889	\$5,500,000	\$16,000,000
Performance Incentive Level (%):				
Threshold***	75%	75%	80%	75%-80%
Design	100%	100%	100%	100%
Exemplary - Cap	125%	125%	125%	125%
Budget: Program Costs (\$, million)	\$169	\$175	\$181	\$525
Cost per Annual Therm Saved	\$7.348	\$7.216	\$7.313	\$7.292

* Council savings targets (total annual energy savings as % of energy sales) are 1.10% in 2013, 1.12% in 2014, and 1.15% in 2015, with a three-year target of 1.12%.

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

*** Performance Incentive threshold for National Grid and NSTAR is based on the 1.10%, 1.12%, and 1.15% 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. 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”). National Grid and NSTAR have shown leadership by proposing savings goals that exceed the statewide total savings target of 1.12% on a three-year basis, and all Program Administrators (“PAs”) have contributed to committing to aggressive 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 effort 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 1.10% in 2013, 1.12% in 2014, and 1.15% in 2015, but with a PA statewide total savings goal of 72,000,000 therms (set forth 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 1.12% 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.

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: \$16.0 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 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 Savings Goals and Program Budgets:

As proposed by the PAs in this term sheet, the PAs would commit to a three-year savings goal of 72,000,000 therms, an increase of 432,657 therms from the amounts shown on Attachment A. The PAs will identify such savings amongst themselves, and will then update the savings values that are shown in Attachment A; the budgets set forth in this term sheet reflect the PAs increasing savings to the 72,000,000 therms level.

ATTACHMENT A to Gas Term Sheet

STATEWIDE GAS				
	OCTOBER			
	2013	2014	2015	2013-2015
Annual Savings (Therms)	22,633,866	24,199,065	24,734,411	71,567,343
Goals as % Of Sales	1.05%	1.13%	1.14%	1.11%
Budgets	\$ 168,130,941	\$ 173,908,567	\$ 179,870,930	\$ 521,910,438
Cost per Annual Therm	\$ 7.428	\$ 7.187	\$ 7.272	\$ 7.293

NATIONAL GRID				
	OCTOBER			
	2013	2014	2015	2013-2015
Annual Savings (Therms)	12,365,156	13,561,479	13,688,667	39,615,302
Goals as % Of Sales	1.07%	1.18%	1.19%	1.15%
Budgets	\$ 91,688,098	\$ 94,319,449	\$ 96,743,075	\$ 282,750,622
Cost per Annual Therm	\$ 7.415	\$ 6.955	\$ 7.067	\$ 7.137

NSTAR				
	OCTOBER			
	2013	2014	2015	2013-2015
Annual Savings (Therms)	5,219,690	5,511,762	5,835,998	16,567,450
Goals as % Of Sales	1.07%	1.12%	1.17%	1.12%
Budgets	\$ 38,333,178	\$ 40,365,769	\$ 42,257,280	\$ 120,956,227
Cost per Annual Therm	\$ 7.344	\$ 7.324	\$ 7.241	\$ 7.301

CMA				
	OCTOBER			
	2013	2014	2015	2013-2015
Annual Savings (Therms)	4,052,618	4,068,714	4,097,391	12,218,722
Goals as % Of Sales	1.10%	1.10%	1.10%	1.10%
Budgets	\$ 29,791,645	\$ 30,405,476	\$ 31,677,289	\$ 91,874,410
Cost per Annual Therm	\$ 7.351	\$ 7.473	\$ 7.731	\$ 7.519

UNITIL				
	OCTOBER			
	2013	2014	2015	2013-2015
Annual Savings (Therms)	174,182	188,700	201,100	563,981
Goals as % Of Sales	0.70%	0.74%	0.77%	0.74%
Budgets	\$ 1,595,563	\$ 1,726,491	\$ 1,837,776	\$ 5,159,830
Cost per Annual Therm	\$ 9.160	\$ 9.149	\$ 9.139	\$ 9.149

BERKSHIRE				
	OCTOBER			
	2013	2014	2015	2013-2015
Annual Savings (Therms)	429,336	471,404	509,110	1,409,850
Goals as % Of Sales	0.68%	0.74%	0.80%	0.74%
Budgets	\$ 3,697,963	\$ 3,879,811	\$ 4,074,850	\$ 11,652,624
Cost per Annual Therm	\$ 8.613	\$ 8.230	\$ 8.004	\$ 8.265

NEW ENGLAND GAS				
	OCTOBER			
	2013	2014	2015	2013-2015
Annual Savings (Therms)	392,885	397,007	402,146	1,192,038
Goals as % Of Sales	0.79%	0.79%	0.80%	0.79%
Budgets	\$ 3,024,493	\$ 3,211,571	\$ 3,280,661	\$ 9,516,725
Cost per Annual Therm	\$ 7.698	\$ 8.089	\$ 8.158	\$ 7.984