

KEEGAN WERLIN LLP

ATTORNEYS AT LAW
99 HIGH STREET, SUITE 2900
BOSTON, MASSACHUSETTS 02110

(617) 951-1400

TELECOPIER:
(617) 951-1354

June 14, 2024

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: In re: Investigation of Misconduct by The Narragansett Electric Company Relating to
Past Payments of Energy Efficiency Program Shareholder Incentives
Docket No. 22-05-EE

Dear Ms. Massaro:

On behalf of National Grid USA, enclosed is the pre-filed direct testimony of Christopher McCusker. In accordance with the Rhode Island Public Utilities Commission's ("Commission") Procedural Schedule dated April 5, 2024, Mr. McCusker's direct testimony explains the development of and supports the Report on the Investigation into Out-of-Period Invoicing within the Rhode Island Energy Efficiency Program (2012-2021), dated March 10, 2023 (the "2023 Report"). Mr. McCusker's testimony also addresses some of the issues raised in the Joint Testimony of Michael R. Ballaban and Jacob Van Reen filed by the Division of Public Utilities and Carriers on November 27, 2023, in response to the 2023 Report.

This filing also contains a Motion for Protective Treatment of Confidential Information in accordance with Rule 1.3(H) of the Commission's Rules of Practice and Procedure and R.I. Gen. Laws § 38-2-2(4). National Grid seeks protection from public disclosure of confidential information contained in the appendices to the 2023 Report, which is attached to Mr. McCusker's direct testimony as Exhibit NG-1. In compliance with Rule 1.3(H), National Grid is providing the Commission with one complete, unredacted copy of the confidential materials in a sealed envelope marked "Contains Confidential Materials – Do Not Release," and has included redacted copies of the materials for the public filing.

Please do not hesitate to contact me if you have any questions. Thank you for your attention to this matter.

Very truly yours,



Robert J. Humm

Enclosures

cc: Docket No. 22-05-EE Service List

)	
In re: Investigation of Misconduct by)	
The Narragansett Electric Company Relating)	Docket No. 22-05-EE
to Past Payments of Energy Efficiency)	
Program Shareholder Incentives)	
)	

National Grid USA (“National Grid”) hereby respectfully requests that the Public Utilities Commission (“PUC” or “Commission”) grant protection from public disclosure of certain confidential information included in Exhibit NG-1 attached to the pre-filed direct testimony of Christopher McCusker, filed on June 14, 2024, as permitted by 810-RICR-00-00-1.3(H)(3) (“Rule 1.3(H)(3)”) and R.I. Gen. Laws § 38-2-2(4). National Grid also requests that, pending entry of that finding, the PUC preliminarily grant National Grid’s request for protective treatment pursuant to Rule 1.3(H)(2).

On July 11, 2022, the Commission opened the above-captioned docket, entitled “In Re: Investigation of Utility Misconduct or Fraud by The Narragansett Electric Company Relating to Past Payment of Shareholder Incentive,” announcing that it “will investigate [The Narragansett Electric Company’s] actions and the actions of its employees during the time it was a National Grid affiliate, relating to the alleged manipulation of the reporting of invoices affecting the calculation of past energy efficiency shareholder incentives and the resulting impact on customers.” Order No. 24441 at 5-6. On July 14, 2022, National Grid voluntarily intervened in this docket to continue its participation in the Commission and Division of Public Utilities and Carriers’ (“Division”) investigatory process.

On March 10, 2023, National Grid filed in this docket its “Report on the Investigation into Out-of-Period Invoicing within the Rhode Island Energy Efficiency Program (2012-2021)” (the “2023 Report”), which provides a comprehensive compilation of the facts discovered in National Grid’s internal investigation of the Commission and Division’s concerns. Simultaneously, National Grid filed a motion for protective treatment of confidential information for the 2023 Report. On June 14, 2024, National Grid submitted the pre-filed direct testimony of Christopher McCusker and included the 2023 Report as Exhibit NG-1 to Mr. McCusker’s testimony.¹

The 2023 Report itself is being filed publicly; however, the appendices to the 2023 Report contain some confidential information that is redacted from the public filing. In particular, names and titles of employees appear in Appendix E (2017-2018 Email Review Custodians), Appendix F (2012-2021 Email Review Custodians), Appendix G (Initial Investigation Interviewees), and Appendix H (Expanded Investigation Interviewees) (collectively, the “Confidential Appendices”). The public disclosure of this information would be an unwarranted invasion of the personal privacy of the employees listed. As such, National Grid has redacted from the public filing the individual employee names and titles in the Confidential Appendices.

Therefore, National Grid requests that, pursuant to Rule 1.3(H), the Commission afford protective treatment of the names and titles of employees appearing in the Confidential Appendices to the 2023 Report.

II. LEGAL STANDARD

Rule 1.3(H) of the PUC’s Rules of Practice and Procedure provides that access to public

¹ On April 5, 2024, the Commission issued a procedural schedule that directed National Grid and The Narragansett Electric Company d/b/a Rhode Island Energy to submit pre-filed testimony no later than June 14, 2024 that: (1) supports the 2023 Report; and (2) responds to the pre-filed testimony submitted by the Division on November 27, 2023.

records shall be granted in accordance with the Access to Public Records Act (“APRA”), R.I. Gen. Laws § 38-2-1, et seq. Under APRA, any record received or maintained by a state or local governmental agency in connection with the transaction of official business is considered public, unless information in a record falls within one of the exemptions specifically identified in R.I. Gen. Laws § 38-2-2(4). To the extent that information in a record provided to the PUC falls within one of the designated APRA exemptions, the PUC has the authority to deem such information as confidential and to protect that information from public disclosure.

R.I. Gen. Laws § 38-2-2(4)(A)(I)(b) provides for the protection of “[p]ersonnel and other personal individually identifiable records otherwise deemed confidential by federal or state law or regulation, or the disclosure of which would constitute a clearly unwarranted invasion of personal privacy pursuant to 5 U.S.C. § 552, et seq.” 5 U.S.C. § 552(b)(6) similarly provides an exception for “personnel . . . and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy.”

Moreover, R.I. Gen. Laws § 38-2-2(4)(P) provides an exception such that “[a]ll investigatory records of public bodies . . . pertaining to possible violations of statute, rule, or regulation other than records of final actions taken, provided that all records of prior to formal notification of violations or noncompliance shall not be deemed to be public.”

“[E]ven if a document does not fall into one of these categories, it is still incumbent upon the public body to exempt a record from public disclosure if the individual’s privacy interests outweigh the public’s interest in disclosure.” Advisory Opinion, ADV PR 03-01, 2003 WL 24172741 (R.I.A.G. May 7, 2003), citing Providence Journal v. Kane, 577 A.2d 661, 663-64 (R.I. 1990).

In addition, applicable to discovery responses under the PUC’s Rules of Practice and

Procedure, “[u]pon motion by a party from whom [the information] is sought, and for good cause shown, the presiding officer may make an order when justice requires to protect the party from unreasonable annoyance, embarrassment, oppression, burden or expense, or from disclosure of confidential business and financial information.” See 810-RICR-00-00-19(E) (“Rule 1.19(E)”).

III. BASIS FOR CONFIDENTIALITY

The employee names and titles contained in the Confidential Appendices should be protected from public disclosure pursuant to R.I. Gen. Laws § 38-2-2(4) because they constitute personnel and other personal individually identifiable records, the disclosure of which would constitute a clearly unwarranted invasion of personal privacy pursuant to R.I. Gen. Laws § 38-2-2(4)(A)(I)(b). While generally the disclosure of a name on its own would not constitute an invasion of privacy, the very nature of this investigatory docket alleging “misconduct” or “fraud” in its title casts any disclosure of employee names as an invasion of personal privacy. Just because an employee’s name is mentioned in a record from an investigation does not mean that the employee engaged in any alleged misconduct. However, disclosing employee names and other identifying information, such as titles, to the public as being involved in this investigation could have a detrimental impact on their reputation and standing in the community. It is this very policy that likely led the General Assembly to exclude “[a]ll investigatory records of public bodies . . . pertaining to possible violations of statute, rule, or regulation other than records of final actions taken” from the public records definition, which is, in itself, an independent and sufficient basis for protective treatment. R.I.G.L. § 38-2-2(4)(P). At this stage, the information is private, not associated with a final action of a public body, and ordinarily would not be made public. Accordingly, the privacy interests of the individuals outweigh the public’s interest in disclosure based on the circumstances, and thus their identities should be exempt from public disclosure. *See Providence J. Co. v. Kane*, 577 A.2d 661, 663 (R.I. 1990). Moreover, justice requires the

protection of these individuals from unreasonable annoyance or embarrassment of being publicly identified.² See Rule 1.19(E).



Accordingly, National Grid is providing the Confidential Appendices to the 2023 Report on a voluntary basis to assist the Commission with its decision-making in this proceeding, but respectfully requests that the Commission provide protective treatment to the names and titles of the employees listed in the Confidential Appendices.

IV. CONCLUSION

For the foregoing reasons, National Grid respectfully requests that the PUC grant its Motion for Protective Treatment of Confidential Information.

Respectfully submitted,

NATIONAL GRID USA,
By its attorneys,

Cheryl M. Kimball, Esq.
Robert J. Humm, Esq.
Keegan Werlin LLP
99 High Street, Ste. 2900
Boston, Massachusetts 02110
(617) 951-1400

Dated: June 14, 2024

² While the 2023 Report is produced again on June 14, 2024 as Exhibit NG-1 to Mr. McCusker's pre-filed direct testimony, it was first submitted on March 10, 2023, as supplemental information in response to Data Request Division 9-1. Each time this comprehensive document has been produced, it has been subject to a motion for protective treatment of confidential information, and justice requires that it be protected.

CERTIFICATE OF SERVICE

I hereby certify that on June 14, 2024, I delivered a true copy of the foregoing Motion via electronic mail to the parties on the Service List for Docket No. 22-05-EE.

A handwritten signature in blue ink, appearing to be "RH", with a long horizontal flourish extending to the right.

Robert J. Humm

NATIONAL GRID USA
RIPUC Docket No. 22-05-EE
In Re: Investigation of Misconduct by
The Narragansett Electric Company Relating to Past Payments
of Energy Efficiency Program Shareholder Incentives
Witness: Christopher McCusker

DIRECT TESTIMONY
OF
CHRISTOPHER McCUSKER

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1 **I. Introduction**

2 **Q. Please state your full name and business address.**

3 A. My name is Christopher McCusker. My business address is 170 Data Drive, Waltham,
4 Massachusetts.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by National Grid USA Service Company, Inc. (“Service Company”) as
7 Vice President of Energy Efficiency and Clean Transportation Programs.

8 **Q. What are your principal responsibilities in your position?**

9 A. In my role, I am responsible for the strategy, policy, and delivery of National Grid USA’s
10 (“National Grid”) energy efficiency and clean transportation programs in Massachusetts
11 and New York.

12 **Q. Please describe your educational background and professional experience.**

13 A. In 2005, I earned a Bachelor of Science degree in Accounting and Finance from Fairfield
14 University. In 2008, I earned a Master of Science in Accounting from the University of
15 Connecticut. I am a licensed Certified Public Accountant in the State of Massachusetts.
16 Prior to joining National Grid, I was Director of Accounting at InterGen, a global energy
17 company previously headquartered in Burlington, Massachusetts. While at InterGen, I
18 oversaw the company’s accounting for its United States, Mexico, and United Kingdom

1 locations and was responsible for the global consolidation of InterGen's financial
2 information. Additionally, I managed InterGen's external financial reporting process to
3 various lenders and regulatory bodies. Prior to joining InterGen, I was a manager in
4 PricewaterhouseCoopers' power and utilities practice with assurance clients consisting
5 primarily of U.S. Securities and Exchange Commission registered regulated electric and
6 gas utilities, as well as independent power producers. I joined National Grid in 2018, and
7 served as the Vice President and Controller – New England, responsible for the
8 accounting, reporting and financial planning and analysis for National Grid's New
9 England entities. From July 2021 to October 2022, I served as the Vice President – US
10 Controller, where I was responsible for the accounting and reporting for all of National
11 Grid's U.S. entities. I became Vice President of Energy Efficiency Program
12 Management in November 2022 and assumed my current position of Vice President of
13 Energy Efficiency and Clean Transportation Programs in April 2023.

14 **Q. Have you previously testified before the Rhode Island Public Utilities Commission**
15 **(the "PUC" or "Commission") or any other regulatory commissions?**

16 A. I have not previously testified before the PUC; however, I have sponsored exhibits and
17 responses to discovery requests filed with the PUC in this docket. In addition, I testified
18 before the Massachusetts Department of Public Utilities in the Boston Gas Company rate
19 case in D.P.U. 20-120. In 2021, I also filed an affidavit supporting exhibits and

1 responses to discovery requests filed with the Massachusetts Department of Public
2 Utilities in connection with National Grid's sale of The Narragansett Electric Company
3 ("Narragansett") to PPL Rhode Island Holdings, LLC ("PPL") in D.P.U. 21-60. I have
4 also testified before the New York Public Service Commission.

5 **II. Purpose of Testimony**

6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to explain the development of and support the "Report on
8 Investigation of Out-of-Period Period Invoicing Within the Rhode Island Energy
9 Efficiency Program (2012-2021)," dated March 10, 2023 ("2023 Report"). My testimony
10 also addresses some of the issues raised in the Joint Testimony of Michael R. Ballaban
11 and Jacob Van Reen ("Division Testimony") filed by the Division of Public Utilities and
12 Carriers ("Division") on November 27, 2023, in response to the 2023 Report.

13 **Q. How is your testimony organized?**

14 A. My testimony is organized into the following sections. Sections I and II are the
15 introductory sections. Section III provides a summary of the 2023 Report. Section IV
16 provides responses to certain issues raised in the Division Testimony. Section V is the
17 conclusion.

1 **Q. Are you sponsoring any exhibits through your testimony?**

2 A. Yes, I am sponsoring the 2023 Report, attached as Exhibit NG-1.

3 **III. Summary of 2023 Report**

4 **Q. Please explain the background of the investigation that led to the 2023 Report.**

5 A. Pursuant to R.I. Gen. Laws § 39-1-27.2 and the Least Cost Procurement Standards,
6 Narragansett implemented energy efficiency programs (“EEPs”) designed to help Rhode
7 Island customers identify energy inefficiencies in their homes and businesses and defray
8 the costs of making those homes and businesses more energy efficient. These programs
9 include energy audits, which identify ways a customer can increase a building’s energy
10 efficiency and provide incentives to customers who make identified upgrades; direct-to-
11 consumer “downstream” programs that provide rebates to customers for buying energy
12 efficient appliances or products; and “upstream” programs that work with manufacturers
13 and distributors to subsidize the cost of energy efficient appliances and products to
14 reduce their costs at the point of sale. Customers who participate in EEPs save energy
15 and see direct cost savings in the form of lower energy bills.

16 The investigation into out-of-period invoicing grew out of a review of a manufacturer of
17 lighting equipment that had participated in Residential Upstream Lighting (“RUL”)
18 EEPs. The review established that the manufacturer did not have the necessary
19 documentation to support a portion of its claimed sales and had failed to abide by the

1 terms of its Memorandum of Understanding. The manufacturer was terminated from
2 continued participation in the Massachusetts and Rhode Island EEPs.

3 In June 2020, during that review, the manufacturer made an unrelated allegation that, at
4 the end of 2017 and 2018, employees who were administering Narragansett's RUL
5 program in Rhode Island had requested – indirectly through third-party contract
6 administrators – that the manufacturer delay its submission of certain invoices until the
7 following year. In response to those allegations, National Grid launched an internal
8 investigation into the Rhode Island RUL program, the only program involved in the
9 manufacturer's allegations. The investigation was conducted by in-house counsel and
10 included National Grid's Ethics and Human Resources departments. Narragansett first
11 informed counsel for the Commission and the Division about the out-of-period invoicing
12 investigation in October 2020. Narragansett updated regulators in August 2021 and in
13 December 2021 on the progress of the investigation, while expressing its intent to
14 conduct further steps to remediate the full extent of customer impact. In addition, in
15 Docket No. 5189, National Grid and Narragansett responded to several sets of data
16 requests regarding out-of-period invoicing in early-2022.

17 In May 2022, PPL acquired Narragansett from National Grid and began doing business as
18 Rhode Island Energy ("RIE"). As a result of this sale, National Grid transferred to PPL

1 all operations in Rhode Island subject to the Commission's oversight. Nonetheless,
2 National Grid has worked actively with RIE to make information available as needed.

3 On June 7, 2022, Narragansett filed a report with the Commission entitled "Review of
4 Invoices Within the Energy Efficiency Program" (the "2022 Report"), which set forth the
5 preliminary findings from the investigation.

6 **Q. Did Narragansett provide any credit to customers based on the 2022 Report?**

7 A. Yes, based on the preliminary findings included in the 2022 Report, Narragansett credited
8 customers by applying approximately \$2.4 million to the energy efficiency fund. The
9 \$2.4 million represented the maximum amount estimated by the impact calculations at
10 the time, plus interest.

11 **Q. Did the investigation continue after the submission of the 2022 Report and credit of**
12 **\$2.4 million to customers?**

13 A. Yes. In July 2022, the Commission opened an investigation into Narragansett's out-of-
14 period invoicing practices (PUC Order No. 24441). As part of this investigation, the
15 Commission issued another data request, and the Division issued another seven sets of
16 data requests, totaling 76 additional Division requests. In August 2022, National Grid
17 informed the Commission that it was continuing its investigation (Response to Data
18 Request Division 7-3). In particular, since the 2022 Report, National Grid continued to
19 investigate the who, what, where, when, why, and how of out-of-period invoicing,

1 including the programs and employees involved in the practice; the scope of the conduct;
2 the years in which it occurred; and the rationales, behaviors, and policies that contributed
3 to its use. The additional investigation enabled National Grid to undertake a significantly
4 more comprehensive review of the potential customer impact of the out-of-period
5 invoicing. On March 10, 2023, National Grid presented the findings about the scope and
6 impact of the out-of-period invoicing activities during the EEP program years 2012 to
7 2021 in the 2023 Report.

8 **Q. Please summarize the 2023 Report.**

9 A. The 2023 Report provides a summary of the full investigation into the out-of-period
10 invoicing practice from the discovery of the practice, the initial investigation reflected in
11 the 2022 Report, and the expanded investigation performed after the 2022 Report
12 (Section II). The 2023 Report includes the findings related to the scope of the out-of-
13 period invoicing activities, and the motivation behind such actions (Section III). The
14 report also summarizes the analysis to determine the impact out-of-period invoices had
15 on customers (Section IV), as well as a summary of the corrective measures National
16 Grid implemented as a result of the investigation (Section V).

17 **Q. Please describe the scope of the investigation that produced the findings in the 2023**
18 **Report.**

19 A. The investigation included two key elements: (1) the scope of out-of-period invoicing,

1 including the motivation of employees, and (2) the quantification of the customer impact.
2 National Grid's efforts to investigate the out-of-period invoicing issue involved retrieving
3 and compiling more than 14 million documents; applying hundreds of search terms to
4 identify potentially relevant documents; reviewing approximately 483,000 of those
5 documents; and interviewing current and former employees. Through this exhaustive
6 process, National Grid developed a thorough understanding of the practice of and
7 motivations behind out-of-period invoicing activity in its EEPs and has taken concrete
8 steps to address and remediate the practice.

9 **Q. What are the main findings in the 2023 Report?**

10 A. The investigation revealed that out-of-period invoicing occurred in Rhode Island EEPs
11 from 2012 to 2021 across the three EEP sectors (Residential, Low-Income, and
12 Commercial and Industrial ("C&I")). Employees engaged in out-of-period invoicing by
13 waiting to pay invoices until the following period or by asking vendors to delay
14 submitting invoices until the following period. The practice was not formalized or
15 documented, and employees generally viewed out-of-period invoicing as an available
16 practice to manage program spending and energy savings against the budgets and energy
17 savings targets set in Narragansett's Annual Energy Efficiency Plan.

18 The investigation further revealed that employees engaged in out-of-period invoicing for

1 two principal reasons: (1) to avoid harm to customers from shutting down program
2 availability for the rest of the year due to budgetary constraints; and (2) to maximize
3 Narragansett's performance incentives. National Grid has acknowledged that to the
4 extent employees engaged in this practice to maximize performance incentives or future
5 goals, or even if undertaken for customer-friendly purposes, out-of-period invoicing was
6 not proper.

7 The investigation also revealed that there are valid reasons that invoices may be paid in a
8 subsequent period, such as the timing of completion of the work and issuance of the
9 invoice; missing or inadequate documentation; or post-inspection activities.

10 **Q. Despite the occurrence of out-of-period invoicing, did the 2023 Report find that**
11 **Rhode Island customers received the full benefit of participating in the EEPs?**

12 A. Yes. Through the EEPs, Rhode Island customers received actual benefits of energy
13 savings achieved. Customers also benefitted from the achievement of energy savings
14 goals and avoided program budget overruns for those activities.

15 **Q. Did the 2023 Report provide a quantification of the customer impact from the out-**
16 **of-period invoicing from 2012 to 2021 based on its additional investigation and**
17 **expanded analysis of customer EEP transactions?**

18 A. Yes. With the assistance of an independent forensic consultant, National Grid performed
19 extensive transaction analysis and developed a method for quantifying the estimated
20 customer impact of the out-of-period invoicing practice. This effort identified a net

1 overpayment of performance incentives to Narragansett of \$322,660 for out-of-period
2 invoicing between 2012 and 2021.

3 The net customer impact of \$322,660 is the total amount that would be owed to
4 customers following a reconciliation of the EEP. This amount is significantly less than
5 the original estimated impact, which has been credited to customers; however, it results
6 from a more intensive analysis. The more intensive analysis demonstrated that, in some
7 years, moving payments into their correct year has the effect of increasing performance
8 incentives for some programs beyond those actually received by Narragansett, while in
9 other years it resulted in lower performance incentives. Further, the analysis did not find
10 any double counting of invoices.

11 **IV. Response to Division Testimony**

12 **Q. Has National Grid reviewed the Division Testimony filed on November 27, 2023?**

13 **A.** Yes.

14 **Q. Based on National Grid's review, are there areas where the Division agrees with the**
15 **analysis presented in the 2023 Report?**

16 **A.** Yes, National Grid is pleased that the Division agrees with the analysis presented in the
17 2023 Report in several key areas.

18 First, the Division Testimony agrees that the email review process for the 2023 Report

1 was effective. In particular, the Division Testimony found that the email review process
2 was expanded from the 2022 Report and addressed the Division's findings of insufficient
3 email review in that report, such that it: (a) included management-level custodians and
4 addressed involvement of management in the out-of-period invoicing practice; and (b)
5 through the email review, identified that the out-of-period invoicing practice occurred
6 across all three EEP sectors (Residential, Low-Income, and C&I).

7 Second, the Division Testimony agrees that the employee interview process for the 2023
8 Report was reasonable. The Division Testimony specifically found that the interview
9 process was expanded from the 2022 Report and addressed the Division's findings of
10 insufficient interviews in that report. Namely, the investigation summarized in the 2023
11 Report: (a) included interviews of directors, vice presidents, and other executives; and
12 (b) through the interviews, identified that the out-of-period invoicing practice occurred
13 across all three EEP sectors (Residential, Low-Income, and C&I).

14 Additionally, the Division Testimony agrees that the transactional analysis of program
15 filings presented in the 2023 Report was reasonable. The Division Testimony further
16 agrees that, given that the work to quantify the impact on other EEPs likely requires a
17 significant level of effort and expense, the Company's conclusion that the RUL program
18 invoice testing results are a "reasonable proxy for the [out-of-period] invoicing activity"

1 for other RI EEPs.

2 **Q. Did the Division identify any errors in the calculation of customer impact included**
3 **in the 2023 Report?**

4 A. No. The Division Testimony does not identify any errors in the calculation of customer
5 impact. The Division does not challenge the conclusion of the customer impact analysis
6 either. The Division instead argues that the result of the calculation is “insufficient”
7 because the calculation of customer impact does not include a monetary impact for “not
8 meeting [Narragansett’s] critical obligations” (Division Testimony at 35).

9 **Q. Did the Division present an alternative calculation of the customer impact due to**
10 **out-of-period invoicing?**

11 A. No. Rather than recalculating the customer impact to provide a reconciliation, the
12 Division proposes a disallowance of performance incentives as a punitive measure for
13 what the Division deems to be the Company’s “failure to meet its critical obligation to
14 Rhode Island customers” (Division Testimony at 36). Based on the Division’s own
15 statements, the proposed \$12,359,808 disallowance is not based on a calculation of an
16 over-collection of performance incentives, but rather a penalty for an alleged violation of
17 “critical obligations.” The Division’s “calculation” further demonstrates that the
18 proposed disallowance is intended to be a penalty, rather than a reconciliation of any
19 over-collection of performance incentives. The Division proposes to disallow a
20 percentage of earned performance incentives based on a percentage of out-of-period

1 invoices each year. This approach makes no attempt to quantify the impact on customers
2 by comparing the level of incentives Narragansett should have earned if invoices were
3 accounted for during each program year to the level collected, which is more accurate.
4 The Division's approach also ignores the fact that customers nonetheless benefitted from
5 the energy savings provided through Narragansett's work on the energy efficiency
6 programs.

7 **Q. Does the Division Testimony discuss any justifiable reasons for delays in**
8 **Narragansett paying invoices or vendors submitting invoices until the following**
9 **program year?**

10 A. No. The Division Testimony does not discuss the reasons for invoices being paid or
11 submitted in a subsequent period, such as timing of the completion of the work and
12 issuance of the invoice, missing or inadequate documentation, or post-inspection
13 activities. The Division assumes every delayed invoice is de facto a violation of an
14 alleged "critical obligation."

15 **V. Conclusion**

16 **Q. Does this conclude your testimony?**

17 A. Yes.

REDACTED

National Grid USA

REPORT ON INVESTIGATION OF OUT- OF-PERIOD INVOICING WITHIN THE RHODE ISLAND ENERGY EFFICIENCY PROGRAM (2012-2021)

In Re: Investigation of Misconduct by The
Narragansett Electric Company Relating to Past
Payments of Energy Efficiency Program
Shareholder Incentives

March 10, 2023

Submitted to:

Rhode Island Public Utilities Commission
Docket No. 22-05-EE

Submitted by:

nationalgrid

REDACTED



**Report on Investigation of Out-of-Period Invoicing Within the
Rhode Island Energy Efficiency Program (2012-2021)**

March 10, 2023

Submitted to:

Rhode Island Public Utilities Commission
Docket No. 22-05-EE

REDACTED

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REDACTED

Investigation into Out-of-Period Invoicing within the Rhode Island Energy Efficiency Program (2012-2021)

I. EXECUTIVE SUMMARY

As the prior parent company of The Narragansett Electric Company (“Narragansett”), National Grid USA (“National Grid”)¹ has conducted a comprehensive investigation into certain invoicing practices in the Rhode Island energy efficiency programs (“EEPs”) during the program years 2012 to 2021. This report sets forth National Grid’s findings about the scope and impact of “out-of-period invoicing,” which is the practice of inappropriately waiting to pay invoices or asking vendors to delay submitting invoices until the following program year.²

National Grid’s investigation revealed that out-of-period invoicing occurred in multiple Rhode Island EEPs from 2012 to 2021, across the three EEP sectors (Residential, Low Income, and Commercial & Industrial). Certain employees generally viewed out-of-period invoicing as an available and permissible practice for managing program spending and energy savings against the budgets and energy savings targets set in Narragansett’s Annual EE Plan.

Believing that the practice was acceptable, employees engaged in out-of-period invoicing to manage budgets and avoid the negative effects that program shutdowns would have on customers and vendors; to maximize Narragansett’s performance incentive; and to better position the EEPs to start the next year. To the extent that employees were engaging in this practice to maximize performance incentives or future goals, they acted inappropriately. Even if undertaken for customer-friendly purposes, out-of-period invoicing was not proper.

As the primary utility operation in Rhode Island in the program years 2012 to 2021, National Grid recognized its responsibility for good stewardship of the EEPs and took pride in delivering value to Rhode Island customers. The out-of-period invoicing practice had no place in this context and National Grid recognizes that fact, as well. For this reason, significant time and effort has been expended by National Grid to quantify the estimated impact of out-of-period invoicing on Narragansett’s performance incentives from 2012-2021.

With the assistance of an independent forensic consultant, National Grid performed extensive transaction analysis and developed a method for quantifying the estimated customer impact of the out-of-period invoicing practice. This effort identified an overpayment of performance

¹ On May 25, 2022, National Grid USA sold Narragansett to PPL Rhode Island Holdings, LLC, which is a subsidiary of PPL Corporation (collectively, “PPL”). Prior to the sale, Narragansett was doing business as “National Grid.” Since the sale, PPL has re-branded Narragansett’s name and Narragansett is now doing business as Rhode Island Energy (“RIE”). To avoid confusion, this report will refer to “Narragansett,” except where specific reference to RIE or PPL is appropriate.

² National Grid’s investigation since it filed the report on June 7, 2022 has reinforced the findings previously shared with the Rhode Island Public Utilities Commission (“PUC” or the “Commission”). The additional time and effort has enabled National Grid to undertake a significantly more comprehensive review of the potential customer impact as described below.

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incentives to Narragansett of approximately \$320,000 for out-of-period invoicing over the relevant time period.³

National Grid and Narragansett have taken meaningful steps to mitigate the effects of out-of-period invoicing and prevent future recurrence. Narragansett has credited over \$2.4 million to the Rhode Island Energy Efficiency (“EE”) Fund to remediate the impact on customers.⁴ Although National Grid no longer owns Narragansett, National Grid is taking a number of steps to improve oversight of energy efficiency activities, including instituting personnel changes and organizational changes to centralize EEPs under a single Vice President with extensive experience in controls and compliance; establishing a new Energy Efficiency Controls and Compliance team; developing new controls to monitor invoice payment; and updating the web-based invoicing platform to enhance transparency as to whether work was completed and paid or accrued in the same period. National Grid is updating and enhancing its training procedures to state explicitly that out-of-period invoicing is prohibited. That message is now routinely communicated to employees who work in and with the EEPs. Further, National Grid is committed to continuous improvement of its EEP processes and has engaged an external consultant to support a comprehensive review of the relevant controls framework and identify further opportunities for enhancement. Similarly, PPL has implemented its own EE control and compliance efforts to prevent out-of-period invoicing.

National Grid appreciates the time and opportunity the Rhode Island Public Utilities Commission (“PUC” or the “Commission”) has afforded to conduct this investigation and present the findings. National Grid remains firmly committed to supporting Narragansett in resolving the issues under investigation in this proceeding in a collaborative and productive manner and is prepared to move forward with this objective.

II. BACKGROUND

A. The Energy Efficiency Programs

The EEPs are a series of programs designed to help Rhode Island customers identify energy inefficiencies in their homes and businesses and defray the costs of making those homes and businesses more energy efficient. These programs include energy audits, which identify ways a customer can increase a building’s energy efficiency and provide incentives to customers who make identified upgrades; direct-to-consumer “downstream” programs that provide rebates to customers for buying energy efficient appliances or products; and “upstream” programs that work with manufacturers and distributors to subsidize the cost of energy efficient appliances and

³ This amount is observably less than prior calculations, although it results from a more intensive analysis. Section IV.3, below, discusses the nuances of the customer-impact calculation.

⁴ The figure of \$2.4 million was the high-end amount estimated for customer impact in the June 7, 2022 Report filed in Docket No. 5189, plus interest. Table 5, below, shows the derivation of this figure. Overall, the total spending for the Rhode Island EEPs was approximately \$1 billion over the program years 2012 to 2021, while the performance incentives paid to Narragansett were approximately \$45.5 million.

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products to reduce their costs at the point of sale. Customers who participate in EEPs save energy and see direct cost savings in the form of lower energy bills.

Over the past 10 years, Rhode Island has ranked as a nationally recognized leader in implementing high-quality energy efficiency programs. Since 2009, Rhode Island has consistently ranked among the top 10 states according to the American Council for an Energy Efficient Economy's State Energy ("ACEEE") State Scorecard.⁵ The effects of energy efficiency over that time period now cumulatively account for approximately 20% of Rhode Island's electricity needs.⁶ The cost-effective energy efficiency investments made over time have reduced kilowatt-hour energy consumption and lowered the cost of energy supply to Rhode Island customers.⁷

Within the gas and electric EEPs, programs are grouped first by portfolio (Electric or Gas), then within that portfolio, by sector (Residential (Non-Low-Income), Low-Income Residential, or Commercial & Industrial ("C&I")). Non-Low-Income Residential and Low-Income Residential programs focus on identifying and defraying the cost of fixing energy inefficiencies in a customer's home. Through both upstream and downstream programs, the Non-Low-Income Residential programs might reduce the cost of an energy efficient lightbulb, for example, or provide a rebate on the purchase and installation of an energy efficient HVAC system. To maintain consistency and meet customer expectations, these programs often offer stable, "prescriptive" incentives to customers at predetermined rates that are set and announced annually.

In contrast, C&I programs often handle larger scale retrofit and new build projects, offering design expertise, as well as variable financial incentives to encourage energy efficient upgrades. Each program has different rules and requirements for administration including budgeted spend, savings targets, and calculation of rebates. Although some programs are relatively straightforward (e.g., savings achieved for lightbulbs sold) others are complex and involve equipment installation and inspections to verify savings.

1. Energy Efficiency Programs

Over the last 10 years, the EEPs have grown dramatically in scale and complexity, expanding from an annual operating budget of \$61.4 million in 2012 to over \$140 million in 2022. From 2012 to 2022, these budgets supported approximately 10 to 12 programs per year across the three sectors.⁸

Every three years, pursuant to R.I. Gen. Laws § 39-1-27.2 and the Least Cost Procurement ("LCP") Standards, Narragansett files – and the Commission approves – a Three-Year Energy Efficiency and Conservation Procurement Plan ("Three-Year EE Plan"). The Three-Year EE Plan outlines Narragansett's overall programmatic focus and strategies, including illustrative and

⁵ Rhode Island Energy Efficiency and Resource Management Council ("EERMC"), 2022 Annual Report, June 2022, at page 12. Located at <https://rieermc.ri.gov/2022-eermc-annual-report/>.

⁶ Id.

⁷ Id.

⁸ For a list of programs and their active years, see Appendix A.

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provisional ranges of budgets, associated potential resulting system benefits charges, and electric and natural gas savings goals for the three years of implementation. The Three-Year EE Plan also defines the structure of performance incentive mechanisms for the EEPs. In short, the Three-Year EE Plan lays out a vision for Narragansett's continued transformation of energy efficiency in Rhode Island.

Every year, Narragansett files – and the Commission approves – an Annual EE Plan (“Annual Plan”) identifying the programs Narragansett intends to offer within each sector in the upcoming year. The Annual Plan identifies the savings targets, budgets, and funding plans for each program, as well as for each sector and each portfolio as a whole. Savings are measured in kW and kWh (for electricity) and MMBtus (for gas) reduced due to program interventions. The Annual Plan also includes a performance incentive mechanism that rewards Narragansett for efficiently delivering certain EE savings targets to customers by sector. Benefits are derived from energy savings achieved by the program and demand reduced. Each program has its own formula for calculating savings, which are a proxy for Narragansett's performance under the EEPs.

Before Narragansett can receive any incentive for a sector's performance, the sector's programs have to meet a threshold amount of savings set forth in the Annual Plan.⁹ Once a sector meets its savings threshold, Narragansett earns additional incentives for providing additional savings efficiently, up until the sector hits a designated performance cap (also measured as a percentage of the savings target). Beyond that cap, Narragansett no longer receives further savings within that sector. As explained in Appendix B, a sector's savings target is adjusted by a formula if actual spend is below 95% of the planned budget, and achieved savings exceed the planned target (i.e., 100%), which has a corresponding effect on the ability to earn additional performance incentive up to the cap. Though the specific percentages associated with the incentive threshold and cap changed from year-to-year during the period 2012-2020, the mechanism's basic structure remained consistent throughout.

After each calendar year, Narragansett files a Year-End Report reflecting actual savings and spending data for that year as compared to targets and budgets. Narragansett is then compensated with incentives earned based on those results. The program budgets and the performance incentives are generally funded through an EEP charge on customer bills, which is reset annually as approved by the Commission.^{10, 11}

⁹ Because performance is evaluated by sector, individual programs may go over-budget without influencing Narragansett's incentive for the program's sector, so long as the sector as a whole remains under-budget and achieves its benefits targets.

¹⁰ Other sources of funding have included revenue from participation in ISO-New England's forward capacity market (“FCM”); proceeds from the auction of Regional Greenhouse Gas Initiative allowances pursuant to R.I. Gen. Laws § 23-82-6; any applicable credits to the fund; and, other sources identified by the Rhode Island EERMC and Narragansett.

¹¹ Actual EE spending will always vary from the annual budget. Whether actual expenditures are less than or more than budget, the dollars are cycled back to customers, or collected to customers, through the reconciling rate mechanism that applies to the Annual Plan. An over-budget result at year end would result in a projected negative fund balance at year end, and a resulting increase in the surcharge in the following year in order to recoup the negative balance (plus interest), plus the funds required to operate the program the next year. The opposite is also true, in years

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2. *Organizational Structure of EE Teams*

When National Grid owned Narragansett, multiple teams administered the Rhode Island EEPs. These teams included the Execution, Strategy,¹² EE Accounting, and EE Reporting teams.

Execution. The Execution team handled the day-to-day operation of the EEPs. This group included National Grid's New England EE sales team and program managers. The sales team worked mainly with commercial customers to sell large C&I EE projects. Program managers worked on a variety of programs and on projects that were already in progress. Program managers¹³ tracked the status of projects, coordinated marketing efforts, interacted with customers and vendors, and monitored program budgets. Importantly, program managers also paid program-related invoices and entered into agreements with vendors.

Strategy. While the Execution team handled the EEPs' daily operations, the Strategy team handled delivery of longer term EEP projects, including developing and drafting Narragansett's EE Plans and Year-End Reports. The Strategy team developed the Plans based on the EEP performance in the prior year, which it tracked in real time, and in communication with consultants to the Rhode Island EERMC, a public regulatory council focused on EE planning.¹⁴

EE Accounting. The EE Accounting team worked with the Execution and Strategy teams to track the EEP spending and savings throughout the year for financial reporting. EE Accounting ensured that program expenses and accruals were properly recorded in Narragansett's General Ledger, in compliance with Generally Accepted Accounting Principles ("GAAP"). In accordance with GAAP, the EE Accounting team ensured that the EEPs recorded financial obligations when they were incurred – not just when they were paid. The EE Accounting team sat within the Controllershship structure in National Grid's Finance Organization.

EE Reporting. The EE Reporting team also worked with the Execution and Strategy teams to track the EEP spending and savings throughout the year. EE Reporting was responsible for tracking savings and spending data for the EEPs. The EE Reporting team regularly created and disseminated year-to-date updates on EEP spending and savings levels against the budgets and targets for each program and sector. These updates were commonly referred to as the EE "Scorecards." Unlike Narragansett's General Ledger, Scorecard results, in line with Narragansett's EEP reporting, were reported on a cash-basis rather than an accrual basis. Under that approach, savings and spending were recorded based on when an invoice was paid. Only after payment was

of underspend, those funds (with interest) are returned to customers through a reduction in the next year's surcharge. The charges are symmetrical and always reconciled to zero.

¹² The Strategy team was known at various points as Customer Energy Management ("CEM"), as well as Energy Efficiency Program Strategic Business, Policy, Regulatory, and Evaluation.

¹³ Program Managers did not manage teams, but rather were individual contributors who managed energy efficiency programs. Program Managers had managers who led teams of Program Managers.

¹⁴ By statute, the EERMC includes representatives from a variety of energy stakeholders, including C&I users, residential users, and low-income users. R.I. Gen. Laws § 42-140.1-3. The EERMC also recommends to the PUC whether to approve Narragansett's Annual Plan each year.

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approved would savings and spending appear in the aggregated savings data from InDemand.¹⁵ The EE Reporting team pulled that data directly from InDemand to create the final Scorecards. The Execution team then used those Scorecards to track progress and target their efforts. At the same time, the Strategy team relied on the Scorecards as they updated regulators and, ultimately, as they populated Narragansett's Year-End EE Report.

B. Investigation Overview

National Grid's investigation into out-of-period invoicing grew out of a review of a manufacturer of lighting equipment that had participated in Residential Upstream Lighting ("RUL") EEPs. The review established that the manufacturer did not have the necessary documentation to support a portion of its claimed sales and had failed to abide by the terms of its Memorandum of Understanding. The manufacturer was terminated from continued participation in the Massachusetts and Rhode Island EEPs.

In June 2020, during that review, the manufacturer made an unrelated allegation that, at the end of 2017 and 2018, employees who were administering Narragansett's RUL program in Rhode Island had requested—indirectly through third-party contract administrators—that the manufacturer delay its submission of certain invoices until the following year. In response to those allegations, National Grid launched an internal investigation into the Rhode Island RUL program, the only program involved in the manufacturer's allegations. The investigation was conducted by in-house counsel and included National Grid's Ethics and Human Resources departments.

As part of its internal investigation, between October 2020 and February 2021, National Grid reviewed the e-mails of six employees associated with the Rhode Island RUL program.¹⁶ Narragansett first informed counsel for the Commission and the Division about the out-of-period invoicing investigation in October 2020.

¹⁵ In a few programs, invoices would come to program managers directly from customers through InDemand, National Grid's online invoice processing system. More commonly, invoices would come via InDemand from vendors who performed work for customers on behalf of a program. Narragansett often worked with intermediaries that entered into agreements with vendors known as "incentive processors," "invoice processors" or "rebate processors" – sometimes also just called "vendors" – to manage incoming invoices. In upstream programs, such as the Residential Upstream Lighting program, participating manufacturers and distributors would provide invoices and associated sales data to an incentive processor monthly. The incentive processor would then review the data for compliance with program requirements and upload a consolidated set of invoices – along with their associated energy savings calculations – to InDemand. At that point, program managers would access the invoices through InDemand; confirm that invoices contained all information necessary for payment and that the savings calculations and spending aligned; and approve and release it to the accounts payable system for payment. In downstream programs, rebate processors served the same function as incentive processors, but instead of receiving invoices from manufacturers, they received rebate applications from customers.

¹⁶ The specific names and positions of the six National Grid employees whose emails National Grid reviewed as part of its initial investigation are provided in Confidential Appendix D. Five of the six employee mailboxes were again reviewed, for the extended duration of 2012 through 2021, as part of the expanded investigation. See, *infra*, "Email Review," Section II.C.

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National Grid's review focused on 2017 and 2018, which are the years relevant to the manufacturer's allegations. EEP employees were identified to interview for additional information. A total of 13 EEP employees were interviewed in this phase of the investigation.

- 4 Program Managers
 - 2 Program Managers, Residential Lighting Program RI
 - Program Manager, Multiuse Family and Residential New Construction
 - Program Manager, C&I Lighting and Non-Lighting
- 5 Managers
 - Manager, Controls, Compliance, and Assurance
 - Manager, Customer Energy Management RI
 - Manager, Residential Portfolio Delivery NE
 - Manager, EE Channel Sales NE
 - Manager, Customer & Markets Metrics and Reporting
- 3 Analysts
 - Senior Analyst, CEM RI
 - Senior Analyst, Policy, Strategy, and Evaluation RI
 - Lead Analyst, Residential Product Owner for CEM Management RI
- 1 Lead Accountant.¹⁷

The interviews and email review established that certain EEP employees openly discussed out-of-period invoicing in the Rhode Island RUL program in the 2017 and 2018 program years. Because the same employees often worked on EEPs in both Rhode Island and Massachusetts, National Grid decided to expand its investigation of out-of-period invoicing. In the spring of 2021, an independent forensic consultant was retained to assist in the effort. In the summer of 2021, the investigation team conducted 11 informational interviews with EEP employees to gather background information on the operation of the EEPs and the calculation of the performance incentive. Narragansett updated regulators in August 2021 and in December 2021 on the progress of the investigation, while expressing its intent to conduct further steps to remediate the full extent of customer impact. In response, the Commission issued a data request about the investigation (Docket No. 5189, Data Request PUC 5-4), which Narragansett responded to in January 2022.

The Commission approved Narragansett's 2022 Annual Plan in January 2022. Over the following months, the Division and Commission issued several sets of "post-decisional" data

¹⁷ The names and positions of the 13 employees National Grid interviewed as part of its initial investigation are provided in Confidential Appendix F. Six of these 13 employees were re-interviewed as part of the expanded investigation. *See infra* "Employee Interviews," Section II.D. Another two program managers left National Grid and were therefore unavailable because National Grid decided to dismiss these program managers involuntarily following the internal investigation (one voluntarily resigned before she was dismissed).

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requests regarding out-of-period invoicing in Docket No. 5189.¹⁸ National Grid and Narragansett responded to these requests.^{19,20} In considering the PPL acquisition of Narragansett, the Commission sought to have National Grid cooperate with PPL in its review of Narragansett's out-of-period practices, which National Grid readily supported. On June 7, 2022, Narragansett filed a report with the Commission entitled "Review of Invoices Within the Energy Efficiency Program" (the "June 7 Report"), publicly disclosing: (1) the investigation efforts (*see, infra*, "Review of Program Manager Emails," Section II.C.1, and "Employee Interviews," Section II.D); (2) the conclusion that out-of-period invoicing occurred in multiple programs between 2012 and 2020 (*see, infra*, "Findings," Section III); and (3) an updated customer impact estimate of \$1.4 million to \$2.2 million from out-of-period invoicing activity (*see, infra*, "Quantifying Customer Impact," Sections IV.B.1 and IV.C.1).²¹

The following month, in July 2022, the Commission opened an investigation into Narragansett's out-of-period invoicing practices (PUC Order No. 24441). As part of this investigation, the Commission issued another data request, and the Division issued another seven sets of data requests, totaling 76 additional Division requests.²² In August 2022, National Grid informed the Commission that it was continuing its investigation (Response to Data Request Division 7-3). In November 2022, National Grid indicated that it would present its findings and documentation to the Commission and Division by March 1, 2023 (Response to Division 9-1), later extended to March 10, 2023. This Report details the findings of the investigation, and the steps National Grid and Narragansett have taken to date to remedy the impact of out-of-period invoicing practices.

Notably, the additional investigative steps taken during the eight months since June have reinforced the findings previously shared with the Commission. The additional time and effort also enabled National Grid to undertake a significantly more comprehensive review of the potential customer impact as described below.

Since the June 7 Report, National Grid has continued to investigate the who, what, where, when, why and how of out-of-period invoicing, including the programs and employees involved in the practice; the scope of the conduct; the years in which it occurred; and the rationales, behaviors, and policies that contributed to its use.

¹⁸ In total, across the three sets of post-decisional Commission requests and two sets of post-decisional Division requests issued before the opening of Docket No. 22-05-EE, the Commission issued 14 requests and the Division issued 52 requests. The Division's requests were carried over to Docket No. 22-05-EE, where RIE and National Grid responded to them.

¹⁹ In May 2022, PPL acquired Narragansett from National Grid and renamed it RIE. As a result of this sale, National Grid transferred to PPL all operations in Rhode Island subject to the Commission's oversight. Nonetheless, National Grid has worked actively with RIE to make information available as needed.

²⁰ Appendix C provides a schedule listing all the regulatory inquiries and regulatory responses that National Grid has provided to the Commission and the Division regarding out-of-period invoicing.

²¹ The June 7 Report put forward these figures. However, the range of figures was later corrected to \$1.5 million and \$1.9 million, respectively.

²² This number does not include the requests carried over from Docket No. 5189 to Docket No. 22-05-EE, the docket for the Commission's investigation into the out-of-period invoicing practice.

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National Grid's efforts to investigate the out-of-period invoicing issue involved retrieving and compiling over 14 million documents; applying hundreds of search terms to identify potentially relevant documents; reviewing approximately 483,000 of those documents; and interviewing 28 current and former employees.²³ Through this exhaustive process, National Grid has developed a thorough understanding of the practice of and motivations behind out-of-period invoicing activity in its EEPs and taken concrete steps to address and remediate the practice.

C. Email Review

National Grid's investigation team, consisting of in-house counsel, forensic consultants, and outside counsel, engaged in a thorough, iterative document review process to understand the scope and mechanics of out-of-period invoicing. The team first collected custodial documents of all employees who were involved in the day-to-day management and implementation of the EEPs in New England. Based on a review of those documents, the investigation team added additional custodians to determine the breadth and scope of the practice. In total, the investigation team collected emails and documents from 57 custodians, totaling 14 million documents. Of the total documents collected, National Grid reviewed approximately 483,000 documents. Approximately 3,800 documents were determined to be relevant to out-of-period invoicing.

1. Review of Program Manager Emails

The investigation team began its review by collecting all data from the e-mail inboxes of all program managers who oversaw EEPs in New England between January 1, 2012, the first year for which InDemand contains invoicing data, and August 18, 2021, the date the e-mail review began. This included emails from all program managers in New England who managed the EEPs during that period. During the period, there were approximately 25 unique programs across the electric and gas portfolios for the Residential, C&I and Low-Income sectors.

The investigation team determined that program manager e-mails were the best starting point for its investigation into out-of-period invoicing practices because program managers oversee the day-to-day operations of the EEPs, tracking the progress of projects and – critically – paying invoices.²⁴ Before an invoice is paid, a program manager must access that invoice on InDemand; confirm that the invoice contains all necessary information and that savings and spending identified on the invoice align; and then approve and release the invoice to the accounts payable system for payment. Because program managers approve and release invoices for payment, any decision to *delay* payment of an invoice would likely be made by or communicated to them. Thus, the investigation team expected that program managers' e-mails would be the most

²³ These steps were in addition to National Grid reviewing employee mailboxes and conducting 13 interviews during the initial investigation, described above. *See, supra*, Section II.B.

²⁴ As described in Section II.A.2, above, EEP program managers were responsible for program execution. Their responsibilities included coordinating program marketing efforts; interacting with customers and vendors; tracking manual accruals; and paying invoices. EEP program managers do not have any direct reports.

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likely to include discussions of when, in what programs, how, and with whom out-of-period invoicing activity arose.

The team identified 31 employees who held EEP program manager positions in New England from 2012 to 2021. Pursuant to its data retention policy, National Grid no longer had e-mail data available for 4 of those employees. Thus, the investigation team collected the e-mails of the remaining 27 program managers. This collection consisted of approximately 5.3 million emails and attachments.

The investigation team applied 148 search terms to the 5.3 million documents to identify documents relating to out-of-period invoicing in Narragansett's EEPs.²⁵ Applying the search terms and email threading yielded approximately 173,000 documents.²⁶ The investigation team reviewed each of the 173,000 documents for relevance. The team defined "relevance" as any document related to shifting invoices out of period, delaying invoices, or project movement to meet budgeting goals.²⁷

Through this review process, the investigation team identified approximately 2,700 relevant documents from the 27 program managers in the New England EE groups.

2. Review of Management-Level and Other Relevant Employees

After completing the initial review of program manager emails, the investigation team expanded its e-mail review to include documents from additional custodians. Specifically, the team added 27 additional employees in management-level roles in the EEPs and wider Customer organization. This included:

- 2 Chief Customer Officers;
- 6 Vice Presidents;
- 9 Directors; and
- 10 Managers.

This selection included all management-level employees in the EEPs, as well as management-level employees from related groups, who had written or responded to emails that could potentially be construed as related to out-of-period invoicing. It also included management-

²⁵ A copy of the list of keyword search terms is provided as Appendix D. (Attachment PUC Post-Decisional 3-6).

²⁶ Email threading increases the efficiency of reviewing emails by gathering all forwards, replies, and reply-all messages together. Inclusive documents are those that contain unique content not included in any other email. An email with no replies or forwards is, by definition, inclusive. The last email in a thread is also by definition inclusive. In comparison, non-inclusive emails are those whose text and attachments are fully contained in other (inclusive) emails and may therefore be skipped in an email review.

²⁷ To ensure that relevance determinations remained consistent throughout the review process, National Grid also re-reviewed approximately 10,000 of the communications initially marked "not responsive," as a quality-control measure. As a result of the re-review, the search terms yielded approximately 173,000 documents instead of the approximately 162,000 documents previously identified. Of the re-reviewed "not responsive" documents, 51 documents were determined to be responsive, suggesting an error rate of approximately 0.5%.

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level employees who received (but did not respond to) emails that potentially related to out-of-period invoicing.

Additionally, the investigation team reviewed emails of management-level employees who supervised employees who might have been involved in or aware of out-of-period invoicing – even if those supervisors were not themselves copied on any emails relating to out-of-period invoicing.²⁸ This category included two Senior Vice Presidents who were Chief Customer Officers; two Vice Presidents (of Strategy and Product Growth respectively); a Vice President of Revenue, Reporting & Analysis; a Manager of Customer & Markets Metrics and Reporting; and a Delivery Manager who focused on the Residential sector of EEPs. Lastly, the investigation team also reviewed emails for three employees who sent or received emails identified as relevant to out-of-period invoicing and who worked in the EEP Strategy and Accounting groups in New England.

Throughout the investigation, the investigation team continuously updated its list of custodians, incorporating newly acquired information about which employees might have been aware of or involved in out-of-period invoicing.²⁹ The investigation team collected approximately 8.7 million emails and attachments. The team then narrowed this set of documents using the same 148 search terms and emailing threading described above,³⁰ which produced approximately 316,725 documents. Next, the team reviewed each of these documents for relevance to out-of-period invoicing, identifying an additional 1,125 documents as relevant to its investigation.

D. Employee Interviews

In conjunction with its email review, the investigation team conducted interviews of employees to determine their awareness of and potential involvement in out-of-period invoicing. In total, the investigation team interviewed 28 current or former employees as part of the expanded investigation.^{31,32} Similar to the process used to select custodians, the investigation team identified these employees iteratively based on the ongoing email review and the knowledge gained from interviews. The interviews spanned all teams that work with the EEPs: Execution; Strategy; EE Reporting; and EE Accounting.

²⁸ Reporting lines were identified using a combination of current and historical organizational charts.

²⁹ The specific names and positions of all 57 National Grid employees whose emails National Grid has reviewed are provided in Confidential Appendix F.

³⁰ In addition, for the five employees in this set whose roles fell under EE Accounting, EE Reporting, or Finance, National Grid applied a set of 31 additional search terms, based on the specific functions of those teams.

³¹ The specific names and positions of all employees interviewed as part of the expanded investigation are included in Confidential Appendix H.

³² Certain employees were interviewed multiple times as new information was obtained. Six of the 13 employees National Grid interviewed internally as part of its early internal investigation were reinterviewed during the later investigation and are thus included in this count. Also, these interviews do not include the 11 background interviews.

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Ultimately, the investigation team interviewed the following employees based on the highest role held in relation to the EEPs:³³

The investigation team interviewed 15 (then) current employees; four employees who had moved from National Grid to PPL as part of the sale of Narragansett in May 2022; and two former employees.³⁴ Several former employees declined National Grid's request for an interview or failed to respond after several attempts to contact them.

- 1 Chief Customer Officer / Senior Vice President;
- 4 Vice Presidents:
 - Vice President of Customer Strategy and Environmental
 - Vice President of Customer Sales & Solutions
 - Vice President of Sales and Program Operations
 - Vice President of Revenue, Reporting and Analysis
- 5 Directors:
 - Director of Program Operations
 - Director of Customer Solutions NE
 - Director of Customer Energy Management NE
 - Director of Customer Assurance
 - Director of Customer Gas Connections
- 4 Managers:
 - Manager of NE EE Program Execution
 - Manager of Customer Energy Management RI
 - Manager of EE Financial Reporting
 - Manager of Product Reporting
- 1 Commercial Leader – Rhode Island
- 3 Program Managers:
 - Program Manager for Residential Programs (Multiuse Family and Residential New Construction)
 - Program Manager for C&I Lighting and Non-Lighting

³³ Because several of these interviewees held multiple positions at National Grid from 2012 through 2021, interviewees are identified here based on their highest role held in relation to the EEPs.

³⁴ Two interviewees who were working for National Grid at the time of their interviews have since left National Grid.

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- Program Manager for Low Income in MA/RI and EnergyWise RI³⁵
- 2 Analysts:
 - Lead Analyst/Residential Product Owner for Customer Energy Management RI
 - Lead Analyst for Customer Energy Management
- 1 Senior Accountant.

The investigation team first interviewed available program managers from across the different EEP sectors to understand the mechanics of out-of-period invoicing, the extent of the practice, and the reasons program managers chose to engage in it. The investigation team then interviewed Managers and Directors in the Execution, Strategy, and EE Reporting teams to better understand the evolution of the practice and try to identify its origin.

In addition, the investigation team interviewed employees who were involved in EE Reporting, Accounting, and Systems Administration to understand how year-end invoicing practices related to National Grid's financial and regulatory reporting obligations and to understand the technology National Grid used to track and pay invoices.

Interviewees described their roles at National Grid, their involvement in the EEPs, and their exposure to and involvement in out-of-period invoicing. The information gathered from interviews informed National Grid's email review, its future interviews, and, ultimately, the findings presented below.

III. FINDINGS

A. Scope of Out-of-Period Invoicing

National Grid's investigation revealed that out-of-period invoicing occurred in Rhode Island EEPs from 2012 to 2021 across the three EEP sectors (Residential, Low-Income, and C&I). The practice was not formalized or documented, and employees generally viewed out-of-period invoicing as an available practice to manage program spending and energy savings against the budgets and energy savings targets set in Narragansett's Annual Plan.³⁶ Employees engaged in out-of-period invoicing by waiting to pay invoices until the following period or by asking vendors to delay submitting invoices until the following period.

The investigation also found that, until National Grid began implementing corrective measures, employees who engaged in this conduct believed that the practice of out-of-period invoicing was permissible, particularly at the program manager, analyst, and manager levels. Indeed, the practice was discussed openly, including on numerous emails that were widely

³⁵ One of the program managers later transitioned into a Strategy analyst role and was therefore able to speak to the operations of both groups (listed here as a Lead Analyst for CEM). Some program managers oversaw multiple programs; thus, the number of programs listed is greater than the number of program managers interviewed.

³⁶ For additional information about Narragansett's Annual Plan, see Section II.A.1, *supra*.

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distributed within the EE groups. From at least 2012 until 2020, program managers, Strategy analysts, and managers on the Execution and Strategy teams sought clarity on the issue by asking questions. Employees asked for guidance on whether programs were required under National Grid's reporting or accounting policies to account for savings and spend in the year the associated work was completed or in the subsequent year when the invoice was paid. Employees sent emails to that effect almost every year from 2012 to 2021, and they were provided different answers for financial reporting (accrual) and EEP tracking (cash) purposes. In other words, EE Accounting and EE Reporting employees responded to these inquiries by explaining that, for financial accounting and reporting purposes, projects had to be accrued when the liability was incurred, while payments could be counted for savings and spending purposes at the time the expense was paid for EEP tracking.

Although National Grid provided detailed internal trainings on accrual practices, those trainings were developed from an accounting perspective, to ensure that financial reporting complied with GAAP. Until a training for EEP staff held in July 2021, the training on accruals and invoicing did not address whether EEP spend had to be accrued in the year that work was completed.³⁷ Consequently, from 2012 until 2021, as the EEPs grew rapidly in scale and complexity, employees addressed questions about out-of-period invoicing in an *ad hoc* manner.

Toward the end of each year, as programs approached their budgets and targets, program managers and Strategy analysts, together with their managers, discussed how best to address budget shortfalls, maximize Narragansett's performance incentive and position the EEPs to start the next year. Out-of-period invoicing was one component of these discussions.

The investigation showed that employees at the Senior Vice President level (and above) were not aware of or part of these discussions and did not direct, endorse, or condone the practice. The investigation found no emails to Senior Vice Presidents that discussed the practice –either implicitly or explicitly – and only a few e-mails over ten years sent to Vice Presidents (out of thousands reviewed) suggesting they could have been aware of the practice. This documentary record aligned with the information gathered during interviews. Employees at the program manager, analyst, manager, and director levels who were aware of or engaged in out-of-period invoicing also reported that they did not recall specific discussions about the practice with Senior Leaders.³⁸ In turn, Senior Leaders who were interviewed reported that they had not known about, supported, or approved of the practice. They all acknowledged, based on their current understanding and their understanding at the time, that the practice was improper.

³⁷ The July 2021 presentation, given to CEM and program managers, states, "You should only pay an invoice when you have all the required backup and documentation necessary to make payment. Savings and spend must align. . . . Invoices should not be held due to budgetary concerns." Attachment DIV 1-17-1, at 68.

³⁸ National Grid's US senior management consists of employees having a job title of Vice President or above and a band designation of A or B ("Senior Leaders"). Members of the Board of Directors (or equivalent) of National Grid's operating company subsidiaries, as well as officers of those subsidiaries, are drawn from this pool of Senior Leaders and not from employees at lower levels in the organization. Manager positions (e.g., Directors/Band C and below) represent middle management positions reporting to Senior Leaders. These middle management employees are not authorized to enter into material commitments on behalf of subsidiaries. See, e.g., Docket No. 4770, Pre-Filed Direct Testimony of Maureen P. Heaphy, at 15-16 (Nov. 17, 2017).

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B. Motivations for Out-of-Period Invoicing

Employees engaged in out-of-period invoicing for two principal reasons, which were to avoid harm to customers from shutting down program availability for the rest of the year due to budgetary constraints, and to maximize Narragansett's performance incentive.³⁹

Employees repeatedly described out-of-period invoicing as a way to avoid shutting down programs for the remainder of the year, and the ensuing harm to customers, when program budgets ran low.⁴⁰ They stressed the difficulty program managers faced in effectively managing certain program budgets. In both downstream and upstream programs,⁴¹ program managers often lacked real-time visibility into how many customers were participating in their programs from week to week. Instead, they would find out the true demand for a program only as new invoices arrived. If demand exceeded expectations – which occurred in some programs regularly and sometimes dramatically – program managers had limited options to course-correct. In some programs, including within the C&I sector, program managers were able to reduce the size of the rebate that the programs paid out to customers, thereby slowing the rate at which additional participation depleted the program budgets. For other programs, a number of employees emphasized their understanding that the only viable alternative to out-of-period invoicing was to shutter the programs entirely for the remainder of the year.

Employees stressed that they believed shutting down a program could significantly harm customers, vendors, manufacturers, and distributors. Employees repeatedly expressed concern that customers and businesses would make economic decisions depending on the promise of rebates to defray their costs. When programs shut down, these parties would be forced to bear higher costs through no fault of their own. This short-term harm could, in turn, erode trust in the EEPs and reduce participation, undermining the future viability of the programs themselves. Thus, when faced with what they believed to be a choice between shutting down a program or shifting invoices out-of-period, employees viewed out-of-period invoicing as the better alternative.

In addition to managing budgets, out-of-period invoicing was used to achieve internally set performance goals, which varied from year to year. In some years, the goal was to maximize Narragansett's performance incentive; in other years, the goal was to hit a specific ratio of program spending compared to energy savings, or to spend a specific amount of the annual budget. Although employee awareness of these performance goals and understanding of performance incentives varied, they were generally aware that Narragansett had to achieve a certain threshold percentage of the benefits targets set in its Annual Plan each year before it could receive any performance incentive at all. They further understood, to varying degrees, that the size of the performance incentive changed according to savings and spending levels. Some (but not all) employees also knew that Narragansett received no additional performance incentive once it

³⁹ For details about the EEP performance incentive structure in Rhode Island throughout this period, see Appendix II.A.1, *supra*, and Appendix B.

⁴⁰ A budget may be overspent by more than 10% if advance notice is provided to the Rhode Island EERMC and a vote is taken. Or, a budget may be overspent by more than 10% without advance notice or a vote, but Narragansett will bear the burden of proving reasonableness and providing an explanation for the overspend. Data Request Division 3-3 n.1, citing Docket No. 4366, 2013 Annual Plan.

⁴¹ For details about the structure of downstream and upstream programs, see Section II.A, *supra*.

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exceeded a specified percentage of its Annual EE Plan targets, i.e., a cap, and that regulators would look to a program's performance in prior years when setting the targets in future EE Plans.⁴²

Against this backdrop, some employees used out-of-period invoicing to manage EEP savings and, because they believed it could maximize performance incentives.⁴³ For example, some employees viewed energy savings above the cap as not worth being claimed in that year because Narragansett could not receive recognition for those savings in the performance incentive calculation. Others expressed a general preference for deferring savings to future years once they had exceeded targets in order to reduce the risk that Narragansett would fail to meet the following year's targets, or that regulators would react to potentially irreplicable success in one year by increasing goals dramatically in the next.⁴⁴

To the extent that employees were engaging in this practice to maximize performance incentives or future goals, they acted inappropriately. Even if undertaken for customer-friendly purposes, out-of-period invoicing was not proper.

IV. QUANTIFYING CUSTOMER IMPACT

A. Overview

The Rhode Island Energy Efficiency Program has the primary purpose of creating energy and economic cost savings for Rhode Island consumers through electric and natural gas energy efficiency, as required by the LCP Standards. Consistent with the LCP Standards, the framework for the program consists of three-year planning periods and savings goals, followed by the development and implementation of annual plans, with the focus on achieving cost-effective energy efficiency.

Customers benefit from the achievement of energy savings goals and from efforts to closely manage program budgets for those activities. Through Narragansett's efforts in operating the energy efficiency programs, Rhode Island customers received actual benefits of energy savings achieved. By comparison, the practice of out-of-period invoicing influences the computation of performance incentives to be paid to Narragansett, rather than diminishing the energy efficiency

⁴² Some employees misunderstood energy savings targets, expressing concern that exceeding the cap would trigger some penalty for Narragansett, although there was no evidence for this. These employees discussed out-of-period invoicing as a mechanism to avoid that penalty.

⁴³ As explained in Section IV.C.3, out-of-period invoicing did not always maximize performance incentives.

⁴⁴ The investigation found no evidence that employees held invoices because they believed it would directly impact their own compensation. EE employee salaries were comprised of base compensation and a variable year-end bonus component, which included individual performance and business measure performance. Individual performance was measured based on several factors, including individual objectives and a demonstration of National Grid's values and leadership qualities. Employees interviewed did not link their bonuses with the success of the EEPs or to the practice of out-of-period invoicing in order to stay within budget and meet savings targets. Instead, when asked, program managers asserted that bonuses did not factor into their thinking when determining how to manage their budgets and savings goals. Managers who performed program manager evaluations and determined their compensation corroborated this account, explaining that bonuses were not directly dependent on program achievement, but rather were determined holistically. The investigation did not reveal any evidence contradicting this understanding. Thus, year-end bonuses do not appear to have motivated out-of-period invoicing.

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value to Rhode Island customers through the EEPs. However, out-of-period invoicing could have impacted performance incentives received by Narragansett in some of the program years if those incentives were caused to be higher due to the practice. Narragansett committed to returning these potentially higher rebates to customers. Therefore, determining the extent of out-of-period invoicing in terms of (1) programs, and (2) program years, is foundational for quantifying the potential customer impact.⁴⁵

The process for quantifying customer impact started with an extensive transaction analysis. Specifically, the timing of RUL sales data was reviewed and analyzed to quantify the percentage of invoices paid in the program year after the work was completed. Because National Grid could not determine the reasons such invoices were paid in subsequent years, it assumed, for calculating potential impact, that all invoices paid at any point during subsequent years should be counted as out-of-period invoicing, although there are valid reasons that invoices may be paid in a subsequent period such as normal accounts payable payment terms, missing documentation or a problem with a post-inspection. Based on the results of the transaction analysis, the rate of occurrence (expressed by a percentage) was applied across all programs to calculate the estimated customer impact resulting from the out-of-period invoicing activity in terms of performance incentive overpayments to Narragansett.

In June 2022, the initial transaction analysis produced an estimated customer impact in terms of overpayments of performance incentives to Narragansett of approximately \$1.5 million. More extensive transaction analysis conducted over the past eight months has resulted in a decreased customer impact, totaling \$322,660. Although a smaller customer impact resulting from a more extensive transaction analysis may appear counter-intuitive, the differences in program characteristics and interrelationships between the programs creates a dynamic where restoration of payments to a prior period (to eliminate the impact of out-of-period invoicing) can have the offsetting effect of *increasing* other performance incentive amounts to the benefit of Narragansett; i.e., restoring payments to a prior year can make Narragansett eligible for performance incentives that it did not get paid for, thereby offsetting the impact of customer overpayments of performance incentives.⁴⁶

This “give and take” dynamic means that the aggregate, annual impact on the performance incentives paid by customers of moving claimed savings and spend between program years could be to increase, decrease, or have no impact on the calculation of the performance incentive payment, depending on the program year. If the quantification of customer impact is viewed from the vantage point of the *most* conservative scenario, and without regard to the fact that reallocation of out-of-period invoices actually increased the incentives that would be due to Narragansett in certain years, the result would have been a net over-payment by customers of \$2,418,488.

⁴⁵ An explanation of the EE performance incentive mechanism in Rhode Island is provided in Appendix B.

⁴⁶ Out-of-period invoicing therefore did not always have the effect of increasing Narragansett’s earned performance incentive.

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B. Transaction Analysis to Derive the Out-of-Period Percentage

The work to complete the transaction analysis was comprehensive. First, data was retrieved from several different data sources, including Narragansett RUL rebate activity in InDemand, by lighting manufacturer and by year from 2012 through 2021. National Grid's RUL demand side management data, which includes payment level details by lighting manufacturer, including a National Grid payment number and rebate number and data from a third-party invoice processor. The third-party invoice processor data included two distinct source files, because the invoice processor transitioned its accounting systems in 2018. These data sources included key data fields, such as rebate number, manufacturer name, lighting manufacturer invoice number, and third-party invoice processor invoice number.

Second, the data underwent a cleansing and standardization exercise in order to analyze key fields across the data sources, including the lighting manufacturer name, a National Grid payment number, the rebate number, the MOU number, and the appropriate jurisdiction, among other information. In total, approximately six million rows of combined data were reviewed to distill it to specific Rhode Island data. The Rhode Island data alone included approximately one million rows of data to review. The process of retrieving, understanding, and cleansing the data included multiple discussions among the forensic consultant, National Grid and the third-party invoice processor in order to understand the data and perform the exercise above.

Third, a unique identifier was created to link the distinct data sources referenced above. The unique identifier was then leveraged to combine relevant data points from all data sources, including, but not limited to, a National Grid payment number; the lighting manufacturer name; the MOU number; the appropriate jurisdiction; the lighting manufacturer invoice number; the transaction level invoice amounts; and the payment date.

Fourth, available supporting documentation, such as lighting manufacturer invoices, were obtained from the third-party invoice processor.

Fifth, the unique identifier referenced above was used to sync the rebate payment to the corresponding lighting manufacturer's invoice number. Through this process, approximately 5,700 RUL invoices (representing a minimum of 5,700 distinct electronic files) were analyzed by performing one of the following two procedures. One procedure consisted of the review of physical invoices, in which available lighting manufacturer invoices were analyzed to extract the sales activity dates reflected on the invoice. Additionally, the sales activity date was compared to the payment date in the InDemand data to determine whether the dates were the in the same or different years.

The second procedure was a data comparison. Because the third-party invoice processor had transitioned accounting systems in 2018, the transition included capturing additional data points from the lighting manufacturer's invoices, most notably, the sales activity date. During the physical invoice analysis, the sales activity dates from the lighting manufacturer invoices were compared to the sales activity dates captured by the third-party invoice processor. This step ensured the accuracy of the third-party invoice processor's ability to capture accurate sales activity dates. Moreover, the data comparison leveraged the sales activity date captured by the third-party invoice processor to the InDemand payment date to determine whether these two data points were

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in the same or a different year. The work in the data comparison occurred only during the expanded transaction analysis, summarized below.

1. Initial Transaction Analysis to Derive the Out-of-Period Percentage for the June 7 Report.

The analysis supporting the June 7 Report included transaction analysis to understand the scope of out-of-period invoicing in the Rhode Island RUL program and derive an annual percentage of the out-of-period invoicing that occurred from 2012 through 2021. In relation to the analysis of the RUL program, the practice of out-of-period invoicing was defined as any occasion in which the rebate payment date did not occur in the same program year as the sales activity reflected on the invoice. No assessment was made as to appropriateness. Rather, it was assumed that all out-of-period invoices would count against Narragansett, without regard to motivation. For example, if an invoice indicated that the sale of a lightbulb occurred in December 2016, but the rebate payment did not occur until February 2017, it was counted as out-of-period invoicing.⁴⁷

Given the enormous amount of information, National Grid began by selecting nine manufacturers from Narragansett's RUL program for analysis (out of 90 total manufacturers). These manufacturers accounted for approximately 72% (or \$44.9 million) of the total rebate payments that Narragansett paid in the RUL program between January 1, 2012 and June 30, 2021⁴⁸ (\$62 million).⁴⁹ Of the approximately \$44.9 million total payments to the nine selected manufacturers, approximately \$24.0 million was selected for the initial transaction analysis and approximately \$21.2 million was analyzed. The differential between the \$21.2 million and \$24.0 million represents the invoice documentation that could not be reviewed because it was not available from the invoice processor (i.e., invoicing by the nine selected manufacturers in the RUL program between March 1, 2012 and December 31, 2015).⁵⁰

The analysis included 100% of available payments to the nine selected manufacturers in 2017 and 2018 in the Rhode Island RUL program. The transactions analyzed for 2017 and 2018 confirmed that program managers had delayed certain invoices in Narragansett's RUL program from one program year to a subsequent program year. Further analysis of the results for 2017 and

⁴⁷ Data Request Division 6-5.

⁴⁸ For additional context, the nine manufacturers accounted for approximately 76% (or \$34,682,665) of the total payments Narragansett made in the program between 2016 and 2021. Among the nine vendors examined, the average annual incentive lighting payment was \$524,788. In contrast, the remaining 81 manufacturers received an average annual incentive lighting payment of \$22,203. Additionally, 54 of the 81 manufacturers received total lighting payments of less than \$100,000, with an annual average incentive lighting payment of \$1,733.

⁴⁹ The specific amount of total incentive payments paid in Narragansett's RUL program between January 1, 2012 and June 30, 2021 is \$61,954,622.

⁵⁰ Narragansett obtained the invoices from its incentive payment processing vendor. Records of underlying sales activity (i.e., actual invoices) were not available earlier than January 1, 2016. Narragansett's previous incentive payment processor was contacted for records, but informed Narragansett that the records had not been retained. Thus, it was not possible to examine underlying sales activity for the years 2012 through 2015. (Data Request Division 3-1).

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2018 revealed that most out-of-period invoicing occurred in the first three months of those years (i.e., January through March).

In addition, the transaction analysis performed targeted “sampling” of the nine selected manufacturers for 2016, 2019, 2020, and 2021 to corroborate whether out-of-period invoicing occurred within the RUL program beyond 2017 and 2018.⁵¹ The sampling process was structured to identify the first three lighting payments of each program year (2016, 2019, 2020, and 2021) for each of the nine selected manufacturers, and then to examine the underlying sales activity for the two largest payments (of the first three payments identified) to see whether there was out-of-period invoicing activity.⁵² The transaction analysis conducted for the program years 2016, 2019, 2020, and 2021 on a sampling basis indicated out-of-period invoicing occurred within Narragansett’s RUL program during those years.⁵³ Table 1, below, summarizes the payments made by Narragansett to RUL manufacturers that were analyzed and the out-of-period amounts identified in the initial transaction analysis.

⁵¹ Data Request Division 3-1.

⁵² Each of the three payments consists of the review of thousands of lines of data for each of the nine manufacturers for 2016, 2019, 2020, and 2021. Moreover, each manufacturer can have multiple invoices, and each invoice has numerous line items of measures sold. The lines of data associated with these transactions occurs at the measure level of data across multiple sources; thus, thousands of lines of data were reviewed in order to locate the correct manufacturer invoice.

⁵³ Data Request Division 3-1.

REDACTED**Table 1: Payments Made to RUL Manufacturers and Out-of-Period Amounts**

Years	Total Payments (90 Manufacturers)	Total Payments (Nine Selected Manufacturers)	Total Payments Selected Using Sample Method (Nine Selected Manufacturers) ¹	Out of Period \$ Identified ²	Not Out of Period
2012	\$2,215,406	\$1,676,477	\$734,780		
2013	\$3,665,946	\$2,423,113	\$599,537		
2014	\$4,475,472	\$2,442,729	\$705,527		
2015	\$5,742,994	\$3,644,429	\$795,169		
2016	\$6,360,475	\$4,461,526	\$1,301,457	\$908,744	\$392,713
2017	\$8,148,019	\$5,680,428	\$5,389,607	\$660,823	\$4,728,784
2018	\$9,699,570	\$7,198,587	\$7,196,285	\$2,322,316	\$4,873,969
2019	\$11,779,915	\$9,770,853	\$4,710,316	\$2,307,219	\$2,403,097
2020	\$7,311,487	\$5,801,574	\$2,091,130	\$924,503	\$1,166,627
June 30, 2021	\$2,555,338	\$1,769,697	\$563,648	\$480,079	\$83,568
Total	\$61,954,622	\$44,869,412	\$24,087,456	\$7,603,684	\$13,648,759

[Note 1]: For 2017 and 2018, the goal was to review 100% of payments for the nine selected vendors to determine the existence of out of period payments. Minor differences between "Total Payments Selected Using Sample Method" and "Total Payments (Nine Selected Manufacturers)" represent certain payments made in January that were accurately reported in the prior program year.

[Note 2]: Records of underlying sales activity (i.e., actual invoices) were not available from 2012 through 2015.

Table 2 below presents the listing of applied out-of-period percentages from the initial transaction analysis, using the RUL program as a proxy for all programs. Specifically, the table shows the actual yearly out-of-period percentages from the initial transaction analysis for 2016 through 2020, and the average out-of-period percentages from the initial transaction analysis applied for 2012 through 2015 and for 2021.

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Table 2: Listing of Applied Out-of-Period Percentages

Program Year	Out-of-Period Percentage
2012	16.58%
2013	16.58%
2014	16.58%
2015	16.58%
2016	14.29%
2017	8.11%
2018	23.94%
2019	19.59%
2020	12.64%
2021	16.58%
Average	16.58%

2. *Expanded Transaction Analysis to Derive the Complete Out-of-Period Percentage.*

After the June 7 Report and the opening of Docket No. 22-05-EE, National Grid initiated work to expand the transaction analysis to refine the results that were obtained in preparation of the June 7 Report. The expanded transaction analysis consisted of reviewing the following additional relevant documentation for Narragansett's RUL program:

1. Part 1 of the expanded transaction analysis reviewed data (where available) or physical invoices for the manufacturers related to payments from June 1, 2018 through December 31, 2021, not previously selected as part of the initial transaction analysis.
2. Part 2 of the expanded transaction analysis reviewed physical invoices (where available) for the manufacturers related to payments from January 1, 2016 through May 31, 2018 not previously selected as part of the initial transaction analysis.

Part 1 of the expanded transaction analysis included the following steps.

Step 1 focused on data collection. Additional data was obtained to perform transaction analysis for Narragansett's RUL program. The data included: (1) InDemand data from December 1, 2017 through April 30, 2022 provided by the National Grid Internal Audit team; and (2) IMS data from December 1, 2017 through April 30, 2022 provided by the invoice processing vendor.⁵⁴

⁵⁴ The RUL program closed as of December 31, 2021. Information was requested through April 2022 in order to capture any potential activity, such as rebate payments, that may have occurred post-December 31, 2021. After review, within the data that was collected, there was no rebate payment activity post-December 31, 2021.

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Step 2 focused on the scope of the expanded transaction analysis. To the extent Narragansett's RUL data was available from the invoice processing vendor,⁵⁵ additional transaction analysis was performed for the period of June 2018 through December 2021. This additional testing included: (1) reviewing the transaction payment data (e.g., sales activity data, final payment date) for the remaining 83 manufacturers,⁵⁶ not previously reviewed as part of the initial scope in the initial transaction analysis to derive the out-of-period percentage for the June 7 Report; and (2) reviewing the transaction payment data for the nine selected manufacturers not selected for testing as part of the initial transaction analysis. In other words, the sampling process in the initial transaction analysis identified the first three payments from years 2016, 2019, 2020, and 2021, and from those, reviewed the two largest payments for inclusion in the analysis; whereas this additional analysis analyzed all remaining payments for the entire year that were not selected during the initial transaction analysis.

Step 3 consisted of an additional invoice and payment review. After obtaining the relevant data sources, both data sets were analyzed and combined into a single database to be able to link payments (InDemand data) to sales activity (invoice processing vendor data). The invoice processing vendor sales activity data⁵⁷ was leveraged in order to compare sales activity to when payments for the activity/services were made pursuant to the InDemand data. This analysis relied on electronic data and did not include analyzing physical invoices.

Following these steps, Part 2 of the expanded data analysis included the review of physical invoices. The procedures performed mirror the initial transaction analysis described above, where actual invoices were reviewed to compare the underlying sales activity data to when the rebate payments occurred. In the expanded transaction analysis, approximately 5,700 RUL program invoices were analyzed.

Table 3 summarizes the total amounts analyzed through the updated customer impact review:

⁵⁵ The invoice processing vendor started capturing sales activity information as part of its migration to a new IMS system. The migration occurred in June 2018.

⁵⁶ Extending the review period through December 2021 (instead of June 2021) added two new manufacturers not included in Phase 1 of the initial investigation, for a total of 92 manufacturers in Narragansett's RUL program.

⁵⁷ The invoice processing vendor sales activity data captures both "Sales Begin Date" and "Sales End Date" in certain instances. This information was leveraged instead of reviewing physical invoices.

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Table 3: Total Amounts Analyzed through Update Customer Impact Review

Years	Total Payments (92 Manufacturers)	Payments Analyzed	% of Total Payments Analyzed
2012	\$2,215,406		
2013	\$3,665,946		
2014	\$4,475,472		
2015	\$5,757,681		
2016	\$6,211,308	\$5,261,029	84.70%
2017	\$8,118,590	\$6,575,049	80.99%
2018	\$9,696,319	\$9,400,267	96.95%
2019	\$11,673,697	\$10,940,452	93.72%
2020	\$7,200,148	\$7,017,506	97.46%
2021	\$4,079,127	\$4,079,127	100.00
Grand Total	\$63,093,694	\$43,273,431	
Subtotal: 2012-2015	\$16,114,504	\$0	0.00%
Subtotal: 2016-2021	\$46,979,190	\$43,273,431	92.11%

As demonstrated by the table above, the expanded transaction analysis analyzed approximately 92% of available program rebate activity data for the RUL program during the 2016 through 2021 period. The process of obtaining and analyzing data and supporting documentation from both National Grid and a third-party invoice processor, including the analysis of approximately 5,700 RUL program invoices, required many months to complete.

However, the additional work enabled National Grid to analyze all available sales activity (invoices or transaction payment data) for the Rhode Island RUL program, rather than relying on a sampling procedure. In addition, the expanded transaction analysis produced an evaluation of six full years of available data from the RUL program.

The results of the expanded transaction analysis, in concert with the results from the initial investigation, allowed for the calculation of a revised percentage of out-of-period invoicing for the RUL program. The updated review resulted in the following revised out-of-period percentages from 2012 through 2021:⁵⁸

⁵⁸ Because no supporting documentation exists for program years 2012 through 2015 (as explained above), those years used the average of 21.73% calculated from the 2016 through 2021 testing results.

REDACTED**Table 4: Revised Out-of-Period Percentages**

Program Year	Initial Out-of-Period Percentage (June 7 Report)	Revised Out-of-Period Percentage (Current)
2012	16.58%	21.73%
2013	16.58%	21.73%
2014	16.58%	21.73%
2015	16.58%	21.73%
2016	14.29%	24.01%
2017	8.11%	12.45%
2018	23.94%	28.98%
2019	19.59%	22.04%
2020	12.64%	17.14%
2021	16.58%	22.23%
Average	16.58%	21.73%

As shown in the table above, the expanded transaction analysis yielded increased out-of-period percentages for each year from 2012 through 2021, with the average out-of-period percentages for 2012 through 2021 raised from 16.58% to 21.73%.

Section IV.C, below, explains that this percentage was then utilized to quantify the customer impact in terms of overpayments of performance incentives.

C. Applying the Out-of-Period Percentage to the Customer Impact Model

1. Preliminary Result of Quantifying Customer Impact in Docket 5189

After completing the initial transaction analysis described above, a model was developed to apply to the transaction analysis to determine the customer impact. First, National Grid took all of the out-of-period invoices that it found had been accounted for in the subsequent calendar year and placed associated spend and claimed savings back into the prior calendar year. Importantly, all out-of-period invoices identified through sampling were treated as part of the improper practice, rather than making a subjective attempt to sort through which invoices might have been validly delayed and which were not. This approach was taken, even though there are valid reasons that out-of-period invoices would occur in the normal course of business.⁵⁹

⁵⁹ For example, Large C&I Energy Efficiency projects are typically paid in the same year that they are sold. However, due to their size and complexity, Large C&I projects are not necessarily expected to be completed in the same year that they are sold or when construction starts. (Data Request Division 8-10).

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Next, National Grid recalculated total spend and savings for the Non-Income Eligible Residential sector (which includes the RUL program), and the resulting performance incentive, for each program year that was impacted to see if it resulted in any impact on Rhode Island customers.

The preliminary result of quantifying the impact of out-of-period invoicing on Rhode Island customers was an aggregate, net downward adjustment of \$124,135 to Narragansett's \$3,390,165 performance incentive. Narragansett credited this amount to the energy efficiency fund on or around February 1, 2022, in advance of approval of a potential new energy efficiency surcharge for 2022 in Docket 5189, while it worked to develop a methodology that would determine a reasonable estimate of the overall impact on customers when considering all energy efficiency programs from 2012 through June 30, 2021.

2. Out-of-Period Invoicing Quantified for the June 7 Report.

Based on the work completed in the initial investigation, National Grid recalculated the performance incentives earned by Narragansett for the period 2012 through 2020 using out-of-period percentages calculated during the initial transaction analysis. For the programs that fell within the years where actual yearly out-of-period percentages were able to be calculated (2016 through 2020), the as-calculated percentages for the respective year were applied, ranging from 13% in 2017 to 23.94% in 2018. For the programs that fell within years where the initial transaction analysis did not have actual as-calculated out-of-period percentages for that year, because data was unavailable (2012 through 2015 and 2021), the average of the calculated out-of-period percentages (16.58%) was applied. This resulted in a net downward adjustment of \$1,564,423 from Narragansett's performance incentives for program years 2012 through 2020.⁶⁰

As shown below, Narragansett credited a total of \$2,422,235 to the energy efficiency fund, including the \$124,135 initially credited for the RUL program on or around February 1, 2022. This amount represents the upper-end customer impact estimate of \$2,194,339, initially shared with the Commission in the June 7, 2022 Report,⁶¹ plus interest. This credit was reflected in Narragansett's 2023 Annual Plan filed in Docket No. 22-33-EE on September 30, 2022.

Narragansett made the aggregate credit through a series of separate credits, as shown in Table 5, below:

⁶⁰ Data Request PUC Post-Decisional 3-1, Docket 5189. Narragansett also ran alternative calculations. First, Narragansett used the "straight average" of the transaction tested out-of-period percentages (16.58%), applied to all years from 2012 through 2021, indicating in a net downward adjustment of \$1,842,810 from Narragansett's performance incentives for program years 2012 through 2021 (revised from an initial calculation of \$1,569,887 after discovery of a calculation error). (*Id.*). Second, Narragansett used a combination of actual as-calculated percentages for original review years, and a maximum calculated out-of-period percentage for all other years (23.94%, using 2018), resulting in a net downward adjustment of \$1,977,707 from Narragansett's performance incentives for program years 2012 through 2020 (revised from an initial calculation of \$2,194,339). (*Id.*). The model used by Narragansett in the initial investigation was deemed the most reasonable at the time.

⁶¹ Although this upper-end estimate from the June 7, 2022 Report was later revised from \$2,194,339 to \$1,977,707 after correcting an error in the calculation, and an "actuals-average" estimate of \$1,564,423 was deemed the most reasonable, as a measure of good faith Narragansett decided to credit the energy efficiency fund with the highest possible amount from all of its estimates during the investigation.

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Date	Credit	Description
January 2022	\$124,135	Electric credit from 2016 to January 2022.
January 2022	\$3,185	Interest on electric credit from 2016 to January 2022.
May 2022	\$2,070,204	Gas credit and additional electric credit from 2012 through May 2022.
June 2022	\$292,173	Interest on amounts credited in May 2022, back to appropriate year for each portion of that credit. This includes an inadvertent manual spreadsheet error that overstates the actual interest credit by \$67,643. The reporting error was discovered in October 2022.
October 2022	(\$67,462)	Reversal of a manual error in the Fund Balance spreadsheet representation of the June Interest Credit. The Credit was correctly applied in the SAP Financial System in June 2022 (as \$224,710.95), but was incorrectly represented in the Fund Balance spreadsheet (as \$292,172.92). The incorrect spreadsheet amount was referenced in Narragansett's 2023 Annual EE Plan filed in Docket No. 22-33-EE on September 30, 2022. The error was discovered in October 2022.
Total	\$2,422,235	Sum of above-referenced credits.

The May 2022 credit and the corresponding June 2022 interest on the amounts credited were allocated between the electric and gas portions of the energy efficiency fund based on the actual percentage of implementation expenses for electric (75.62%) and gas (24.38%) during the 2012 through 2020 period. Actual implementation expenses represent a consistent and linear method to allocate performance incentive across the various programs based on the size of the programs. Because these programs appear in both the electric and gas portfolios, energy savings amounts were not used to allocate because they are not comparable (e.g., MMBtu for gas and kW/MWh for electric).⁶²

3. *Out-of-Period Invoicing Quantified Through Expanded Transaction Analysis*

The updated out-of-period percentages summarized in Section IV.B.2., above, were then entered into the customer impact model. The model uses the out-of-period percentage for the RUL program as a proxy for other programs and sectors, as described above. Moreover, the model uses the average out-of-period percentage for the unknown years (2012 through 2015) and the actual out-of-period percentage for the actual years (2016 through 2021). The goal of the customer

⁶² Attachment PUC Post-Decisional 3-2, page 2 of 2, Docket 5189.

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impact analysis is to recompute annual results to isolate the impact of out-of-period invoicing on customers.

Thus, the revised net impact of the out-of-period invoicing activity associated with all customer-facing energy efficiency programs from 2012 through 2021 is a customer impact of \$322,660. In comparison, the initial estimated impact in the June 7 Report was \$1,564,423.⁶³ As a measure of good faith, Narragansett credited to the energy efficiency fund the upper end of the initial estimated impact range: \$2,194,339,⁶⁴ plus interest, for a total of \$2,422,235.

As explained above, it may seem counter-intuitive that the net impact of the out-of-period invoicing practice *decreased* from \$1,564,423 to \$322,660 when including *more* customer facing energy efficiency programs in the customer impact model. However, every adjustment has “domino effects” throughout the model in terms of the resulting annual savings and costs.⁶⁵ However, not all of these “domino effects” have the impact of increasing the quantified amount of performance incentive that was obtained by Narragansett. In some cases, moving program results from one year to the next to address out-of-period invoicing has the effect of *increasing* performance incentives for some programs and/or in some years beyond those actually received by Narragansett. In these years, out-of-period invoicing actually understated the amount of performance incentive Narragansett would have earned. This results in offsetting the quantification of the negative adjustment intended to provide restitution to customers for out-of-period practices.

For example, a sector in a particular year may have achieved performance incentive far in excess of the 125% cap. When adjusted downward to remove out-of-period activity, the sector performance incentive still might exceed the 125% cap, resulting in net performance incentive of 125% that year and no impact to Narragansett’s earned performance incentive. However, with the out-of-period activity removed from that year and restored to the prior year, there are instances of an upward adjustment to the performance incentive Narragansett should have earned in that prior year (if not already at the 125% cap).

If the customer-impact model is run without allowing the offsetting impacts to occur in the model, the analysis produces a customer impact of \$2,418,488. This most conservative scenario takes into account all of the program years, with Narragansett penalized for over-earning in the model, but not benefitting from offsetting incentive payments that would have been earned, but were not actually paid to Narragansett in the respective program year.

⁶³ Data Request PUC Post-Decisional 3-1, Docket 5189.

⁶⁴ June 7 Report at 10.

⁶⁵ The out-of-period activity would apply to both the savings and spending related to a project or program. The true financial effect of deferring savings (and associated spending) would have been a function of the cost associated with achieving those savings, and Narragansett’s ability to maintain sector spending at or below 95% of sector budget. As a result, any deferred savings (and associated spend) could have had a positive or negative effect on Narragansett’s performance incentive earnings in any given year. Likewise, any adjustment of the deferred savings (and associated spend) also could have a positive or negative effect on Narragansett’s performance incentive earnings in any given year. (Data Request Division 2-12).

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Accordingly, the expanded transaction analysis that tested all data for Narragansett's RUL program from 2016 through 2021, and that used the RUL program out-of-period invoicing percentages as a proxy for other programs and sectors, without regard to the fact that some EEPs may have valid reasons for out-of-period invoicing in the ordinary course of program administration, results in a net reduction of Narragansett's performance incentives from 2012 through 2021 of \$322,660 for out-of-period invoicing activity, if calculated without excluding the offsetting impacts of restoring out-of-period transactions to the prior period. If Narragansett's performance incentives were not recalculated to account for positive variances resulting from reallocation of out-of-period invoices to earlier years, the net impact of the out-of-period invoicing activity on Narragansett's performance incentives from 2012 through 2021 is \$2,418,488.

D. Analysis of Other Energy Efficiency Programs.

The work effort summarized in Sections III and IV, above, confirmed that the out-of-period invoicing activity occurred across the EEPs from 2012 through 2021. Therefore, National Grid had to consider whether and to what extent transactional analysis should be conducted in relation to these other programs.

Specifically, National Grid assessed whether the RUL program would serve as an appropriate proxy for the other EEPs because of the unique features of the program (the simplicity of linking program savings directly to invoiced lightbulbs). Conversely, the tight connection between program savings and invoiced units enabled the examination of the most clear-cut and feasible data available to reach an accurate reasonable analysis. In addition, the RUL program was one of the largest EEPs. Between 2012 and 2021, Narragansett included 25 unique customer-facing EEPs, consisting of 14 electric programs and 11 gas programs. During that period, the RUL program (one of the 14 electric programs) ranked as the fourth largest program, measured by its electric implementation expense, and second largest program, measured by its electric energy savings achieved.

Consequently, a reasonable indicator of the measure of out-of-period invoicing taking place in programs other than the RUL program is the percentage derived through the analysis of six years of RUL program documentation (2016 through 2021). That said, National Grid considered whether it was possible to develop a logical and effective sampling routine in additional programs outside of the RUL program to further validate the RUL program as a reasonable proxy percentage for the extent of out-of-period invoicing across the Rhode Island EEPs.

To explore whether a logical and effective sampling routine could be applied to the task, InDemand extracts were obtained for the Large Commercial Retrofit program (C&I sector). The Large Commercial Retrofit program was chosen because it ranked as the largest energy efficiency program between 2012 and 2021, measured by both its electric implementation expense and electric energy savings achieved. Next, one year (2016) was selected to analyze and determine whether it would be feasible to extract data on relevant activity points and whether those data points could be objectively assessed for the presence of out-of-period invoicing conduct. 2016 was identified because the analysis previously suggested that out-of-period activity occurred in 2015, which would result in out-of-period documentation in 2016. Moreover, the Large

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Commercial Retrofit program achieved 124.7% of its savings target in 2015 – i.e., approximately at the C&I sector’s 125% savings cap for purposes of the performance incentive.

Through this additional analysis, National Grid learned that, in stark contrast with the RUL program, the operation of the Large Commercial Retrofit program is tremendously complex, involving vast amounts of data and embedded activity points that cannot be feasibly disaggregated or differentiated for sampling purposes.⁶⁶ Whereas the RUL program acted as a standalone program, the Large Commercial Retrofit program has four unique and distinct subprograms: (1) Electric Applications; (2) Electric Work Packages; (3) Gas Custom; and (4) Gas Work Packages. Each of these unique subprograms has distinct characteristics in terms of data captured in InDemand, supporting documentation, and milestones to trigger accruals and payments.

Available documents in InDemand to review for the Large Commercial Retrofit program included invoices, post inspection reports, Minimum Documents Requirements (“MDRs”),⁶⁷ and quality assurance and quality control reports, among other documentation. In total, for all four Large Commercial Retrofit subprograms, InDemand contained approximately 34,000 available documents in 2016 to review to determine whether out-of-period invoicing occurred.

Despite the volume of documents, review of the supporting documentation for the four Large Commercial Retrofit subprograms for the first four months of 2016 was undertaken. This review included approximately 1,300 project applications, consisting of a total of 2,400 pieces of supporting documentation. The analysis of the supporting documentation included individuals identifying and analyzing the supporting documentation for each application and extracting key data points, followed by the need to follow-up on each embedded activity point to understand each milestone trigger to move to the next milestone, and also to understand the natural delays that occurred as a result of exceptions to the process flow, such as (but not limited to) a project failing post-inspection or needing to calibrate equipment to achieve specific measures.

Through the review of the Large Commercial Retrofit program, and the understanding that other EEPs include the same review challenges, National Grid determined that other EEPs are more complex as compared to the RUL program. As explained above, the RUL program involves the sale of lightbulbs through point of sale at various retail locations, such as grocery stores or hardware stores. The RUL program’s trigger for payment was objective: the point of sale (i.e., sales activity). Therefore, the out-of-period analysis for the RUL program simply involved comparing sales activity to the payment date to determine whether the payment was out-of-period.

In contrast, other EEPs included multiple triggers, and various milestones, for accruals, invoicing, and payment, which render these programs complex and subjective. The subjectivity of these programs makes systematic testing for out-of-period invoicing challenging and the results inaccurate. For example, the different milestones in these other EEPs make it challenging to determine when Narragansett should report, or should have reported, implementation expenses

⁶⁶ Among other differentiating factors, there would be a number of valid reasons that “out-of-period” invoicing would occur in the Large C&I programs in the ordinary course of program administration.

⁶⁷ MDRs specify the agreed upon minimum equipment specifications and operational requirements of the proposed project.

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and energy savings. Moreover, other EEPs often involve the installation of multiple measures at various stages of construction, and span multiple months, and sometimes years, to complete.

In addition to the multiple triggers, other EEPs also may have multiple exceptions that delay the triggers or milestones and appropriately delay the recognition of implementation expense and energy savings, such as failing post-inspections, missing key documents, or other exceptions.

Furthermore, the data and supporting documentation for these other energy efficiency programs – when it exists – is voluminous and would take a substantial amount of time to obtain from National Grid’s systems; third-party vendors;⁶⁸ and, in some cases, within the local hard drives of the 27 Program Managers. In addition to the data to review, it would be necessary to speak with the involved Program Managers, third-parties, and data custodians, *for each and every application*, in order to understand the data, supporting documentation, and decisions made.

Accordingly, the sequence of milestones that would need to be sampled are encompassed within thousands upon thousands of distinct transactions that occurred several years ago involving numerous individuals, many of whom are no longer employed by National Grid or Narragansett or are third parties who are not employed by National Grid or Narragansett. As a result, it was not reasonably possible to develop a logical and accurate sampling routine to develop an out-of-period percentage for these more intricate programs. Further, the results of any such effort would not be reliable or sufficiently representative and attempts at derivation of a program-specific percentage would ultimately be a futile exercise. Therefore, the expanded transaction analysis was determinative in identifying the RUL program as the most complete and reasonable proxy for the out-of-period invoicing activity.

V. CORRECTIVE MEASURES

A. Addressing the Financial Impact to Customers

From the outset of this investigation, Narragansett has committed to mitigating the effects on customers of the out-of-period invoicing practice. And even after National Grid sold Narragansett in May 2022, it has remained fully committed to understanding and redressing the practice’s impact on both former and current customers, dedicating extensive resources to its ongoing investigation.

As described in Section II.B, above, National Grid hired an independent forensic consultant to conduct a comprehensive, labor-intensive analysis of the customer impact from out-of-period invoicing. As of October 2022, Narragansett credited over \$2.4 million – the maximum amount estimated by the impact calculations at the time, plus interest – to the Narragansett electric and gas EE funds, which exceeds the calculated impact to customers. And, as described above, National Grid has continued to update and refine the customer impact calculations.

⁶⁸ Moreover, each program could have used multiple third-parties or contractors.

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B. Clarifying Policies and Improving Trainings

Internally, National Grid has taken multiple concrete steps to eliminate out-of-period invoicing. First, National Grid has updated its training to explicitly state that out-of-period invoicing is prohibited.⁶⁹ Specifically, beginning in the summer of 2021, National Grid instructed EEP staff:

Invoices should not be held due to budgetary concerns. Work performed and considered a National Grid liability needs to be paid in a timely manner. It is a Program Managers function to work with their manager and CEM when there are budgetary concerns. The CEM teams are the regulatory experts. They support Program Delivery when there are budget concerns.⁷⁰

This training was given to employees within the NE organization who work on EEPs, including program managers and CEM staff, as well as staff in Evaluation, EE Administrators, EE Accounting, Tech Services, Information Technology, and EE Reporting, and is offered to new program staff. Additionally, as of December 2022, National Grid updated its year-end accruals training for Execution staff, which now states: “No intentional shifting of work or invoices between periods.” And, finally, National Grid has provided separate training for vendors conveying the message that invoices should not be held.

In addition to these trainings, National Grid has reiterated to EEP employees that the out-of-period invoicing practice is prohibited. In November 2022, National Grid’s Chief Customer Officer emailed the entire US Customer Organization to emphasize that payments must be recorded in the period in which the work was done. She also met with the EEP Vice Presidents, Directors, and Managers, as well as EE Finance Business Partners, to reiterate that holding invoices is not permitted under any circumstances and instructed these managers to convey the message to their teams and ensure compliance.

The trainings appear to have had their intended effect: throughout the investigation, employees, including program managers, repeatedly acknowledged that they had received that message and now understood that out-of-period invoicing was, and continues to be, prohibited.

C. Changes to InDemand Processes

National Grid has instituted multiple changes to its invoicing and reporting processes, each aimed at ensuring compliance with proper invoicing practices. National Grid has modified its data gathering process in order to systematically track when invoices are paid in relation to when the associated work occurred. InDemand now captures data related to transaction dates for sales activity across all EEPs. This data point helps National Grid to determine whether work was paid

⁶⁹ Copies of all updated training materials mentioned can be found at Appendix J.

⁷⁰ Attachment DIV 1-17-1, at 68.

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in the same period in which it occurred and to check that its reporting accurately reflects when the work was completed.

D. Implementing New Controls

In March 2021, National Grid established a new Energy Efficiency Controls & Compliance (the “Compliance team”) to enhance checks and controls for EEPs.

The Compliance team has developed several new controls to monitor the payment of invoices. The team is creating standard operating procedures for processing payments, as well as an invoice processing checklist to assist program managers in complying with those procedures and to formalize the proper delegation of authority in the invoicing process. The team has also established a “second-line testing” process to review invoicing data, including the new data related to transaction dates on InDemand, to identify any inaccurately reported invoices. Thus, the Compliance team serves as a new and additional layer of review for invoicing practices.

More broadly, National Grid has undertaken a number of steps to improve overall controls. Among other things, National Grid hired an outside, independent consultant in July 2022 to review the EEPs and work with management to map out a plan to reduce risk and improve compliance monitoring. In 2023, National Grid hired a second outside, independent consultant to assess its EE reporting policies and processes.

E. Enacting Organizational Changes

In November 2022, National Grid centralized EE activities under one Vice President, Christopher McCusker. Mr. McCusker began at National Grid as Controller, first for New England and then for the entire U.S. business. In the latter role, he was responsible for National Grid’s internal control environment, as well as accounting and reporting for all of National Grid’s U.S. utilities. Given this background in controls and insights from other parts of National Grid, Mr. McCusker is ideally suited to lead the EE organization with a renewed focus on compliance.

Nearly all staff working on EEPs – including Execution, Strategy, EE Reporting, and the new Compliance team – now report to the new Vice President of EE Program Management. This reorganization has consolidated responsibility for EEP oversight in one individual, thereby facilitating easy dissemination of EEP policies and providing a more direct channel to escalate and resolve challenges and questions.

Additionally, to add further focus and expertise in controls, a customer controls and advisory director position was recently created, which will report directly to Mr. McCusker. The Customer Controls Advisory Director will be working with the outside consultants referenced above to drive any necessary improvements, among other responsibilities. This role will be filled by a former Director of Risk, Controls and Compliance at National Grid.

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VI. CONCLUSION

National Grid appreciates the time and opportunity afforded by the Commission to this investigative endeavor. The additional time enabled National Grid to carry out the investigation to conclusion and a substantial work effort has occurred to achieve this outcome. National Grid is firmly committed to supporting Narragansett in reasonably and responsibly resolving the issues under investigation. National Grid hopes to do so in a collaborative, productive and efficient manner.

The Rhode Island EEPs are designed and implemented for the purpose of helping Rhode Island customers improve the energy efficiency of their homes and businesses while defraying the costs of making those homes and businesses more energy efficient. Customers who participate in EEPs save energy and see direct cost savings in the form of lower energy bills. This is a critical mission that National Grid long supported in its previous role as owner and operator of Narragansett. National Grid views the opportunity to complete this investigation as a critical step forward to preserve the integrity the programs that deliver these important benefits to customers.

REDACTED**Appendix A: Energy Efficiency Programs by Sector (2012-2021)****Residential (Non-Income Eligible) Programs**

Program Name	Program Description	Program Years	Electric/Gas Funding
EnergyWise Single Family	EnergyWise is a direct-to-consumer in-home program that educates residents on how their home can become more energy efficient. The program offers single-family customers (buildings with 1-4 dwelling units) home energy assessments, weatherization services, and information regarding their energy usage. The program addresses base load electric use and heating, cooling, and water heater energy loads in all residential buildings. Participants receive energy efficiency recommendations and technical assistance, as well as financial incentives to replace inefficient items such as lighting fixtures, appliances, thermostats, and insulation. Upgrades to efficient lighting, advanced power strips, and water saving devices are made if opportunities exist during the initial visit. At the completion of the assessment, the customer receives an Energy Action Plan that indicates additional energy savings opportunities delivered through Narragansett's various programs, as well as solar opportunities provided through statewide initiatives. The program delivers finance opportunities to customers, such as the Heat Loan.	2012-2021	Electric and Gas
ENERGY STAR® Lighting	This program is implemented jointly with other regional utilities. It provides discounts to customers for the purchase of ENERGY STAR® lighting through instant rebates, special promotions at retail stores, pop-up retailers, and social marketing campaigns. The program also provides retailer support with training of qualified products, in-store education events for customers, retailer verification of program signage, and online training of products and promotions.	2012-2021	Electric only
Residential High-Efficiency Heating.	This program promotes the installation of high efficiency central air conditioners for	2012-2021	Electric and Gas

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Cooling, and Hot Water (ENERGY STAR® HVAC)	electric customers and new energy efficient natural gas related equipment, including boilers, furnaces, water heating equipment, thermostats, and boiler reset controls. Incentives for energy efficient air source heat pumps for space and water heating equipment are available for customers with electric resistance heating/hot water. Incentives were also available through 2019 for air source heat pumps used as accessory heating and cooling devices in homes with a primary heating system that is natural gas, oil, or propane. The program provides training of contractors to increase accurate installation practices, testing of the high efficiency systems, tiered rebates for new ENERGY STAR® systems, and incentives for checking new and existing systems.		
EnergyWise Multifamily	This program offers comprehensive energy services for market-rate multifamily customers (buildings with 5+ dwelling units), including energy assessments, incentives for heating and domestic hot water systems, cooling equipment, lighting, and appliances. All types of multifamily properties are eligible. A primary point-of-contact is designated to manage and coordinate services offered through Narragansett's existing portfolio. This program is offered in conjunction with the C&I Multifamily gas program where a site may have a commercial meter or office space, but should be virtually indistinguishable to the customer, because Narragansett's single point of contact will handle all program overlap and offer a seamless customer experience.	2013-2021	Electric and Gas
Home Energy Reports	The Home Energy Reports ("HERs") program encourages energy efficiency behavior through personalized print and email reports and a seamlessly integrated website. Each of the communication channels displays energy consumption patterns and contains a normative comparison to similarly sized and similarly heated homes, as well as to an energy reduction goal for each customer.	2013-2021	Electric and Gas

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	Narragansett will continue to deliver HERs that offer enhanced feedback tools to inspire customers to take actions that reduce their energy consumption and increase their participation in other energy efficiency programs.		
Residential New Construction and Building Energy Code Support	The Residential New Construction (“RNC”) program promotes the construction of high-performing energy efficient single-family, multifamily, and income eligible homes, as well as the education of builders, tradespeople, designers, and code officials.	2012-2021	Electric and Gas
Residential Consumer Products	This program is run in collaboration with other regional utilities to promote the purchase of high efficiency household appliances, including kitchen appliances and electronics carrying the ENERGY STAR® label. This program trains retail sales staff about products. The program also offers refrigerator recycling.	2016-2021	Electric only
ENERGY STAR® Appliances/Products	This program was run in collaboration with other regional utilities to promote the purchase of high efficiency household appliances, including kitchen appliances and electronics. These appliances carry an ENERGY STAR® label. The program also offers refrigerator recycling, which promotes more efficient refrigerators while removing non-efficient units from the market.	2012-2015	Electric only

Income Eligible Residential Programs

Program Name	Program Description	Program Years	Electric/Gas Funding
Income Eligible Single Family	Income Eligible Single (“IES”) Family Services are delivered by local Community Action Program (“CAP”) agencies with oversight provided by a Lead Industry Partner. Three levels of home energy assessments are offered: (1) lighting and appliance, (2) heating and weatherization, and (3) comprehensive assessment. Customers who qualify for the A-60 rate or for the Low-Income Home Energy Assistance Program	2012-2021	Electric and Gas

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	("LIHEAP") are eligible to receive all services and equipment upgrades at no cost.		
Income Eligible Multifamily	Comprehensive energy services for multifamily customers (buildings with 5+ dwelling units) that also meet the criteria for "income eligible" as defined in the Annual EE Plan filing (reference Attachment 1 Residential & IES Programs, Section 3, Multifamily). These services include energy assessments, incentives for heating and domestic hot water systems, Air Source Heat Pumps, cooling equipment, lighting, and appliances. In most cases, there are no costs to the customer for these services, as most income eligible upgrades are covered at 100%.	2013-2021	Electric and Gas

C&I Programs

Program Name	Program Description	Program Years	Electric/Gas Funding
Large Commercial and Industrial Retrofit	<p>This program incentivizes the replacement of existing equipment and systems with energy-efficient alternatives when the customer might otherwise not plan on making efficiency investments. This may include energy efficient equipment such as lighting; motors; heating, ventilation and air conditioning ("HVAC") systems; thermal envelope measures; and custom measures in existing buildings. All large commercial, industrial, and institutional customers with annual electric consumption greater than 1,000,000 kWh per year are eligible to participate. Narragansett offers technical assistance to customers to help them identify cost-effective efficiency opportunities and pays incentives to assist in defraying part of the material and labor costs associated with the energy efficient measures.</p> <p>Narragansett also offers education and training, such as the building operator certification ("BOC") training, to support</p>	2012-2021	Electric and Gas

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	the implementation and adoption of energy efficiency.		
Large Commercial and Industrial New Construction	<p>This program encourages energy efficiency in new construction, major renovations, planned replacement of aging equipment, and replacement of failed equipment through financial incentives and technical assistance to developers, manufacturers, vendors, customers, and design professionals. C&I customers with annual electric consumption greater than 1,000,000 kWh per year are eligible.</p> <p>This program supports new construction projects with proactive technical assistance during design with energy modeling and analysis. Incentives are also offered to the owner's design teams for their time and effort to meet program requirements. The program promotes and incentivizes the installation of high efficiency equipment in existing facilities during remodeling or equipment failure and replacement. A customer who does not install energy efficient equipment at the time of construction or equipment replacement will likely never make the investment or will do so at a much greater cost later. Operations Verification or quality assurance is also offered to ensure that the equipment and systems operate as intended.</p> <p>The program also promotes compliance with the building energy code and increased use of the Stretch Code to support the State's goals and objectives. In addition, it provides technical assistance in advancing the development and adoption of minimum efficiency standards for appliances and equipment. Finally, the program supports the State's Zero Energy Building ("ZEB") goals through engagement and development of ZEB programs in the future.</p>	2012-2021	Electric and Gas
Small Business Direct Install	This is a retrofit program that provides turn-key solutions to customers that consume less than 1,000,000 kWh per year. As part of the program, customers	2012-2021	Electric and Gas

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	receive a free on-site energy assessment and a customized report detailing recommended energy efficient improvements. Narragansett then completes retrofit installations at the customer's convenience. The program serves small businesses of all types from restaurants to non-profits, to small offices. Narragansett pays up to 70% of installation and equipment costs and customers can finance the remaining share of the project over as many as 60 months (typically 24) on their electric bill, interest free, using the Small Business Revolving Loan Fund, provided funds are available.		
Commercial and Industrial Multifamily	Comprehensive energy services for market-rate multifamily customers (buildings with 5+ dwelling units), including energy assessments and incentives for heating and domestic hot water systems and weatherization. Coordinated services will be offered for all types of multifamily properties. An approach tailored for multifamily properties designates a primary point-of-contact to manage and coordinate services offered through Narragansett's existing portfolio, including EnergyWise, C&I Retrofit, Residential New Construction, Income Eligible, and the ENERGY STAR® HVAC programs.	2013-2021	Gas only

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Appendix B: Energy Efficiency Performance Incentive Mechanism in Rhode Island

Narragansett has had the opportunity to earn a performance incentive based on outcomes achieved in the delivery of its EEPs. From 2013 to 2020, Narragansett's "design level" incentive earning "opportunity pool" was established at five percent of approved eligible spending budget. In other words, if Narragansett's actual savings and spending exactly match the target savings goals and spending levels in each Annual EE Plan, Narragansett has the opportunity to earn an incentive of five percent of approved eligible spending budget. The total "opportunity pool" is further divided, first by portfolio (electric and gas), and then by sector (market-rate residential, income eligible, and C&I).⁷¹

Performance in the electric portfolio historically has been determined on the basis of achievement of annual electric energy savings (MWh) and passive demand reductions (kW) due to energy efficiency measures, relative to planned levels. Performance in the gas portfolio historically has been determined on the basis of achievement of annual natural gas energy savings (MMBtu).⁷²

To promote and account for cost efficiencies in the delivery of savings,⁷³ adjustments are made to planned goals in specific circumstances where actual spending has been greater or less than planned savings. The general impact of these mechanisms has been to increase Narragansett's performance incentive earnings when cost efficiencies have been realized, and to decrease Narragansett's performance incentive when the actual unit cost to achieve planned savings has been higher than planned.⁷⁴

For example, in program year 2016, Narragansett achieved 124.9 percent of its Non-Income Eligible Residential sector level energy target savings (in kWh) and 127.9 percent of its demand target savings (in kW), while sector spending was 91.7 percent of approved sector target budget.⁷⁵ Based on the performance incentive mechanism in effect for that year, Narragansett claimed a sector savings "target adjustment," which reduced both effective target savings by 8.3 percent – i.e., the percentage of sector underspend relative to sector budget (100 percent target – 91.7 percent actual = 8.3 percent). Narragansett received an increased performance incentive from the effect of the "target adjustment" resulting from the achievement of targeted savings paired with sufficiently below-budget spending.⁷⁶

⁷¹ Docket No. 5076, 2021-2023 Three-Year Plan, at Bates 137.

⁷² Docket No. 5076, 2021-2023 Three-Year Plan, at Bates 137.

⁷³ As explained above, the Energy Efficiency savings calculation is dependent upon the payment receipt date, and not whether or when amounts expended through the program were accrued. See Data Request Division 8-7. Accruals were performed on the basis of consolidated invoices. Although the monthly accrual process was conducted in relation to the consolidated invoices, the accruals did not produce or result in program savings. Id.

⁷⁴ Docket No. 5076, 2021-2023 Three-Year Plan, at Bates 138.

⁷⁵ Data Request Division 2-12, citing Docket No. 4580, 2016 Annual Plan Year-End Report, (May 1, 2017), at Tables E-4 and G-4, Columns (6) and (6), respectively.

⁷⁶ Data Request Division 2-12. The "target adjustment" increased energy savings (kWh) performance incentive earnings for the sector by 9.1 percent and demand savings (kW) performance incentive earnings by 6.6 percent over

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Within each of the three sectors, Narragansett had the opportunity to earn performance incentives (at 25 percent of design level, described above), upon achieving 75 percent⁷⁷ of planned savings, adjusted for approved spending adjustment mechanisms. Narragansett would earn 100 percent of planned performance incentive levels upon achievement of 100 percent of spend-adjusted planned savings goals. Above achievement of 100 percent of spend-adjusted planned savings, Narragansett maintained the opportunity to scale earnings on a linear basis, up to the opportunity to earn a maximum of 125 percent of planned performance incentives at achievement of 125 percent or more of spend-adjusted planned savings.⁷⁸ Therefore, through 2020, an incentive was earned if actual savings in a sector fell between 75 percent and 125 percent of the target savings goal for the sector.⁷⁹

The purpose of the earnings thresholds and caps was to account for the inherent uncertainty associated with exogenous factors that could impact Narragansett's ability to deliver planned savings, to encourage Narragansett to commit to more aggressive goals than Narragansett would likely support in an environment where earnings began at only 100 percent achievement of planned savings; and to protect customers from uncapped performance incentive mechanism payments to Narragansett in the event of significant over-performance.⁸⁰

Because of the spending adjustments, however, the calculation is not as simple as ensuring sector level savings fall between 75 percent and 125 percent. Performance incentive earnings opportunities were formulaically linked to proposed budgets.⁸¹ Indeed, Energy Efficiency programs operated within the parameters of pre-authorized budgets, with the potential for "trading" savings and spending within a sector, and with additional tolerance for overspending, within limits. For example, if overspending led to increased savings, then it would increase the performance incentive, up to savings caps of 125 percent of savings targets.⁸² If overspending did not lead to increased savings, then it would decrease the performance incentive.⁸³ This dynamic,

what those earnings would have been without the "target adjustment" (i.e., holding savings equal, but eliminating the impact of the spend-based "target adjustment"). The percentage impacts are different because Narragansett exceeded the 125 percent cap on demand savings (kW) performance incentive earnings in 2016.

⁷⁷ In 2012, a performance incentive was earned upon achieving 60 percent of the target savings. Docket No. 4295, 2012 Annual Plan. In 2013 through 2020, the percentage increased to achieving 75 percent of planned savings. Docket Nos. 4366, 4451, 4527, 4580, 4654, 4755, 4888, and 4979 for 2013 through 2020 Annual Plans, respectively.

⁷⁸ See Docket No. 5076, 2021-2023 Three-Year Plan, at Bates 138.

⁷⁹ See, e.g., Docket No. 4979, 2020 Annual Plan Year-End Report.

⁸⁰ See Docket No. 5076, 2021-2023 Three-Year Plan, at Bates 138.

⁸¹ Data Request Division 3-2.

⁸² Data Request Division 3-3.

⁸³ Moreover, overspending the budgets would lead to additional regulatory requirements. For example, a budget that is overspent by up to 10 percent requires a written explanation to stakeholders. A budget may be overspent by more than 10 percent if advance notice is provided to the Rhode Island EERMC and a vote is taken. Or, a budget may be overspent by more than 10 percent without advance notice or a vote, but Narragansett will bear the burden of proving reasonableness and providing an explanation for the overspend. Data Request Division 3-3 n.1, citing Docket No. 4366, 2013 Annual Plan.

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however complex, emphasized that the achievement of savings must be *cost efficient* – meaning, not overspending simply to achieve higher savings.

To promote cost efficiency in spending in the achievement of the energy savings goals, an adjustment will be made under certain circumstances to the MWh and MMBtu savings goals in the performance incentive calculation:⁸⁴

- **Positive Budget Adjusted Target Savings (i.e., decrease in target MWh/MMBtu savings):** If the actual implementation expenses in a sector at year-end are less than the target implementation expenses for that sector by more than 5 percent, and if actual savings in the sector exceed 100 percent of the target savings goal, the savings goal for that sector will be adjusted by the ratio of actual implementation expenses to the target implementation expenses.
- **Negative Budget Adjusted Target Savings (i.e., increase in target MWh/MMBtu savings):** Conversely, if the actual implementation expenses in a sector at year-end are greater than the target implementation expenses by more than 5 percent, and if actual savings in the sector are less than 100 percent of the target savings goal, then the savings goal for that sector will be adjusted by the ratio of actual implementation expenses to the target implementation expenses.

As a result, the performance mechanism in effect within the Energy Efficiency program during the years at issue was complex, with several variables (e.g., target savings, actual savings, target adjustments, aggregated sector budgets, actual spending, and earning thresholds and caps) that interact with each other and determine the earned performance incentive in any sector, in any year. There is no direct, consistent relationship between programs, savings, spending, and performance incentive in any given sector and year.⁸⁵ Therefore, given the interdependency of the savings goals, budgets, and performance incentives within the Energy Efficiency program, positive or negative impacts from changed variables are challenging to predict.⁸⁶

The table below provides Narragansett's performance incentive achieved in each year for the period 2012 through 2021, which does not include any adjustment made in relation to the ongoing investigation:⁸⁷

⁸⁴ Docket No. 4888, 2019 Annual Plan, at Bates 57.

⁸⁵ Data Request Division 6-15.

⁸⁶ Data Request Division 1-11.

⁸⁷ Data Request PUC Post-Decisional 3-11, Docket No. 5189.

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Year	Electric PI Earned	Gas PI Earned	Electric + Gas PI Earned
2012	\$ 2,469,411	\$ 586,036	\$ 3,055,447
2013	\$ 2,997,681	\$ 968,229	\$ 3,965,910
2014	\$ 4,223,321	\$ 1,362,108	\$ 5,585,429
2015	\$ 4,533,360	\$ 1,387,079	\$ 5,920,439
2016	\$ 4,128,034	\$ 1,496,869	\$ 5,624,903
2017	\$ 4,829,847	\$ 1,633,531	\$ 6,463,378
2018	\$ 4,940,402	\$ 1,541,255	\$ 6,481,657
2019	\$ 3,290,237	\$ 1,580,119	\$ 4,870,356
2020	\$ 3,242,675	\$ 347,732	\$ 3,590,407
2021 ⁸⁸	\$ 3,464,590	\$ 333,123	\$ 3,797,714
Total 2012-2021	\$ 38,119,558	\$11,236,081	\$ 49,355,639

⁸⁸ For 2021, the total performance incentive included above is a net of the performance incentive earned and the service quality adjustments. Data Request PUC Post-Decisional 3-11, Docket No. 5189.

REDACTED**Appendix C: Schedule of Division and Commission Requests Related to Out-of-Period Invoicing, and National Grid's Responses.⁸⁹**

Date	Description
12/15/2021	Commission issues data request (PUC 5-4) in Fifth Set of Data Requests in Docket No. 5189, requesting information regarding out-of-period invoicing and resulting investigation.
01/07/2022	Narragansett responds to PUC 5-4 in Docket No. 5189, providing information regarding background of out-of-period invoicing issue, resulting investigation, and corrective and remedial measures taken.
02/02/2022	Commission issues First Set of Post-Decisional Data Requests ("PUC Post-Decisional Set 1" in Docket No. 5189, regarding investigation of out-of-period invoicing.
02/09/2022	Narragansett responds to PUC Post-Decisional Set 1, providing data regarding internal investigation of employee misconduct and any potential legal barriers to an investigation done by the Commission.
02/11/2022	Commission issues Second Set of Post-Decisional Data Requests ("PUC Post-Decisional Set 2") in Docket No. 5189, requesting data regarding internal investigation of EEPs.
02/16/2022	Narragansett responds to PUC Post-Decisional Set 2, providing data regarding internal investigation of EEPs.
02/24/2022	Narragansett supplements its response to PUC Post-Decisional Sets 1 and 2, providing data regarding the internal investigation of employee misconduct, and any potential legal barriers to an investigation done by Commission.
06/08/2022	Commission issues Third Set of Post-Decisional Data Requests ("PUC Post-Decisional Set 3") in Docket No. 5189, requesting data regarding methodology, incentive adjustment, calculations, invoice withholding, EEPs, outside professionals, internal investigations/reports, and incentives referenced in June 7 Report.
06/16/2022	Narragansett responds to PUC Post-Decisional Set 3, providing data regarding methodology, incentive adjustment, calculations, invoice withholding, EEPs, outside professionals, internal investigations/reports, and incentives referenced in June 7 Report. Narragansett objects to PUC Post-Decisional 3-10 based on privilege.
06/17/2022	Division issues First Set of Post-Decisional Data Requests ("Division Set 1") in Docket No. 5189, requesting data regarding the initial investigation in the June 7 Report, cutoff period for qualifying invoices, outside professional handling of email review, program totals, correspondence, employee titles, employee interviews, performance incentives,

⁸⁹ This schedule includes Post-Decisional Data Requests issued in Docket No. 5189, as well as all data requests issued in Docket No. 22-05-EE, which was opened in July 2022 specifically for the purposes of the Commission's investigation into Narragansett's out-of-period invoicing practices.

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	methodology, InDemand system, MOUs, Payment Processing Checklist, Tableau, vendor.
06/22/2022	Division issues Second Set of Post-Decisional Data Requests (“Division Set 2”) in Docket No. 5189, requesting data regarding EE Scorecards, clarifying information re internal company correspondence and definitions of key terms, fallout rate of planned projects, efforts to prevent collusion with vendors within programs.
07/01/2022	Division issues Third Set of Post-Decisional Data Requests (“Division Set 3”) – filed in Docket No. 22-05-EE – requesting data regarding EE programming, clarifying internal company correspondence, invoices.
07/01/2022	Narragansett responds to Division Set 1, providing data regarding the initial investigation in the June 7 Report, cutoff period for qualifying invoices, outside professional handling of email review, program totals, correspondence, employee titles, employee interviews, performance incentives, methodology, InDemand system, MOUs, Payment Processing Checklist, Tableau, vendor.
07/06/2022 – 07/22/2022	Narragansett responds to Division Set 2 in Docket No. 22-05-EE, requesting data regarding EE Scorecards, clarifying information re internal company correspondence and definitions of key terms (i.e., fraud, sweet spot), fallout rate of planned projects, efforts to prevent collusion with vendors within programs.
07/06/2022	Division issues Fourth Set of Post-Decisional Data Requests (“Division Set 4”) in Docket No. 22-05-EE, requesting data regarding EE, invoicing, outside professional/forensic correspondence, employee titles, and internal investigation regarding forensic consultant findings.
07/27/2022	Division issues Fifth Set of Post-Decisional Data Requests (“Division Set 5”) in Docket No. 22-05-EE, requesting data regarding employee information, correspondence, interviews, outside vendors/professionals, US Accounting Policy, reopening books, CAP testing, InDemand, RIE’s Code of Conduct.
07/27/2022	Division issues Sixth Set of Post-Decisional Data Requests (“Division Set 6”) in Docket No. 22-05-EE, requesting data regarding EEPs, previously referenced invoicing amounts, initial investigation internal reports, total program spend, incentives, out-of-period percentages, clarification on outside manufacturers referenced in previous filings.
07/29/2022	Commission issues First Data Request (“PUC 1-1”) in Docket 22-EE-05, requesting data regarding chain of authority.
07/29/2022	Division issues Seventh Set of Post-Decisional Data Requests (“Division Set 7”) in Docket No. 22-05-EE, requesting data regarding external auditing, EE programming, clarifying internal correspondence.
08/01/2022 – 08/08/2022	Narragansett and National Grid respond to Division Set 3, requesting data regarding EE programming, clarifying internal company correspondence, invoices.
08/08/2022	Narragansett and National Grid respond to Division Set 4, providing data regarding EE, invoicing, outside professional/forensic correspondence, employee titles, and internal investigation re forensic consultant findings.

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08/12/2022	Division issues Eighth Set of Post-Decisional Data Requests (“Division Set 8”) in Docket No. 22-05-EE, requesting data regarding clarifying internal company correspondence, employee information, performance incentive models, internal investigation on invoicing, out-of-period payments.
08/12/2022	Narragansett and National Grid respond to Division Set 1, providing data regarding internal report, cutoff period for qualifying invoices, outside professionals, program totals, correspondence, employee titles, employee interviews, performance incentives, methodology, InDemand system, MOUs, Payment Processing Checklist, Tableau, vendor.
08/17/2022 – 08/31/2022	Narragansett and National Grid respond to Division Set 5 requesting data regarding employee information, correspondence, interviews, outside vendors/professionals, US Accounting Policy, reopening books, CAP testing, InDemand, RIE’s Code of Conduct.
08/19/2022	Narragansett and National Grid respond to Division Set 2, providing data regarding EE Scorecards, clarifying information regarding internal company correspondence and definitions of key terms, fallout rate of planned projects, efforts to prevent collusion with vendors within programs.
08/19/2022	Narragansett and National Grid respond to PUC 1-1, providing data regarding chain of authority.
08/24/2022	Narragansett and National Grid respond to Division Set 6, providing data regarding EEPs, previously referenced invoicing amounts, initial investigation internal reports, total program spend, incentives, out-of-period percentages, clarification on outside manufacturers referenced in previous filings.
08/25/2022	Narragansett and National Grid respond to Division Set 7, providing data regarding external auditing, EE programming, clarifying internal correspondence.
09/09/2022	Narragansett and National Grid respond to Division Set 8, clarifying internal company correspondence, employee information, performance incentive models, internal investigation on invoicing, out-of-period payments.
10/17/2022	Division issues Ninth Set of Data Requests (“Division Set 9”) in Docket No. 22-05-EE, requesting data regarding internal investigation previously mentioned in filings, EEPs and expenses.
11/07/2022 – 11/17/2022	Narragansett and National Grid respond to Division Set 9, providing data re internal investigation previously mentioned in filings, EEPs and expenses.

REDACTED**Appendix D: Email Search Term List**

1	"Defer billing"	75	Exceed* w/5 MOU
2	"Deferred billing"	76	Invoice AND Stack
3	Defer w/5 billing*	77	Deceit
4	Deferred w/5 billing*	78	Deceive
5	"Reduce expense"	79	Fraud AND NOT ("WIRE FRAUD ALERT")
6	Reduce w/5 expense*	80	Manipulate
7	("Claim saving*") w/7 Year	81	Auditor w/5 hide
8	"(Claim saving*") w/7 Rebate	82	Auditor w/5 conceal
9	("Claim saving*") w/5 Hold	83	Auditor w/5 lie
10	("Claim saving*") w/5 Defer	84	Auditor w/5 "do not tell"
11	"Urgent data"	85	Auditor w/5 ("don't tell")
12	"Work together"	86	Auditor w/5 ("dont tell")
13	"Push toward"	87	Deloitte
14	"Hard stop"	88	Move w/3 invoices
15	"Need to manage"	89	Scal* w/1 back
16	"Slowing invoice"	90	Goal w/5 over
17	"Cheaper incentive"	91	Goal w/5 get
18	"Hold over"	92	Goal w/5 100
19	"Our favor"	93	Goal w/5 want
20	"Locked in"	94	Goal w/5 enough
21	100 w/3 spend	95	Goal w/5 exceed*
22	(Invoice* w/5 pending) AND EFI	96	Penalt* w/5 Over
23	"Hold them"	97	Penalt* w/5 Regulatory
24	("Claimed saving*") AND Goal	98	Penalt* w/5 Cost
25	("Forecasted saving*") AND Forecast	99	Penalt* w/5 Budget
26	"Not" w/5 Accrued	100	Penalt* w/5 Saving*
27	"Not" w/5 Posted	101	Penalt* w/5 Performance
28	"Leave no"	102	"Accrual procedure" >>> <i>Time period constrained to 2017-onward</i>
29	"Leave no money"	103	Outstanding w/1 invoice
30	"Maximizing saving*"	104	Exceed* w/5 Over*
31	"Maximize saving*"	105	Exceed* w/5 Budget
32	"Close eye"	106	("Next Year") AND Budget
33	"Goal to be"	107	("Next Year") AND Invoice
34	Hold w/5 invoice*	108	("Next Year") AND Exceed
35	("Don't allow") AND Invoice*	109	("Next Year") w/5 MOU
36	"Do not allow" AND Invoice*	110	Overspent
37	Billing* w/5 Delay	111	"running start"
38	Hold* w/5 invoice*	112	Decide w/5 invoices
39	Budget* AND ("Keep an eye")	113	Decision w/5 invoices
40	Goal* AND ("Keep an eye")	114	Budget* w/5 Pay*
41	Saving* AND ("Keep an eye")	115	Budget* w/5 *Accru*
42	Invoice* AND ("Keep an eye")	116	Defer w/5 Invoice
43	Spend AND ("Keep an eye")	117	Defer w/5 Pay*
44	Bill* AND ("Keep an eye")	118	Exceed w/5 Forecast
45	Budget* AND ("Keep a close eye")	119	Ding* w/5 Over
46	Goal* AND ("Keep a close eye")	120	("With hold") w/5 Invoice*
47	Saving* AND ("Keep a close eye")	121	Withhold w/5 Invoice*
48	Invoice* AND ("Keep a close eye")	122	Stop w/5 Processing
49	Spend AND ("Keep a close eye")	123	Stretch
50	Bill* AND ("Keep a close eye")	124	Improper w/5 Budget
51	"Maxing out"	125	Inappropriate w/5 Budget
52	Stretch w/5 saving*	126	Pressure* w/5 Budget
53	("Move them") AND January	127	Pressuring w/5 Budget
54	"Working thing"	128	Improper w/5 Accounting
55	Dinged	129	Inappropriate w/5 Accounting
56	Negative AND Shareholder	130	Pressure* w/5 Accounting
57	("Hold off") w/5 Recommendation	131	Pressuring w/5 Accounting
58	("Hold off") w/5 Invoice*	132	Improper w/5 Saving*
59	("Hold off") w/5 Accru*	133	Inappropriate w/5 Saving*

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60	("Hold off") w/5 Payment*	134	Pressure* w/5 Saving*
61	("Hold off") w/5 Paying	135	Pressuring w/5 Saving*
62	("Hold off") w/5 Uploading	136	Improper w/5 Invoice
63	"Monies out"	137	Inappropriate w/5 Invoice
64	"Nice bump"	138	Pressure* w/5 Invoice
65	"Moving back"	139	Pressuring w/5 Invoice
66	Adjust w/5 accrual*	140	Improper w/5 Guidance
67	"Not want counted"	141	Inappropriate w/5 Guidance
68	"Choose to hold"	142	Pressure* w/5 Guidance
69	Compliance w/5 Appropriate	143	Pressuring w/5 Guidance
70	("Carry over") OR Carry-over	144	Improper w/5 Decision
71	Excess AND ("Next year")	145	Inappropriate w/5 Decision
72	Overspend AND Lighting	146	Pressure* w/5 Decision
73	Exceed* w/5 Goal	147	Pressuring w/5 Decision
74	Exceed* w/5 Rebate	148	"Gap Closer"

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Confidential Appendix E: 2017-2018 Email Review Custodians

Employee	Highest Role in Energy Efficiency	Most Recent Title at National Grid in Energy Efficiency	Employment Status ⁹⁰
	Manager		Current
	Manager		Current
	Program Manager		Former
	Manager		Current
	Program Manager		Former
	Senior Analyst		Former

⁹⁰ Employment status current as of September 2022.

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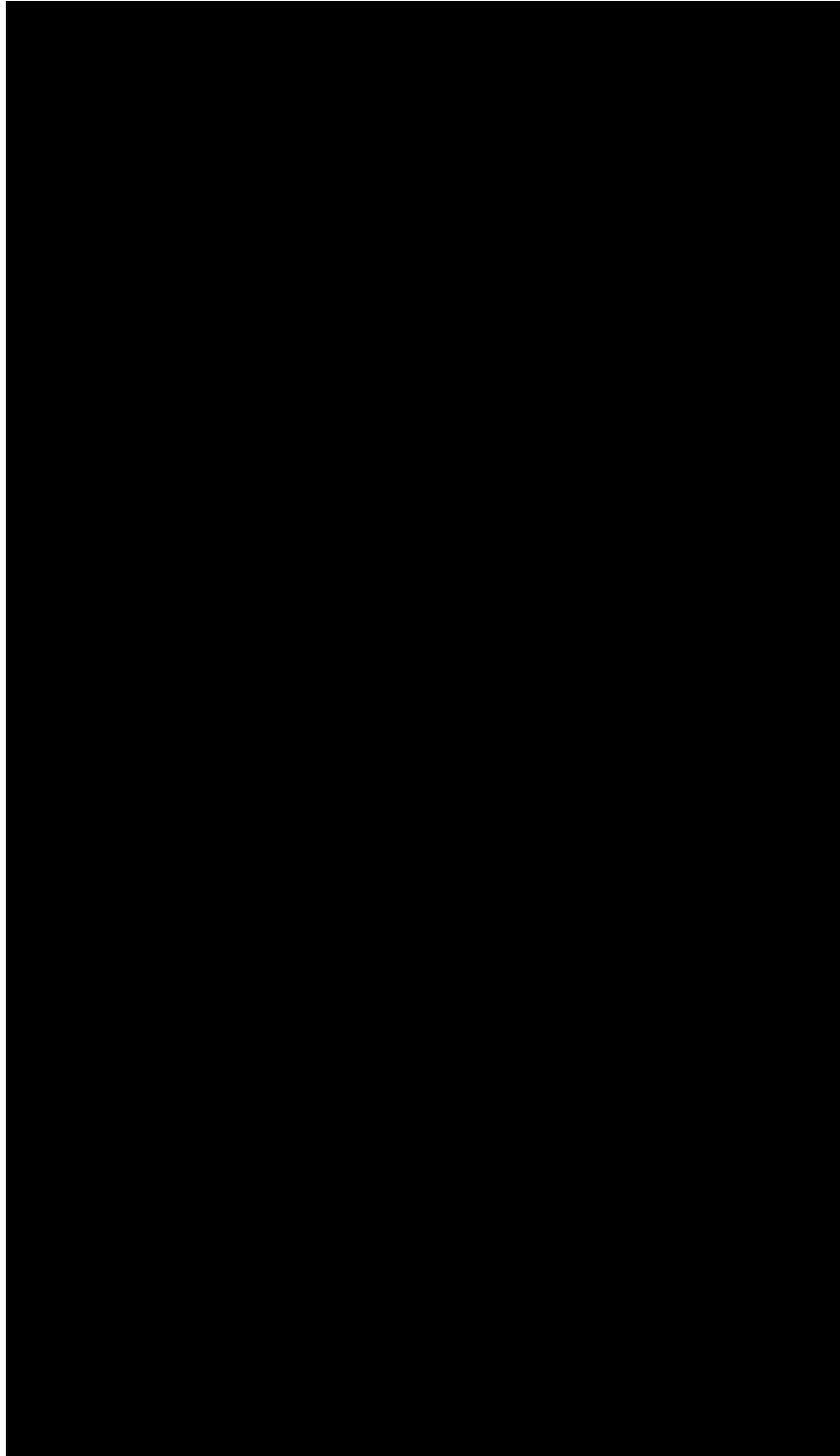
Confidential Appendix F: 2012-2021 Email Review Custodians

[illegible]

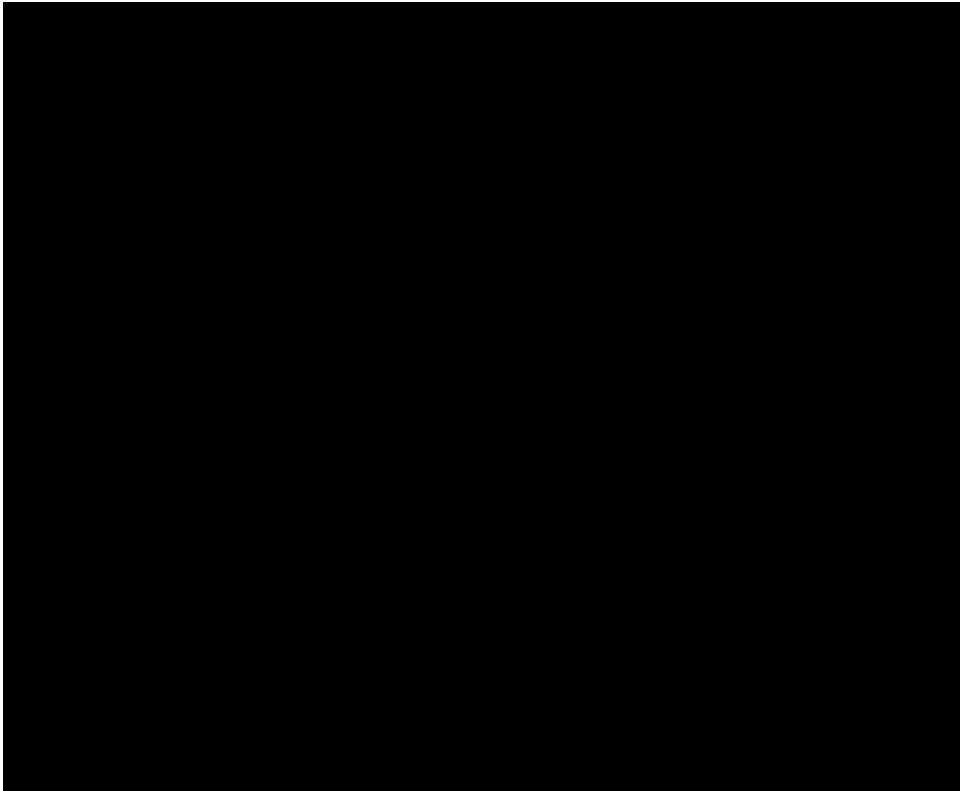
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REDACTED



* [REDACTED] during
their employment at National Grid, so each individual has two separate mailboxes, one under each name.

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Confidential Appendix G: Initial Investigation Interviewees

Employee	Highest Role in Energy Efficiency	Most Recent Title at National Grid in Energy Efficiency	Employment Status ⁹¹
	Manager		Current
	Program Manager		Current
	Program Manager		Current
	Manager		Current
	Lead Analyst		
	Program Manager		Former
	Senior Analyst		Former
	Manager		Current
	Lead Accountant		Current
	Manager		Current
	Manager		
	Program Manager		Former
	Senior Analyst		Former

⁹¹ Employment status current as of September 2022.

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Confidential Appendix H: Expanded Investigation Interviewees

Interviewee	Highest Role in Energy Efficiency	Most Recent Title at National Grid in Energy Efficiency	Employment Status ⁹²
	Program Manager		Current
	Program Manager		Current
	Senior Program Manager, Lead Analyst		Current
	Program Manager		Current
	Manager		Current
	Director		Current ⁹³
	Manager		Current
	VP		Current ⁹⁴
	Director Manager		
	Lead Analyst		
	VP		Current
	Director		Current
	VP		
	SVP		Former
	Lead Accountant		Current
	Manager		Current
	Manager		Current
	Director		Former
	Director		Current

⁹² Employment status current as of September 2022.

⁹³ This employee has left National Grid since the time of her interview.

⁹⁴ This employee has left National Grid since the time of his interview.

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	VP		Current
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Appendix I: Email to National Grid US Customer Organization

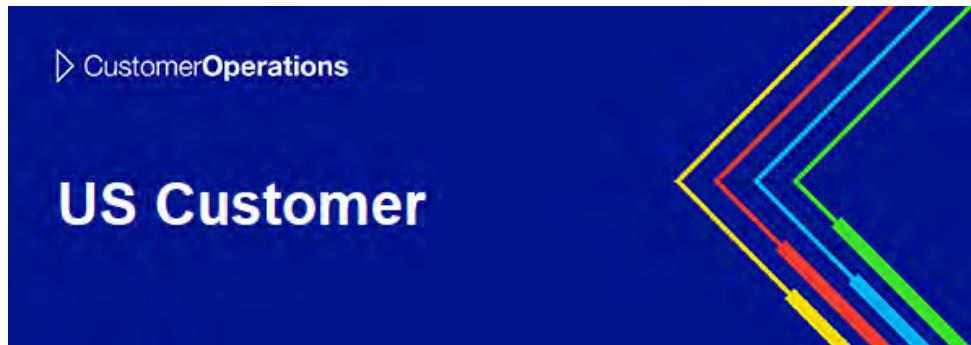
1. Email to National Grid US Customer Organization, November 2022

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A message from Helen Burt: proper accounting and regulatory reporting

From: US Customer
<Corporate.Communications@news.nationalgrid.com>
Sent: Tuesday, November 1, 2022 9:46 AM
To: Mastrocola, Nancy E.
Subject: A message from Helen Burt: proper accounting and regulatory reporting

[View in web browser](#)



Team,

As we approach the end of the calendar year, I wanted to take this opportunity to reiterate the importance of proper accounting and regulatory reporting.

It is imperative that we record our costs in the calendar year in which services are provided. This is important for accounting and regulatory compliance.

For our Energy Efficiency teams, this means we must record all costs for services provided in this calendar year. These costs must be counted towards this calendar year's budget and cannot be delayed nor deferred for any reason. We must also properly record energy savings.

I know everyone is working hard to deliver for our customers but there is no room for error on this. If you have any questions, I expect you to reach out to your supervisor for clarification.

As always, if you have any concerns do not hesitate to reach out to me.

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A message from Helen Burt: proper accounting and regulatory reporting

Thank you for all your effort on behalf of our customers.

Helen

Chief Customer Officer

Internal use only, please do not share.

This message has been sent to all US
Customer Organization colleagues. If you
have any questions please contact the [US
Customer Organization team](#).

[Grid:home](#) | [Yammer](#)

This email was sent to your work email address on the basis of our obligation to keep you up to
date with relevant company information. We use tracking pixels and aggregated data to measure
the effectiveness of our communications. If you have any questions [contact the Colleague
Communications and Engagement team](#).

This email was sent to NANCY.MASTROCOLA@NATIONALGRID.COM from
Corporate.Communications@news.nationalgrid.com
Receive in Plain Text

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Appendix J: 2021 and 2022 Updated EE Training Materials

1. Energy Efficiency Accounting Accrual Discussion, March 22, 2021
2. Annual Program Delivery Compliance Training, July 27, 2021
3. Annual Year End Accrual Process Training, November 18, 2021
4. Energy Efficiency Accrual Training, December 16, 2022

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Energy Efficiency Accounting Accrual Discussion

March 22, 2021

Slido: 19431

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Agenda

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Agenda

- Opening
- Wellness Moment
- Accrual Accounting Fundamentals
- EE Accrual Mechanics
- Accrual Best Practices
- Findings from CAP testing
- Knowledge Review
- Q&A

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Wellness Moment

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SLEEP HEALTH – SNOOZE OR LOSE

Sleep is so essential to our physical and mental wellbeing that we are biologically designed to spend 1/3 of our lifetime sleeping. You shouldn't think of sleep as wasted time! It is essential as recharge time for your brain and body.

Ongoing sleep deprivation is linked to many chronic diseases: heart disease, high blood pressure, stroke, kidney disease, and diabetes.

Are you sleep challenged? Check out these tips on how to sleep well:

- Plan to get 7-8 hours of sleep daily
- Go to sleep and get up at the same time every day
- Stay away from caffeine after 3 pm
- Get regular exercise
- Turn off screens at least 1 hour before bedtime
- If you can't fall asleep after 20 minutes, do something calming until you feel sleepy



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The basics of accrual accounting

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- **Accrual Definition:**
An accrual for expenses means recording a charge to the books of records for work that has been completed but not yet recorded.
- Expenses should be recorded in the period that work was completed/that they are incurred, NOT when invoiced or paid. The receipt of an invoice and/or the timing of payment do not impact whether an item needs to be accrued.
- Expenses & liabilities for EE work completed that have not been recorded in SAP should be accrued for every month until recorded in SAP.



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Why accruals are important

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- Accrual accounting is required by U.S. GAAP. Under U.S. GAAP, expenses/vendor liabilities are recorded when the expense/liability is incurred, not when cash is paid.
- Missed accruals above certain thresholds result in the need to correct the financial statements by reopening the books. This may also be elevated to the audit committee.
- Properly recording accruals insures that:
 - National Grid is able to meet its reporting obligations
 - SEC
 - Regulatory Reporting
 - Rate Cases
 - Reliable information is available to Leadership for decision-making



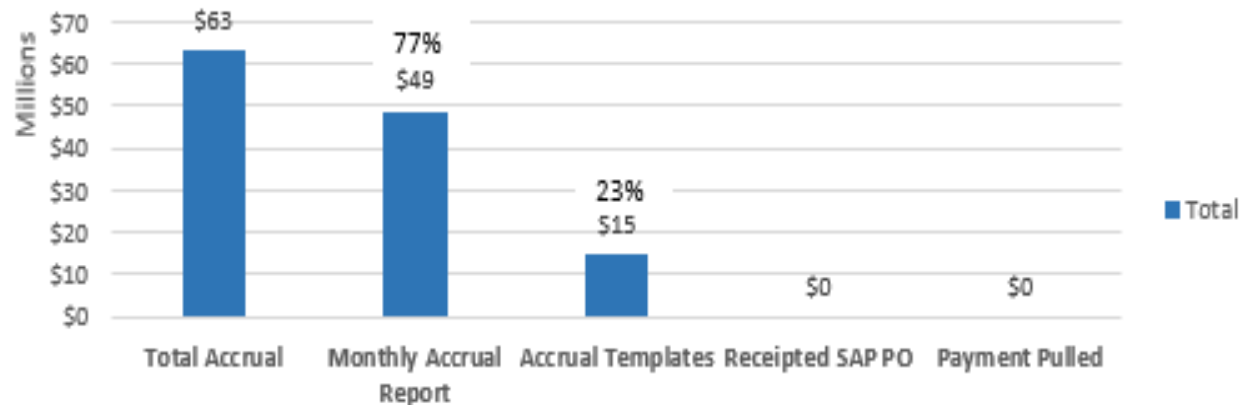
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Sources of EE Invoice Accrual Data

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EE Invoice Accrual Source Components - Average Monthly Last 12 Months



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EE Manual Accruals Mechanics

Manual Accrual Mechanics

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Accruals from previous months still meeting accrual criteria - resubmit

Work completed in current month, no invoice received or no InDemand upload

Work completed but InDemand status not updated



Manual accrual current month
Email to EE Accounting even if no accruals

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EE Accrual Best Practices

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Missed Accruals – Common Themes

- Vendor Invoicing Cycles and Misconceptions
Work completed for the month after the last bill run was not accrued
- Late uploads/updates to InDemand – monthly charges
uploaded/updated after month-end and therefore should be accrued but
no manual accrual
- Accruals from prior months were not re-accrued
- Due diligence shortfalls/Lack of understanding
 - Vendor didn't submit an accrual so no accrual submitted to EE
Accounting
 - Vendor's accrual estimate not questioned

REDACTED

EE Accrual Best Practices

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Tips on Preparing for Fiscal Year-End

- Reach out to vendors and remind them to submit manual accruals. Discuss accrual due date and guidelines for what needs to be accrued.
- Review and when needed challenge vendor's manual accruals.
- Use other sources to prepare and submit your own estimates when necessary.
- Adhere to the accrual due date.



REDACTED

CAP Testing 9-30-2020 EE accruals

nationalgrid

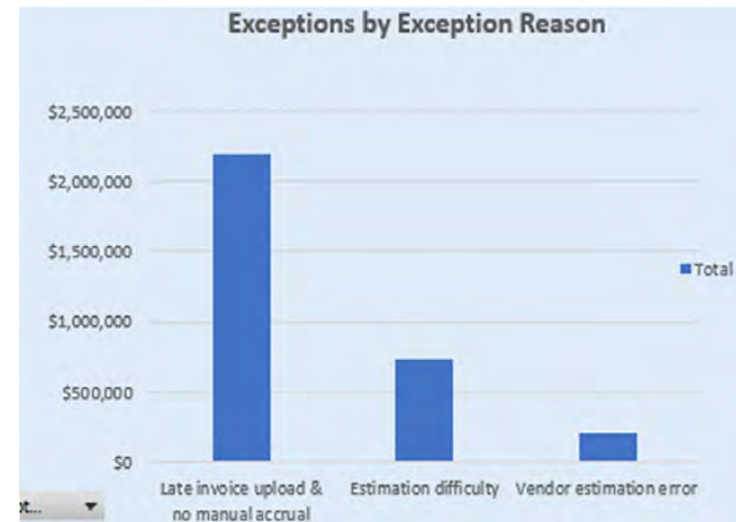
CAP TESTING SCORECARD ENERGY EFFICIENCY	
Total Invoice Value of Samples Tested	\$25,753,165
Total # Samples/Invoices Tested	35
Total Exceptions*	3,124,746
Total # Samples/Invoices With Exceptions	11
Exception Rate by \$ Amt	12%
Exception Rate by Sample/Invoice Count	31%
* Immaterial over- and under-accrual amts excluded	

Invoice Testing Sample Population Vendor, Co, and Invoice Count						
Vendor	5110	5210	5310	5330	5360	Grand Total
EFI			6			6
ABODE			4			4
ENERWISE	2					2
LIME ENERGY		2				2
ERIC MOWER		2				2
CLEARRESULT			2			2
NORTHERN ENERGY			2			2
RISE					2	2
ACTION			2			2
BOSTON SKATING				1		1
ELECTRIC BOAT					1	1
IDEAS AGENCY		1				1
ARCA RECYCLING			1			1
ORACLE					1	1
DALKIA ENERGY			1			1
ELCON			1			1
TRC		1				1
VISION ENERGY			1			1
ENERGYSAVVY			1			1
ENERGYHUB			1			1
Grand Total	2	6	22	1	4	35

REDACTED

EE Accrual Exceptions

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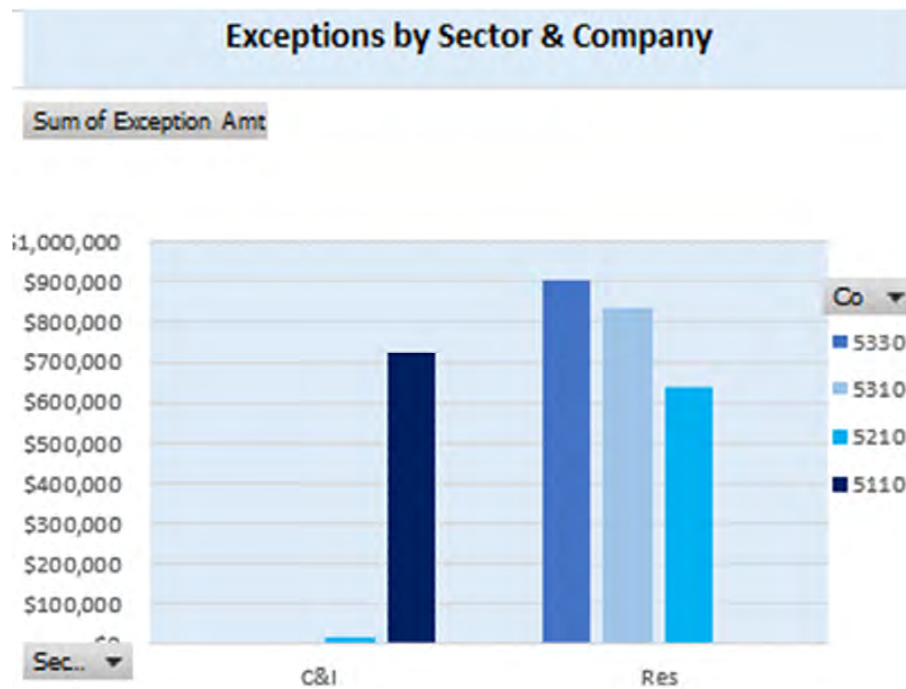
Vendor	Sum of Exception Amt
Action	\$903,424
Enerwise	\$727,129
Energysaww	\$633,982
Ideas Agency	\$338,250
Lime Energy	\$175,067
Abode	\$150,955
Eric Mower	\$126,090
ClearResult	\$67,908
TRC Environmental	\$19,581
ARCA	-\$17,640
Grand Total	\$3,124,746

Exception Reason	Sum of Exception Amt	% of Exception Amt
Late invoice upload & no manual accrual	\$2,196,394	70%
Estimation difficulty	\$727,129	23%
Vendor estimation error	\$201,223	6%
Grand Total	\$3,124,746	100%

REDACTED

EE Accrual Exceptions (cont.)

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Sector & Co	Exception Amt	% of Total Exception Amt View 1	% of Total Exception Amt View 2
C&I	\$746,710	24%	
5110	\$727,129		23%
5210	\$19,581		1%
Res	\$2,378,036	76%	
5210	\$639,407		20%
5310	\$835,205		27%
5330	\$903,424		29%
Grand Total	\$3,124,746	100%	100%

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Accrual Knowledge Review

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- Receipt of a payment determines whether an accrual needs to be recorded
 - a. Yes
 - b. No
 - c. It depends on circumstances
- In March, 2021 an unrecorded invoice for services to be provided from April, 2021 through March, 2022 should be accrued.
 - a. Yes
 - b. No
 - c. It depends on circumstances
- A vendor invoices work completed in week 3 each month and uploads invoices to InDemand. Un-invoiced work completed/expected to be completed in week 4 should be accrued.
 - a. Yes
 - b. No
 - c. It depends on circumstances

REDACTED

Resources

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- This deck
- Monthly EE Accounting accrual emails
- Monthly accrual calendar
- InDemand status chart



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Q & A

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Appendix 1

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Exception Details						
Vendor	Sample Identification	Over/under Accrual	Company	Sector	Exception Amt	Notes
Enerwise (dynamic load mgt)	Invoice No. 183763, Workpackage No. 112746	underaccrued	5110	C&I	\$727,129	
sample 4 Action	Invoice No. 183548, Application 11625144 Res Multifamily over 20	underaccrued	5330	Res	\$903,424	
sample 8 Boston Skating Club	Application No. 9426770, Child App 11587452	overaccrued	5330	C&I	(\$4,595)	Excluded in analysis. Not material
Sample 146 Ideas Agency	PR 323963	underaccrued	5210	Res	\$338,250	
Sample 170 ARCA	PR 323663	overaccrued	5310	Res	(\$17,640)	
Sample 160 Lime Energy	invoice 183882	underaccrued	5210	Res	\$157,234	
Sample 237 TRC Environmental	Invoice No. 184368	underaccrued	5210	C&I	\$19,581	
Sample 307 Rise Engineering	nvoice No. 184778, workpackage 113221	underaccrued	5360	Res	\$329	Excluded in analysis. Not material
Sample 315 Abode	Invoice No. 183715, Workpackage No. 112738	underaccrued	5310	Res	\$150,955	
Sample 317 Energysavvy	Invoice No. 184298	underaccrued	5310	Res	\$633,982	
Sample 320 ClearResult	Invoice No. 183576, Workpackage No. 112667	underaccrued	5310	Res	\$67,908	
Sample 321 Eric Mower	Invoice No. 240341	underaccrued	5210	Res	\$126,090	
Sample 345 Lime Energy	Invoice No. 184823	underaccrued	5210	Res	17,834	

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Appendix 2



CAP Samples Tested														
Batch	Tracking (Sample Number)	Accounting Document No.	Company Code	Sector	FY	Reference	GL Account	Invoice Number	Posting Date	Vendor Number	Vendor Name	Amount Paid (From Check)	Invoice Header Amount	Invoice Line Amount
Batch 3	Sample 225	1900137962	5310	C&I	2021	DSM852138324960	C2321000	190013796	11/9/2020	1000056507	DALKIA ENERGY SOLUTIONS LLC	411,008	411,008	(411,008)
Batch 3	Sample 226	1900053509	5360	C&I	2021	DSM101076325350	C2321000	190005350	11/17/2020	1000019263	ELECTRIC BOAT	427,247	427,247	(427,247)
Batch 3	Sample 237	5100036889	5210	Res	2021	DSM184368324718	C2321000	510022465	11/2/2020	4000004534	TRC ENVIRONMENTAL CORP.	549,163	524,963	(524,963)
Batch 3	Sample 255	1900145800	5310	C&I	2021	DSM113864325327	C2321000	190014580	11/17/2020	1000056807	ELCON GROUP INC	371,056	324,410	(324,410)
Batch 3	Sample 307	5100013252	5360	Res	2021	DSM184778325333	C2321000	5100239574	11/16/2020	4000001164	RISE ENGINEERING	1,691,031	799,994	(799,994)
Batch 3	Sample 315	5100018256	5310	Res	2021	DSM183715324324	C2321000	5100224672	11/2/2020	1000044590	ABODE ENERGY MANAGEMENT LLC	2,900,818	892,445	(892,445)
Batch 3	Sample 317	5100018291	5310	Res	2021	DSM184298324503	C2321000	5100224736	11/2/2020	4000011817	ENERGYSAVVY INC.		633,982	(633,982)
Batch 3	Sample 318	5100018297	5310	Res	2021	DSM184229324474	C2321000	5100224746	11/2/2020	4000014255	ENERGY FEDERATION INC	1,588,936	1,145,638	(1,145,638)
Batch 3	Sample 319	5100020137	5310	Res	2021	DSM184729325533	C2321000	5100244741	11/19/2020	4000014449	ENERGYHUB INC	816,739	336,065	(336,065)
Batch 3	Sample 320	5100018405	5310	Res	2021	DSM183576324812	C2321000	5100226244	11/3/2020	4000014060	CLEARRESULT CONSULTING INC	2,140,482	972,565	(972,565)
Batch 3	Sample 321	5100038438	5210	Res	2021	DSM183269322977	C2321000	5100232915	11/9/2020	1000051232	ERIC MOWER AND ASSOCIATES INC	297,460	297,460	(297,460)
Batch 3	Sample 325	5100018786	5310	Res	2021	DSM184044324860	C2321000	5100229683	11/5/2020	4000014255	ENERGY FEDERATION INC		1,683,689	(1,683,689)
Batch 3	Sample 328	5100019575	5310	Res	2021	DSM184044324860	C2321000	5200016366	11/16/2020	4000014255	ENERGY FEDERATION INC		1,683,689	(1,683,689)
Batch 3	Sample 329	5100019638	5310	Res	2021	DSM184044324860	C2321000	5100239593	11/16/2020	4000014255	ENERGY FEDERATION INC	1,926,193	1,683,689	(1,683,689)
Batch 3	Sample 333	5100019974	5310	Res	2021	DSM184621325493	C2321000	5100243368	11/18/2020	1000044590	ABODE ENERGY MANAGEMENT LLC	5,453,463	1,267,106	(1,267,106)
Batch 3	Sample 335	5100019987	5310	Res	2021	DSM184730325488	C2321000	5100243387	11/18/2020	1000044590	ABODE ENERGY MANAGEMENT LLC	5,453,463	1,077,567	(1,077,567)
Batch 3	Sample 336	5100020131	5310	Res	2021	DSM184812325571	C2321000	5100244734	11/19/2020	1000002026	ACTION INC.	2,131,596	1,798,048	(1,798,048)
Batch 3	Sample 337	5100020144	5310	Res	2021	DSM184927325566	C2321000	5100244750	11/19/2020	4000014255	ENERGY FEDERATION INC	742,001	712,948	(712,948)
Batch 3	Sample 345	5100039581	5210	C&I	2021	DSM184823325375	C2321000	5100239580	11/16/2020	1000006109	LIME ENERGY SERVICES COMPANY	388,409	388,409	(388,409)
Batch 3	Sample 346	5100019770	5310	C&I	2021	DSM184792325405	C2321000	510024112	11/17/2020	1000003181	NORTHERN ENERGY SERVICES	163,207	163,207	(163,207)

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Appendix 2 (cont.)

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CAP Samples Tested														
Batch	Tracking (Sample Number)	Accounting Document No.	Company Code	Sector	FY	Reference	GL Account	Invoice Number	Posting Date	Vendor Number	Vendor Name	Amount Paid (From Check)	Invoice Header Amount	Invoice Line Amount
Batch 1	Sample 1	5100036585	5110	C&I	2021	DSM183763323604	C2321000	510020988	10/21/2020	1000046556	ENERWISE GLOBAL TECHNOLOGIES	-	727,129	(727,129)
Batch 1	Sample 2	5100017365	5310	Res	2021	DSM183697324070	C2321000	5100211514	10/22/2020	1000044590	ABODE ENERGY MANAGEMENT LLC	2,711,584	929,349	(929,349)
Batch 1	Sample 3	5100016357	5310	Res	2021	DSM183592323654	C2321000	510019938	10/12/2020	4000014255	ENERGY FEDERATION INC	-	841,720	(841,720)
Batch 1	Sample 4	5100016246	5310	Res	2021	DSM183548323572	C2321000	510019728	10/9/2020	1000002026	ACTION INC.	903,424	903,424	(903,424)
Batch 1	Sample 5	5100015911	5310	Res	2021	DSM182878323446	C2321000	510019337	10/6/2020	4000014060	CLEARRESULT CONSULTING INC	1,833,273	843,218	(843,218)
Batch 1	Sample 6	5100010547	5360	Res	2021	DSM183236323002	C2321000	510018814	10/1/2020	4000001164	RISE ENGINEERING	2,342,828	928,162	(928,162)
Batch 1	Sample 7	1900105055	5310	C&I	2021	DSM103224323506	C2321000	190010505	10/13/2020	1000051835	VISION ENERGY SOLUTIONS INC	582,786	582,786	(582,786)
Batch 1	Sample 8	1900017999	5330	C&I	2021	DSM942677322862	C2321000	190001799	10/1/2020	2000000006	DSM REBATES OTV	538,988	538,988	(538,988)
Batch 2	Sample 139	5100037068	5110	C&I	2021	DSM182771322248	C2321000	510021352	10/23/2020	1000046556	ENERWISE GLOBAL TECHNOLOGIES	-	353,829	(\$353,829)
Batch 2	Sample 140	5100011899	5360	Res	2021	DSM183999324074	C2321000	5100211518	10/22/2020	4000007409	ORACLE AMERICA INC.	243,566	208,268	(\$208,268)
Batch 2	Sample 145	5100033523	5210	C&I	2021	DSM183968323966	C2321000	510020727	10/19/2020	1000051232	ERIC MOWER AND ASSOCIATES INC	489,965	407,189	(\$407,189)
Batch 2	Sample 146	5100033526	5210	C&I	2021	DSM183967323963	C2321000	510020729	10/19/2020	1000010221	IDEAS AGENCY INC.	338,250	338,250	(\$338,250)
Batch 2	Sample 160	5100033335	5210	C&I	2021	DSM183882323823	C2321000	510020480	10/16/2020	1000006109	LIME ENERGY SERVICES COMPANY	352,898	352,898	(\$352,898)
Batch 2	Sample 161	5100015566	5310	C&I	2021	DSM183449323281	C2321000	510018984	10/2/2020	1000003181	NORTHERN ENERGY SERVICES INC	465,617	298,719	(\$298,719)
Batch 2	Sample 170	5100016363	5310	Res	2021	DSM183639323663	C2321000	510019939	10/12/2020	4000004490	ARCA RECYCLING INC	275,107	275,107	(\$275,107)

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Appendix 3 – Knowledge Review

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Materials from CAP March, 2021 Accrual Review Session

Example 1 – Missing accruals where invoice was not received

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Example:

Vendor X provided services for a project for an agreed fee of \$500K. The service period for the work was from 8/1/20 – 9/30/20 and was invoiced in full on 10/22/2020. **Should the invoice have been accrued at 9/30/20?**

Options:

- A. **Yes.** As the work was performed by the vendor prior to 9/30/20, an accrual for \$500K should have been recorded
- B. **No.** An accrual was not necessary as the invoice was received after 9/30/20

Answer: A. **Yes.** As the work was performed by the vendor prior to 9/30/20, an accrual for \$500K should have been recorded

Debrief: An accrual needs to be made during the month the services were provided. If an invoice is not received prior to end of the Close period, an estimate for the costs incurred should be accrued until the actual invoice is received. The date of the invoice, or the date the invoice was received, does not drive the timing of when an accrual should be recorded.

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Appendix 3 – Knowledge Review

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Materials from CAP March, 2021 Accrual Review Session

Example 2 – Work Certification Not Completed

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Example:

Vendor X is a contractor on a construction project spanning several months, including the month of September. The terms of the contract require the work to be certified by the Project Manager before payment is made. The work performed in September was certified by the Project Manager on 10/15/20 and invoiced for \$2M on 10/20/20. As of 9/30/20, no issues have been identified with the work performed by the vendor. For purposes of this example, we have assumed the arrangement does not involve any retainers. **Should the invoice have been accrued at 9/30/20?**

Options:

- A. Yes
- B. No

Answer: A. Yes.

Debrief: Since the construction work was performed in the month of September, an accrual should be recorded to reflect the work performed. While there could be changes to the amount ultimately due as a result of the certification process, the timing of when an accrual should be recorded **does not** depend on completion of a certification process. If the work has been performed, and the Company expects to pay for the work, an estimate of the costs should be accrued, even though the amount to be invoiced had yet to be finalized by 9/30/20.

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Appendix 3 – Knowledge Review

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Materials from CAP March, 2021 Accrual Review Session

Example 3 – Invoices with incorrect information

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Example:

Vendor X provides services on a project and invoices on a monthly basis. The invoice for work performed in September was issued on 9/30/20. Upon review by the Project Manager, certain line items had to be corrected and therefore a new invoice was submitted to the Company on 10/7/20. **Should the invoice have been accrued at 9/30/20?**

Options:

- A. Yes.** Accruals should be made in September, based on estimate of the work performed.
- B. No.** Since the corrected invoice is received in October, accruals should be made in October.

Answer: A. Yes. Accruals should be made in September, based on estimate of the work performed.

Debrief: As the work was performed in September, it must be accrued in September. Even if the invoice included incorrect information, it should have been accrued based on an estimate of work performed (i.e., the amount the Company ultimately expects to pay). The timing of when accruals are recorded is not dependent on receipt of a final invoice.



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Appendix 3 – Knowledge Review

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Materials from CAP March, 2021 Accrual Review Session

Example 4 – Contracts with Milestone payments

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Example:

Vendor X provides construction services and invoices based on agreed milestones. The amount due upon hitting the first milestone is 10% of the total construction cost of \$1M. The first milestone is met on 9/30/20 and an invoice for \$100K is issued on 10/10/20. As of 9/30/20, the vendor has performed approximately 25% of the construction work. Should an accrual be recorded at 9/30/20?

Options:

- A. Yes. An accrual for \$100K should be recorded based on the agreed milestone payment.
- B. Yes. An accrual for \$250K should be recorded based on the work performed to date.
- C. No. An accrual was not necessary as the invoice was received after 9/30/20.

Answer: B. Yes. An accrual for \$250K should be recorded based on the work performed to date.

Debrief: Accruals should be booked each month based on work performed, rather than the schedule of milestone. On certain projects, the milestones may align with the schedule of work performed and could be used as a basis for booking accruals.

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Appendix 3 – Knowledge Review

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Materials from CAP March, 2021 Accrual Review Session

Example 6 – Settlement with vendor

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Example:

Vendor X provided services during May - July 2020. In performing the work, the vendor stated they incurred overruns of \$2M, and sought payment from the Company under the terms of the contract. Through internal review performed during the month of September, the Company determined that payment of \$1.8M was due to the vendor. The Company and the vendor signed a settlement agreement for \$1.8M on 10/10/20. **Should an accrual have been recorded at 9/30/20?**

Options:

- A. Yes. An accrual for \$2M should have been recorded
- B. Yes. An accrual for \$1.8M should have been recorded
- C. No. While negotiations were ongoing at 9/30/20, the settlement agreement was not signed until after 9/30/20

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Appendix 3 – Knowledge Review

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Materials from CAP March, 2021 Accrual Review Session

Answer: B. Yes. An accrual for \$1.8M should have been recorded

Debrief: While there is judgment involved, there are two key factors to consider-

- a. The work in question was performed prior to 9/30/20
- b. While the settlement had yet to be reached at 9/30/20, the Company had already determined that \$1.8M was due to the vendor; i.e., that a loss was "probable". As such, the Company should have recorded an accrual for \$1.8M as this represented management's best estimate at 9/30/20

Generally, when settlements are reached shortly after the balance sheet date, it would indicate the parties had already determined a loss was probable and that an estimate could be made

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Appendix 3 – Knowledge Review

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Materials from CAP March, 2021 Accrual Review Session

Example 9 – Vendor submissions

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Example:

Vendor X performed construction work for the Company during the period 8/1/20 – 9/15/20. At 9/30/20, the vendor had yet to issue an invoice. The Company requested an estimate for the work performed from the vendor but did not hear back prior to the end of the September Close. Subsequently an invoice was issued to the Company for \$750K. Should an accrual have been recorded at 9/30/20?

Options:

- A. Yes
- B. No

Answer: A – Yes.

Debrief: As the work was performed prior to 9/30/20, an accrual should have been recorded. While the individual appropriately sought an estimate from the vendor, the absence of a response does not mean a zero accrual should be recorded. Other internal sources of information should be sought in order to make as accurate an estimate as possible.

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This meeting will be recorded

Annual Program Delivery Compliance Training

Program Managers and CEM -
NY - July 19, 2021 & NE - July 27, 2021

Makeup session August 19, 2021

Evaluation/EEA/Tech Services/IT/Product
Reporting session -
November 16, 2021

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Agenda

- ✓ **I&D Message – Jackie Eddy**
- ✓ **Opening Comments – Lynn Westerlind**
- ✓ **Meet the Compliance Team**
- ✓ **Our Guiding Principles & Function**
- ✓ **Delivery Team Obligations**
 - ✓ Savings and Financials
- ✓ **Accruals Refresher**
- ✓ **Doing the Right Thing**
 - ✓ Communications, Fraud Prevention, Managing Records
- ✓ **See Something, Say Something**
- ✓ **Case Studies**
 - ✓ **Proper Records Management**
 - ✓ **Invoice Processing and Approvals**
 - ✓ **Resources**
 - ✓ **Q&A**

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Inclusion Moment

Intentional Inclusion

Intentional inclusion involves purposeful action-based plans that are focused on inciting positive changes. Teaching your teams about inclusion is one thing, but it is another thing to ensure that your organization has procedures that help the team practice what was preached.

Intentional inclusion helps workers to realize that they are all accountable for taking the necessary steps to make inclusion a reality in their workplace. The intentional inclusion topic will help workers understand that they will all need to work together for progress to be made.

Below are some examples of how to intentionally create a more inclusive culture:

- **Define an Inclusive Culture**
- **Understand the Relationship Between Diversity and Inclusion**
- **Realize That D&I Is a Process, Not a Program**
- **Adopt Inclusive Leadership Behaviors**

Inclusion & Diversity - Powered By You.

Brought to you by **OurAcademy**

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The Compliance Team

Director, Lynn Westerlind



Manager, Beth Lonergan



NY

Michael DeGennaro

Jacqueline Eddy



Van Berube



NE

Matthew Libertini



Florence Barclays



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Our Guiding Principles:

We are the second line of defense to provide the business with assurance the first line is properly designed, in place and operating as intended. We ensure processes and risks are measured, monitored and in compliance with business rules and Corporate policies.



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Compliance Team's Functions

Simply said.....We are here to assist you in identifying risks in the EE programs, support you and help you effectively and efficiently deliver on our programs. We are the support between the business and Internal Audit.



The Second Line facilitates and monitors the implementation of effective risk management practices across governance, risk appetite, risk identification, performance measurement, validation of controls, accurate reporting and effective IT/infrastructure controls.

Other Second Line's functions are:

- Manage and assist process/risk owners in defining the target risk exposure and reporting adequate risk-related information
- Compliance function to monitor compliance risks with laws and regulations
- Monitor financial risks and financial reporting issues

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Our Obligations

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The Two Critical Obligations of the Delivery Teams

As the trusted managers of ratepayer funds, in order to improve the reach and the cost effectiveness of our programs, we have an obligation to our customers, stakeholders, and the Company to ensure accuracy and compliance with our financials and the amount of savings we claim in our programs. Our obligations:

1. Savings accuracy

- **EM&V ensures the energy savings on a per unit basis is accurately defined and reported.**
- **It is the obligation of the Delivery teams to account for the correct number of widgets that are installed in our customers homes or facilities and savings are allocated appropriately.**
- **We need do the right thing and accurately QC those widgets and ensure the appropriate savings as deemed by EM&V, are claimed. If something doesn't look right, question it.**

2. Financial Accuracy

- **Ensuring that the amount of money invoiced for product or services is aligned with the number of widgets installed.**
- **Diligence with accrual processes. We must adhere to our regulatory obligations and our liabilities are recorded accurately.**

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Poll Question

1. Do you feel National Grid has provided you with the tools to fulfill your obligations?

- ☐ Yes
- ☐ No
- ☐ Somewhat

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Example of ensuring accuracy

For example:

Workpackage upload from XYZ Vendor for 100 LEDs

Cost of those LEDs = \$50 each

The contracted monthly administrative fee =\$5000

- Savings = 100 kwh each for this type of LED

Invoice should be as follows:

Product/admin	Total cost	Total savings
100 LEDS – xyz type @ \$50	\$5,000	100kwh per unit
Monthly admin	\$5,000	
Total	\$10,000	10,000 kwh

Validate accuracy & timeliness of the expenses and the savings associated with the measures billed. Review backup documentation. Work with Vendor to see backup, ensure timeliness. **Checklists will be developed by the Compliance team if no checklist exists.**

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Accruals Refresher

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Why Accruals are Important

- ✓ **Accrual accounting is required by U.S. GAAP.**
- ✓ **Under U.S. GAAP, expenses/vendor liabilities are recorded when the expense/liability is incurred, not when cash is paid.**
- ✓ **Missed accruals above certain thresholds result in the need to correct the financial statements by reopening the books. This may also be elevated to the audit committee.**
- ✓ **Properly recording accruals insures that:**
 - ✓ **National Grid is able to meet its reporting obligations**
 - ✓ **- SEC**
 - ✓ **- Regulatory Reporting**
 - ✓ **- Rate Cases**
 - ✓ **Reliable financial information is available to Leadership for decision-making**

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Accrual Obligation Overview

Accruals directly impact National Grid's financial statements. In order for National Grid to meet reporting obligations and to provide reliable information for management to make informed decisions, it is essential that expenditures and liabilities for work completed but not posted in SAP are accrued each month.

We ask that everyone involved with Energy Efficiency vendors work closely with their vendors and exercise diligence to assure that:

1. Invoices are submitted for work completed for the month and entered into InDemand as an accruable status or the value of **un-invoiced** work completed is submitted as an EE manual accrual.
2. InDemand Status report is available to review.
3. Applications, work packages, and invoices for completed work are uploaded into InDemand or submitted as an EE manual accrual.
4. All statuses are updated in InDemand for work completed.
5. **If your vendor is not submitting accruals, you should be asking them why not, and if they do submit and it does not make sense, you need to question it.**

REDACTED

Example of Auto Accruable Status

InDemand Statuses and Accruable Statuses Chart Revision 14 (11-2020) - maintained by EE Accounting		
Category	All Statuses	Accruable Statuses
Workpackages	Historical	
	In Progress	In Progress
	Ready to Invoice or Ready for Builder Payment when no invoice/PO (added 11/20/2014)	Ready to Invoice Ready for Builder Payment when no invoice/PO
	Invoiced	Invoiced and Payment Pending – covered under these Categories
	Payment Pending	
	Payment Pulled	
	Paid	

If there is an invoice from Vendor that has not been uploaded to InDemand by the accrual deadline, but work is complete, then there needs to be a manual accrual completed by the Vendor and verified by the responsible Program Manager.

It is critical to **Meet the timelines of the monthly accruals: Typically the 24th of each month**

REDACTED

Poll Question

1. Are you aware of the Auto Accruable Status for your program?

☐ Yes

☐ No

REDACTED

Manual Accrual Obligations

CHARGES TO BE ACCRUED

As a reminder, the guidelines for charges to be manually accrued by submitting an EE Accrual Template are as follows. Template attached to a monthly email from Jackie Appel. Accruable statuses by program are also attached to her monthly email.

- ✓ Invoices that have been received from EE vendors that have not been entered into InDemand or sent to AP for direct SAP entry.
- ✓ Invoices that have not yet been created by the vendor or received when work has or will be completed by month-end (estimate).
- ✓ Work that has been completed and/or is ready to be invoiced but the status has not been updated as such in InDemand.
- ✓ Accruals submitted from previous months when these three conditions listed above are still applicable.

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Monthly Accrual Dates

Typically the accrual dates are around the 24th/25th of each month.

For example:

KEY DATES FOR THE MONTH

The deadlines for this month's accrual process:

June 24th: Last day to send payment requests to SAP from InDemand for payment in current month. 5:45 pm cut-off.

June 25th: Due date for manual accrual templates or for providing an appropriate accrual response. EOD cut-off.

June 30th: Last day for InDemand status changes, invoice approval, and payment releases for projects to be automatically included in the monthly accounting accrual from the InDemand Monthly Accrual Query. EOD cut-off.

For those of you who do accruals, you should be receiving a reminder email from Jackie Appel outlining the protocols. If you are not on this email distribution, please reach out to Jackie at Jacqueline.appel@nationalgrid.com

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Monthly Accrual Template

Monthly EE Accruals Template (rev 07/2019)

To be completed by Program Managers and all other individuals involved with EE vendor invoicing

Please enter the following:

- Invoices that were received and have not yet been entered into InDemand. or invoices sent to AP but not posted to PO
- Accrual estimate for work completed if invoice has not been received or InDemand upload has not occurred or InDemand status has not been updated to an accruable status by month-end

Return completed form by email to EEAccounting @nationalgrid.com with copies to Jackie Appel (jacqueline.appel@nationalgrid.com) and Froilán Santos (Froilan.Santos@nationalgrid.com)

Program Manager/ Submitter	EE Program	Type of Work	Fuel Type (Gas or Electric)	Segment (C&I or Res)	STATE ID	DIST CO	Vendor Name	Accrual Amount	Invoice/ Reference Number if applicable	Date	Reason for Accrual i.e., uninvoiced work completed, not uploaded to InDemand, etc.	Source (vendor email, invoice, estimate of uninvoiced work completed, etc). If estimate, describe methodology used

Approver Signature

Date

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EE Accrual Best Practices

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Missed Accruals – Common Themes

Vendor Invoicing Cycles and Misconceptions

Work completed for the month after the last bill run was not accrued

Late uploads/updates to InDemand – monthly charges
uploaded/updated after month-end and therefore should be accrued
but no manual accrual

Accruals from prior months were not re-accrued

Due diligence shortfalls/Lack of understanding

- Vendor didn't submit an accrual so no accrual submitted to EE Accounting
- Vendor's accrual estimate not questioned

REDACTED

Manual Accrual Mechanics

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EE Manual Accruals Mechanics



Accruals from previous months still meeting accrual criteria - resubmit

Work completed in current month, no invoice received or no InDemand upload

Work completed but InDemand status not updated

Don't forget!

Manual accrual current month
Email to EE Accounting even if no accruals
EE Accounting@nationalgrid.com

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Poll Question

Receipt of a payment determines whether an accrual needs to be recorded

☐ Yes

☐ No

Should accruals from prior months be re-accrued if no payment has been made

☐ Yes

☐ No

If a vendor does not submit an accrual to EE accounting, does it mean there were no accruals:

☐ Yes

☐ No

If your vendor did not submit an accrual, should you

☐ Ask the vendor

☐ Do nothing

REDACTED



Doing the Right Thing

REDACTED

Always Do the Right Thing

Rules and Values

Doing the Right Thing is about acting ethically and keeping to our values at all times. It is also about making sure we comply with the laws and regulations that apply to our company, as well as our own internal policies.

We need to know the rules. This helps to meet our legal obligations.

Just knowing the rules is not enough. We have to apply our values as well, and not “bend” the rules to suit ourselves. This means we understand the difference between having the right to do something and knowing what is the right thing to do.

REDACTED

Responsibilities

Your responsibilities:

- Follow our Ethics Code of Conduct. https://nationalgridplc.sharepoint.com/sites/gridhome-ng/Documents/NG_Code_of_Ethics.pdf
- Not to tolerate poor ethical standards in others. We expect all our employees to be prepared to challenge unethical behavior.
- To make sure there is a respectful environment and any unethical behavior involving employees, contractors or suppliers doing business with us is reported.
- To cooperate fully with internal and external auditors, lawyers, HR, the Ethics and Compliance team involved in investigations. If you refuse to cooperate or obstruct an investigation, there will be disciplinary action. The important thing is transparency and honesty.

Managers' responsibilities:

- They have the same responsibilities as all employees.
- Also responsible for promoting these guidelines and compliance with them.
- Make sure their employees understand the guidelines and support those who raise questions or concerns.
- Most importantly, managers are responsible for leading by example, doing the right thing and demonstrating National Grid's leadership qualities.

REDACTED

Electronic Communications & Use of Company Resources

- We understand that we can use our mobile device for limited occasional personal use, but this must not interfere with our work or the work of others, breach IT policies, break any laws, or incur significant cost to the Company.
- We understand that company property and resources such as facilities, equipment and information are provided for business purposes only and therefore not allowed for personal use.
- We take responsibility for the security of the company equipment we use.
- Electronic communication, via laptop or company cell phone, which includes email, Internet and apps, brings many benefits to businesses. It can reach many people, over great distances, almost instantly. However, it also brings a number of risks and potential problems. When it comes to electronic communications, be cautious. **You should always be aware that they have the potential to damage our company or people.**
 - For example, they may carry computer viruses that can infect our systems, be from an untrustworthy source, or they may be misinterpreted and cause offense. They could also affect our reputation and **electronic messages may need to be disclosed in court proceedings or investigations.**

REDACTED

Fraud Prevention

What is fraud?

Fraud is a crime. It's a deception that's designed to benefit someone or cause a loss to someone else.

- We are committed to preventing, deterring and detecting fraud.
- We are all responsible for controlling the risks of fraud.
- We all take individual responsibility for ensuring that we never participate or engage in fraudulent activity.
- The Company will always investigate any related concerns.
- Employees, suppliers and agents are expected to comply with the laws.
- If you suspect fraud, you should:
 - immediately report it to your manager.
 - You and your manager then report to the Compliance team. The Compliance team will work with you on next steps.

You should never look the other way.

REDACTED

Managing Records

Regulators, auditors and shareholders rely on accurate company accounts and other records. We have to create and maintain complete and accurate records.

We are responsible for protecting National Grid's assets, including records.

Do's and Don't's:

Do

- *Review all records fully and ensure expenses and savings are accurate and timely.*
- *Work with your vendor if you see discrepancies.*
- *Notify your manager if you see inconsistencies that could postpone timely payment.*

Do Not:

- *Enter false misleading or incomplete information in any company account, expense statement, purchase order or other record (ie: invoices)*
- *Process, enter into a system, or approve a record or information that you believe is false or inaccurate.*

Accurate records are vital. All company records, information and communications must be complete, fair, accurate, easy to understand and made in good time. The entire record must accurately reflect the relevant activity.

REDACTED

Poll Question

1. If you suspect fraud, who should you report to first?

- ☐ Compliance Team
- ☐ Your Manager
- ☐ HR
- ☐ All the Above

2. What is the first step you should take if you notice something inaccurate in your invoices?

- ☐ Work with your vendor if you see discrepancies
- ☐ Notify your manager if you see inconsistencies
- ☐ Review all records fully and ensure expenses and savings are accurate
- ☐ All the Above

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See Something/Say Something

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REDACTED

Say Something

- 1. Always, if something doesn't seem right, do the right thing. Tell your manager immediately.**
- 2. Your manager is your first line of defense.**
 1. If you don't feel you are getting resolve or prefer another method of communicating your concerns, then you have other options.
 2. We now have **our internal compliance team** in place. You can safely come to this group with a concern around compliance/ethics/doing the right thing.
 3. You can go to another manager or member of leadership. You can call the Ethics Hotline, your Ethics Liaison or Human Resources.

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Poll Question

1. Your manager needs to:

- ☐ Ensure employees understand the ethics guidelines and support those who raise questions or concerns.
- ☐ Be responsible for leading by example, doing the right thing and demonstrating National Grid's leadership qualities
- ☐ All the Above

2. Proper Records Management

- ☐ You need to review all records fully and ensure expenses and savings are accurate and timely
- ☐ Work with your vendor if you see discrepancies
- ☐ Process or approve a record or information that you believe could be inaccurate
- ☐ A & B
- ☐ A, B & C

3. Fraud Prevention

- ☐ You should report any suspect of fraud to your manager
- ☐ You should report any suspect of fraud to the Compliance Team
- ☐ You should look the other way if it does not affect you
- ☐ A or B

REDACTED

See Something/Say Something

Case Studies

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REDACTED

Importance of Compliance

"Our company is filled with outstanding individuals who live the value of doing the right thing, quietly and honorably, day in and day out," Joe said. "We can overcome non-compliance. Colleagues are encouraged to speak up and help be the change we need to see."

Regulatory compliance means our colleagues, customers, and communities are provided with safe and reliable service.



If you see a problem or have a question, you can also always:

- Speak with a Compliance Champion/Liaison,
- Discuss with your line manager,
- Contact the People & Culture organization,
- Contact the Chief Compliance Office

"Remember, you don't even have to be clear if it's a problem. Just raise your concern before it is," he said.

REDACTED

The Issue

The Company received a letter from a former consultant alleging, among other things, that:

A current vendor was non compliant with respect to certain obligations;

The vendor was not submitting proper invoices; and

The consultant's services were terminated because he had previously raised such concerns.

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The Findings

The Company undertook an extensive investigation which included the interviewing of 15 individuals and the review of volumes of documentation;

The findings of the investigation concluded that:

An employee within the business area was negligent in his responsibilities of contractor oversight.

The business area employee also failed to follow pertinent Procurement policies and procedures in the appointment and use of the contractor.

The contractor failed to submit timely and properly detailed invoices.

REDACTED

Lessons Learned

Not all policies and procedures are covered in Always Doing the Right Thing; however, the expectations surrounding the way we need to conduct business and the how we do things are.

If one's responsibilities are around contractor oversight, it is imperative to make certain the contractor is compliant with their obligations and/or to assist in this process (i.e. timely and proper invoices, background checks, proper insurance certificates, valid contracts, etc.).

Procurement policies and procedures are in place to ensure fairness, structure and documentation around our procurement process. These policies need to be followed at all times.

Note: This case study was based on a real National Grid situation taken from our Ethics site. It is important to remember that each investigation is fact specific and therefore will affect the disciplinary outcome.

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Consequences

The business area employee received a written warning surrounding procurement violations and the conduct was reflected in their P4G leadership rating.

The contractor was required to immediately correct any non-compliances that were discovered.

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Proper Records Management

Case Study

Issue: in an effort to meet organizational goals, an employee is asked to process invoices from a vendor even though there were discrepancies when comparing the invoice with backup documentation. Another employee finds out about this request and feels it is a violation of protocol.

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Poll Question

1. Should the first employee follow the directions?

☐ Yes

☐ No

2. Should the employee who found out about it ignore it because they were not asked personally to pay the invoice?

☐ Yes

☐ No

3. What should they do?

Enter your answer

REDACTED

What about the Employees?

What about the employee who was asked to process the invoices?

The employee should feel safe to question it.

What about the employee who felt it was a violation and brought it forward to Ethics?

The employee did the right thing.

Employees need to say something.

The Company stands behind the employee who brings a concern forward, and encourages all employees to raise actions *that they see as a breach of policy or they feel they are being told to do something they don't feel comfortable doing.*

The Company WILL NOT tolerate any form of retaliation against an employee to raises a concern.

***Our code of ethics reinforces the importance of speaking up, so that we can learn from our mistakes. This means being open and honest and speaking up if we see something unethical, unsafe or potentially harmful.**

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Proper Records Management

Summary of findings:

The situation was investigated and determined to be non-compliant with our business policies. The team jumped into action to rectify the situation.

Actions taken

Anytime an employee who manages vendors or works with vendors, they must do a thorough review of invoices. If they think there is a discrepancy or a violation of business rules, it should always be questioned. Employees need to feel safe to say something. **Mistakes happen. We are human. We can make corrections. It is critical to have integrity and tell the truth.**

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Insuring Integrity of our Programs

When to click to approve payment of invoices?

You should only pay an invoice when you have all the required backup and documentation necessary to make payment. Savings and spend must align.

Even at year end, these rules apply. We need to insure integrity of the programs by checking for any and all discrepancies. If a vendor accrues an invoice or tells you about an invoice, be sure to follow up on the status to be certain of timely payment.

Invoices should not be held due to budgetary concerns. Work performed and considered a National Grid liability need to be paid in a timely manner. It is a Program Managers function to work with their manager and CEM when there are budgetary concerns. The CEM teams are the regulatory experts. They support Program Delivery when there are budget concerns. Programs are designed with budget responsibility. Think of it like your checkbook. You would not overdraft on your personal finances. You should not overdraft on your program budget.

Do:

1. Alert your manager and 2. alert CEM when there are budget concerns.

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In Summary

If you don't know or aren't sure:



Your manager is your first line of defense. If you do not get resolve or are still unclear, you should ask outside of your core reporting line. Ask the Compliance Team, ask another manager, ask your Ethics Liaison, ask HR, ask the Company Ethics department.

Leadership is here to support you.

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Poll Question:

1. Who do you go to when you have budgetary concerns when approving invoices?

☐ Your Manager

☐ CEM

☐ All the Above

REDACTED

Helpful Contacts

Compliance Team

Lynn Westerlind, Beth Lonergan, Michael DeGennaro (NY), Jackie Eddy (NY),
 Van Berube (NE), Matt Libertini (NE), Florence Barclays (NE)

Contact	Telephone	Internet / Email
EthicsPoint -24 hours a day, seven days a week	800-465-0121	http://nationalgrid.ethicspoint.com
Toll-Free Helpline -Internal Voicemail	888-867-6759	businessconduct@nationalgrid.com

Learn more about the US Ethics and Compliance reporting on our [Grid:home page](#).

Ethics Liaisons (Customer Sales & Solutions/Customer Operations)

- Customer Sales & Solutions: May Moy (NE), Carolyn King, Lyle Sclair, Lisa Diffenback (NY)
 - Customer Operations Support - Maria Rodriguez (NE & NY)
- Customer Energy Management – Ben Rivers (NE), Tamara Prodrick (NY)

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BL1

Questions and Answers



Questions are the path to learning

Submit an anonymous question:

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The National Grid logo is centered on a large, solid blue rectangular background. The logo itself consists of the word "national" in a lowercase, sans-serif font, followed by the word "grid" in a bold, lowercase, sans-serif font. A small diamond-shaped icon is positioned above the letter 'i' in "grid".

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REDACTED

REDACTED

This meeting will be recorded

Annual Year End Accrual Process Training

November 18, 2021

Delivered by: Product Reporting and Financial
Accounting

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Agenda

Kickoff – Beth Lonergan, Compliance

Safety Message – Product Reporting

Year End Accrual Process – EE Accounting

Year End Key Dates – Product Reporting

Important Notes – Product Reporting

Questions & Answers - All

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Safety Message

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- You should check the tire pressure in your car at least once a month
- As the weather has gotten cold this season, it is even more important to make sure the pressure in your tires are at a safe level



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Can Cause a Tire to Blow Out

- The tire's sidewall may flex more, causing heat buildup.
- If the overheating is severe, the tire can suddenly blow out, possibly leading to an accident.

Hurts Fuel Economy

- Underinflated tires have a greater resistance to rolling.
- It takes more energy to move, causing the engine to work harder, which uses more fuel.

Adversely Affects Handling

- Underinflated tires are less stable and has less traction than correctly inflated tires.
- Response to steering gets slower and sloppy and braking distances lengthen.

Will Cost You Money

- It increases tire wear and thus reduces the life of the tire and leading to premature replacement.

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Accruals Requirements & Process

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Significance of December, 2021



- Regulatory Reporting for EE

- Expect increased scrutiny from regulators

- Drives results against regulatory-approved EE Plan and earned MA & RI Shareholder Incentive Revenue

- 2021 Program Year and Massachusetts EE 3 Year Plan (2019-2021)
 - MA - \$32M potential
 - RI - \$11M potential

- GAAP and IFRS Financial Reporting for National Grid

- End of National Grid Q3 FY22



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Accruals: EE Accounting vs. EE Reporting



- For accounting purposes, the accrual criteria are unchanged for December.
- Inclusion of accounting accruals in the EE 2021 Program Year results is driven by the EE Reporting specifications:
 - Included in the EE Accounting Accrual recorded at 12/31/2021
 - January payment deadlines



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The basics of accrual accounting

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- **Accrual Definition:**
An accrual for expenses means recording a charge to the books of records (SAP) for work that has been completed but not yet recorded.
- Expenses should be recorded in the period that work was completed/that they are incurred, NOT WHEN INVOICED OR PAID. The receipt of an invoice and/or the timing of payment do not impact whether an item needs to be accrued.
- Expenses & liabilities for EE work completed that have not been recorded in SAP should be accrued for every month UNTIL recorded in SAP.



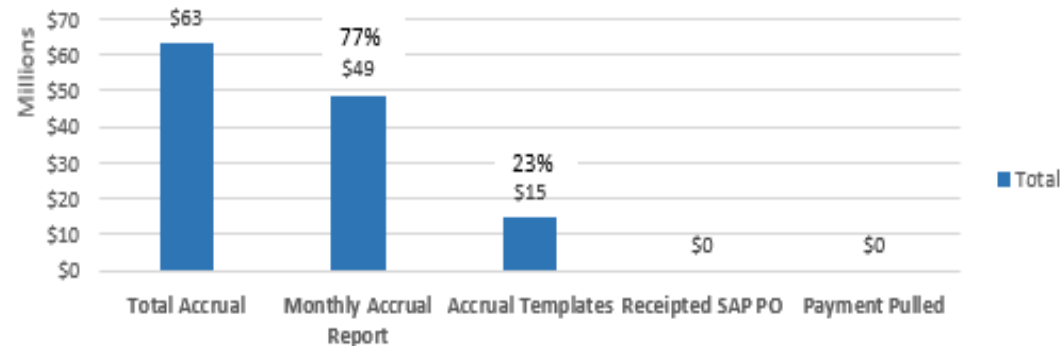
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Sources of EE Invoice Accrual Data

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EE Invoice Accrual Source Components - Average Monthly Last 12 Months



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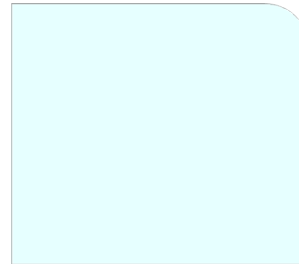
EE Manual Accruals Mechanics

Manual Accrual Mechanics

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Accruals from previous months still meeting accrual criteria
- resubmit



Work completed
and uploaded to
InDemand but
InDemand status
not updated to
accruable status



Manual accrual current month
Email to EE Accounting even if no accruals

Review Payment Pulled!

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EE Accrual Best Practices



Missed Accruals – Common Themes

- Vendor Invoicing Cycles and Misconceptions
Work completed for the month after the last bill run was not accrued
- Late uploads/updates to InDemand – monthly charges
uploaded/updated after month-end and therefore should be accrued but
no manual accrual
- Accruals from prior months were not re-accrued
- Due diligence shortfalls/Lack of understanding
 - Vendor didn't submit an accrual so no accrual submitted to EE
Accounting
 - Vendor's accrual estimate not questioned



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EE Accrual Best Practices



Tips on Preparing for Calendar Year-End

Familiarize yourself with InDemand accruable statuses. Separate session to be scheduled.

- Review Payment Pulled Report sent by EE Accounting
- Reach out to vendors and remind them to submit manual accruals. Discuss accrual due date and guidelines for what needs to be accrued.
- Review and when needed challenge vendor's manual accruals.
- Use other sources to prepare and submit your own estimates when necessary.
- Adhere to the accrual due date. May not be able to accommodate exceptions.



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Key Dates & Important Notes

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REDACTED**KEY DATES FOR DECEMBER (YEAR-END) ACCOUNTING ACCRUALS**

<u>DEADLINE</u>	<u>ACTION</u>
Thursday, December 23rd –6PM	Last day to approve and release invoices in InDemand <i>to be paid</i> (check/ACH sent to vendor) in December 2021 (pending confirmation from Accounts Payable)
Thursday, December 23rd –6PM	Date for start of the InDemand-to-SAP <u>BLACKOUT</u> period. No payments will be sent from InDemand to SAP to be paid until January 3 rd , 2022 EOB.
Thursday, December 23rd –6PM	Deadline for submitting the December year-end manual accrual template. Manual accruals should include: <ol style="list-style-type: none"> 1) Any invoices that will not be entered in InDemand by December 31, and/or 2) Status updates for work completed not entered in InDemand by December 31 3) Copy manager for signoff by Tuesday, December 28th – 6PM
Tuesday, December 28th –6PM	Manager Signoff – Manual Accrual Template Notify Manager/Director/Lynn W./Beth L./EE Accounting/Product Reporting for any missed accruals
Friday, December 31st –End of Day	<ol style="list-style-type: none"> 1) Last day to enter invoices and update statuses in InDemand for 2021. Invoices and projects in accruable statuses will be automatically accrued. 2) Last day to approve and release payment requests in InDemand. Having payment requests released in InDemand will increase the accuracy of this year-end accrual process.
Wednesday, January 5th	Product Reporting will provide a detail of the accrual booked for December 2021
Friday, January 7th –6:00PM	<u>New York ONLY – Last day to release for payment in InDemand all items accrued so that those payments and associated savings are included in 2021 results</u>
Wednesday, January 19th –6:00PM	<u>New England ONLY – Last day to release for payment in InDemand all items accrued so that those payments and associated savings are included in 2021 results</u>

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Important Notes

- For an invoice to be counted in 2021 Reporting, it must be on the Accrual List AND be paid by the appropriate deadline provided.
- If you have an invoice that needs to be counted in 2021, but does not meet the above criteria, it must get Director level approval and may be subject to audit testing.
- Please work with your vendors to ensure that they accrue their invoices timely and accurately.
- If you are expecting to pay a lot of invoices at the end of the year, please check that there are sufficient funds on your purchase order to cover the invoice amounts.
- Ensure the accuracy of your accounting.

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Questions and Answers



Submit an anonymous question:

REDACTED**Appendix 1****CAP Testing 9-30-2020 EE accruals**

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CAP TESTING SCORECARD ENERGY EFFICIENCY	
Total Invoice Value of Samples Tested	\$25,753,165
Total # Samples/Invoices Tested	35
Total Exceptions*	3,124,746
Total # Samples/Invoices With Exceptions	11
Exception Rate by \$ Amt	12%
Exception Rate by Sample/Invoice Count	31%
* Immaterial over- and under-accrual amts excluded	

Invoice Testing Sample Population Vendor, Co., and Invoice Count						
Vendor	5110	5210	5310	5330	5360	Grand Total
EFI			6			6
ABODE			4			4
ENERWISE	2					2
LIME ENERGY		2				2
ERIC MOWER		2				2
CLEARRESULT			2			2
NORTHERN ENERGY			2			2
RISE					2	2
ACTION			2			2
BOSTON SKATING				1		1
ELECTRIC BOAT					1	1
IDEAS AGENCY		1				1
ARCA RECYCLING			1			1
ORACLE					1	1
DALKIA ENERGY			1			1
ELCON			1			1
TRC		1				1
VISION ENERGY			1			1
ENERGYSAVVY			1			1
ENERGYHUB			1			1
Grand Total	2	6	22	1	4	35

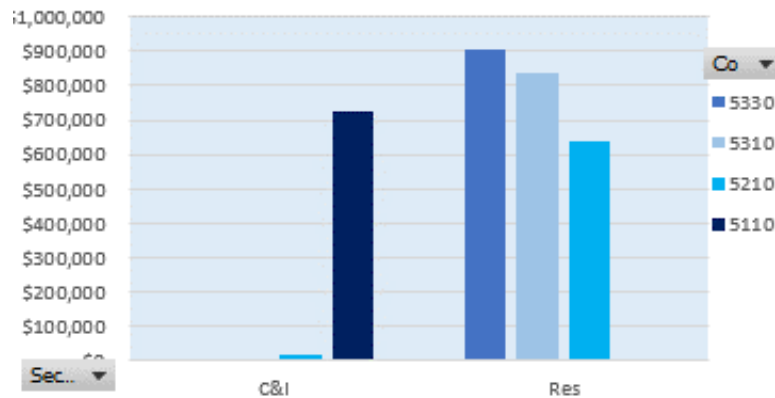
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Appendix 1 EE Accrual Exceptions (cont.)

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Exceptions by Sector & Company

Sum of Exception Amt



Sector & Co	Exception Amt	% of Total Exception Amt View 1	% of Total Exception Amt View 2
C&I	\$746,710	24%	
5110	\$727,129		23%
5210	\$19,581		1%
Res	\$2,378,036	76%	
5210	\$639,407		20%
5310	\$835,205		27%
5330	\$903,424		29%
Grand Total	\$3,124,746	100%	100%

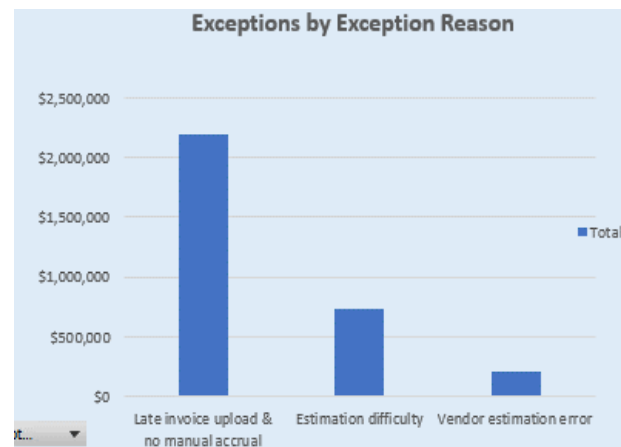
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Appendix 1

EE Accrual Exceptions – CAP Testing for FY21



Vendor	Sum of Exception Amt
Action	\$903,424
Enerwise	\$727,129
Energysavvy	\$633,982
Ideas Agency	\$338,250
Lime Energy	\$175,067
Abode	\$150,955
Eric Mower	\$126,090
ClearResult	\$67,908
TRC Environmental	\$19,581
ARCA	-\$17,640
Grand Total	\$3,124,746



Exception Reason	Sum of Exception Amt	% of Exception Amt
Late invoice upload & no manual accrual	\$2,196,394	70%
Estimation difficulty	\$727,129	23%
Vendor estimation error	\$201,223	6%
Grand Total	\$3,124,746	100%

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Exception Details						
Vendor	Sample Identification	Over/under Accrual	Company	Sector	Exception Amt	Notes
Enerwise (dynamic load mgt)	Invoice No. 183763, Workpackage No. 112746	underaccrued	5110	C&I	\$727,129	
sample 4 Action	Invoice No. 183548, Application 11625144 Res Multifamily over 20	underaccrued	5330	Res	\$903,424	
sample 8 Boston Skating Club	Application No. 9426770, Child App 11587452	overaccrued	5330	C&I	(\$4,595)	Excluded in analysis. Not material
Sample 146 Ideas Agency	PR 323963	underaccrued	5210	Res	\$338,250	
Sample 170 ARCA	PR 323663	overaccrued	5310	Res	(\$17,640)	
Sample 160 Lime Energy	invoice 183882	underaccrued	5210	Res	\$157,234	
Sample 237 TRC Environmental	Invoice No. 184368	underaccrued	5210	C&I	\$19,581	
Sample 307 Rise Engineering	nvoice No. 184778, workpackage 113221	underaccrued	5360	Res	\$329	Excluded in analysis. Not material
Sample 315 Abode	Invoice No. 183715, Workpackage No. 112738	underaccrued	5310	Res	\$150,955	
Sample 317 Energysavvy	Invoice No. 184298	underaccrued	5310	Res	\$633,982	
Sample 320 ClearResult	Invoice No. 183576, Workpackage No. 112667	underaccrued	5310	Res	\$67,908	
Sample 321 Eric Mower	Invoice No. 240341	underaccrued	5210	Res	\$126,090	
Sample 345 Lime Energy	Invoice No. 184823	underaccrued	5210	Res	17,834	

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CAP Samples Tested

Batch	Tracking (Sample Number)	Accounting Document No.	Company Code	Sector	FY	Reference	GL Account	Invoice Number	Posting Date	Vendor Number	Vendor Name	Amount Paid (From Check)	Invoice Header Amount	Invoice Line Amount
Batch 3	Sample 225	1900137962	5310	C&I	2021	DSM1852138324960	C2321000	190013796	11/9/2020	1000056507	DALKIA ENERGY SOLUTIONS LLC	411,008	411,008	(411,008)
Batch 3	Sample 226	1900053509	5360	C&I	2021	DSM101076325350	C2321000	190005350	11/17/2020	1000019263	ELECTRIC BOAT	427,247	427,247	(427,247)
Batch 3	Sample 237	5100036889	5210	Res	2021	DSM184368324718	C2321000	510022465	11/2/2020	4000004534	TRC ENVIRONMENTAL CORP.	549,163	524,963	(524,963)
Batch 3	Sample 255	1900145800	5310	C&I	2021	DSM113864325327	C2321000	190014580	11/17/2020	1000056807	ELCON GROUP INC	371,056	324,410	(324,410)
Batch 3	Sample 307	5100013252	5360	Res	2021	DSM184778325333	C2321000	5100239574	11/16/2020	4000001164	RISE ENGINEERING	1,691,031	799,994	(799,994)
Batch 3	Sample 315	5100018256	5310	Res	2021	DSM183715324324	C2321000	5100224672	11/2/2020	1000044590	ABODE ENERGY MANAGEMENT LLC	2,900,818	892,445	(892,445)
Batch 3	Sample 317	5100018291	5310	Res	2021	DSM184298324503	C2321000	5100224736	11/2/2020	4000011817	ENERGYSAVVY INC.		633,982	(633,982)
Batch 3	Sample 318	5100018297	5310	Res	2021	DSM184229324474	C2321000	5100224746	11/2/2020	4000014255	ENERGY FEDERATION INC	1,588,936	1,145,638	(1,145,638)
Batch 3	Sample 319	5100020137	5310	Res	2021	DSM184729325533	C2321000	5100244741	11/19/2020	4000014449	ENERGYHUB INC	816,739	336,065	(336,065)
Batch 3	Sample 320	5100018405	5310	Res	2021	DSM183576324812	C2321000	5100226244	11/3/2020	4000014060	CLEARRESULT CONSULTING INC	2,140,482	972,565	(972,565)
Batch 3	Sample 321	5100039438	5210	Res	2021	DSM183269322977	C2321000	5100232915	11/9/2020	1000051232	ERIC MOWER AND ASSOCIATES INC	297,460	297,460	(297,460)
Batch 3	Sample 325	5100018786	5310	Res	2021	DSM184044324860	C2321000	5100229683	11/5/2020	4000014255	ENERGY FEDERATION INC		1,683,689	(1,683,689)
Batch 3	Sample 328	5100019575	5310	Res	2021	DSM184044324860	C2321000	5200016386	11/16/2020	4000014255	ENERGY FEDERATION INC		1,683,689	(1,683,689)
Batch 3	Sample 329	5100019638	5310	Res	2021	DSM184044324860	C2321000	5100239593	11/16/2020	4000014255	ENERGY FEDERATION INC	1,926,193	1,683,689	(1,683,689)
Batch 3	Sample 333	5100019974	5310	Res	2021	DSM184621325493	C2321000	5100243368	11/18/2020	1000044590	ABODE ENERGY MANAGEMENT LLC	5,453,463	1,267,106	(1,267,106)
Batch 3	Sample 335	5100019987	5310	Res	2021	DSM184730325488	C2321000	5100243387	11/18/2020	1000044590	ABODE ENERGY MANAGEMENT LLC	5,453,463	1,077,567	(1,077,567)
Batch 3	Sample 336	5100020131	5310	Res	2021	DSM184812325571	C2321000	5100244734	11/19/2020	1000002026	ACTION INC.	2,131,596	1,798,048	(1,798,048)
Batch 3	Sample 337	5100020144	5310	Res	2021	DSM184927325566	C2321000	5100244750	11/19/2020	4000014255	ENERGY FEDERATION INC	742,001	712,948	(712,948)
Batch 3	Sample 345	5100039581	5210	C&I	2021	DSM184823325375	C2321000	5100239580	11/16/2020	1000006109	LIME ENERGY SERVICES COMPANY	388,409	388,409	(388,409)
Batch 3	Sample 346	5100019770	5310	C&I	2021	DSM184792325405	C2321000	510024112	11/17/2020	1000003181	NORTHERN ENERGY SERVICES	163,207	163,207	(163,207)

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CAP Samples Tested

Batch	Tracking (Sample Number)	Accounting Document No.	Company Code	Sector	FY	Reference	GL Account	Invoice Number	Posting Date	Vendor Number	Vendor Name	Amount Paid (From Check)	Invoice Header Amount	Invoice Line Amount
Batch 1	Sample 1	5100036585	5110	C&I	2021	DSM183763323604	C2321000	510020988	10/21/2020	1000046556	ENERWISE GLOBAL TECHNOLOGIE	-	727,129	(727,129)
Batch 1	Sample 2	5100017365	5310	Res	2021	DSM183697324070	C2321000	5100211514	10/22/2020	1000044590	ABODE ENERGY MANAGEMENT L	2,711,584	929,349	(929,349)
Batch 1	Sample 3	5100016357	5310	Res	2021	DSM183592323654	C2321000	510019939	10/12/2020	4000014255	ENERGY FEDERATION INC	-	841,720	(841,720)
Batch 1	Sample 4	5100016246	5310	Res	2021	DSM183548323572	C2321000	510019728	10/9/2020	1000002026	ACTION INC.	903,424	903,424	(903,424)
Batch 1	Sample 5	5100015911	5310	Res	2021	DSM182878323446	C2321000	510019337	10/6/2020	4000014060	CLEARRESULT CONSULTING INC	1,833,273	843,218	(843,218)
Batch 1	Sample 6	5100010547	5360	Res	2021	DSM183236323002	C2321000	510018814	10/4/2020	4000001164	RISE ENGINEERING	2,342,828	928,162	(928,162)
Batch 1	Sample 7	1900105055	5310	C&I	2021	DSM103224323506	C2321000	190010505	10/13/2020	1000051835	VISION ENERGY SOLUTIONS INC	582,786	582,786	(582,786)
Batch 1	Sample 8	1900017999	5330	C&I	2021	DSM942677322862	C2321000	190001799	10/4/2020	2000000008	DSM REBATES OTV	538,988	538,988	(538,988)
Batch 2	Sample 139	5100037068	5110	C&I	2021	DSM182771322248	C2321000	510021352	10/23/2020	1000046556	ENERWISE GLOBAL TECHNOLOGIE	-	353,829	(\$353,829)
Batch 2	Sample 140	5100011899	5360	Res	2021	DSM183999324074	C2321000	5100211518	10/22/2020	4000007409	ORACLE AMERICA INC.	243,566	208,268	(\$208,268)
Batch 2	Sample 145	5100033523	5210	C&I	2021	DSM183968323968	C2321000	510020727	10/19/2020	1000051232	ERIC MOWER AND ASSOCIATES IN	489,965	407,189	(\$407,189)
Batch 2	Sample 146	5100033526	5210	C&I	2021	DSM183967323963	C2321000	510020725	10/19/2020	1000010221	IDEAS AGENCY INC.	338,250	338,250	(\$338,250)
Batch 2	Sample 160	5100033335	5210	C&I	2021	DSM183882323823	C2321000	510020480	10/16/2020	1000006109	LIME ENERGY SERVICES COMPAR	352,898	352,898	(\$352,898)
Batch 2	Sample 161	5100015566	5310	C&I	2021	DSM183449323281	C2321000	510018984	10/21/2020	1000003181	NORTHERN ENERGY SERVICES IN	465,617	298,719	(\$298,719)
Batch 2	Sample 170	5100016363	5310	Res	2021	DSM183639323663	C2321000	510019939	10/12/2020	4000004490	ARCA RECYCLING INC	275,107	275,107	(\$275,107)

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Materials from CAP March, 2021 Accrual Review Session

Example 1 – Missing accruals where invoice was not received

Example:

Vendor X provided services for a project for an agreed fee of \$500K. The service period for the work was from 8/1/20 – 9/30/20 and was invoiced in full on 10/22/2020. **Should the invoice have been accrued at 9/30/20?**

Options:

- A. **Yes.** As the work was performed by the vendor prior to 9/30/20, an accrual for \$500K should have been recorded
- B. **No.** An accrual was not necessary as the invoice was received after 9/30/20

Answer: A. **Yes.** As the work was performed by the vendor prior to 9/30/20, an accrual for \$500K should have been recorded

Debrief: An accrual needs to be made during the month the services were provided. If an invoice is not received prior to end of the Close period, an estimate for the costs incurred should be accrued until the actual invoice is received. The date of the invoice, or the date the invoice was received, does not drive the timing of when an accrual should be recorded.

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Materials from CAP March, 2021 Accrual Review Session

Example 2 – Work Certification Not Completed

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Example:

Vendor X is a contractor on a construction project spanning several months, including the month of September. The terms of the contract require the work to be certified by the Project Manager before payment is made. The work performed in September was certified by the Project Manager on 10/15/20 and invoiced for \$2M on 10/20/20. As of 9/30/20, no issues have been identified with the work performed by the vendor. For purposes of this example, we have assumed the arrangement does not involve any retainers. **Should the invoice have been accrued at 9/30/20?**

Options:

A. Yes

B. No

Answer: A. Yes.

Debrief: Since the construction work was performed in the month of September, an accrual should be recorded to reflect the work performed. While there could be changes to the amount ultimately due as a result of the certification process, the timing of when an accrual should be recorded does not depend on completion of a certification process. If the work has been performed, and the Company expects to pay for the work, an estimate of the costs should be accrued, even though the amount to be invoiced had yet to be finalized by 9/30/20.

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Materials from CAP March, 2021 Accrual Review Session

Example 3 – Invoices with incorrect information

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Example:

Vendor X provides services on a project and invoices on a monthly basis. The invoice for work performed in September was issued on 9/30/20. Upon review by the Project Manager, certain line items had to be corrected and therefore a new invoice was submitted to the Company on 10/7/20. **Should the invoice have been accrued at 9/30/20?**

Options:

- A. Yes.** Accruals should be made in September, based on estimate of the work performed.
- B. No.** Since the corrected invoice is received in October, accruals should be made in October.

Answer: A. Yes. Accruals should be made in September, based on estimate of the work performed.

Debrief: As the work was performed in September, it must be accrued in September. Even if the invoice included incorrect information, it should have been accrued based on an estimate of work performed (i.e., the amount the Company ultimately expects to pay). The timing of when accruals are recorded is not dependent on receipt of a final invoice.

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Materials from CAP March, 2021 Accrual Review Session

Example 4 – Contracts with Milestone payments

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Example:

Vendor X provides construction services and invoices based on agreed milestones. The amount due upon hitting the first milestone is 10% of the total construction cost of \$1M. The first milestone is met on 9/30/20 and an invoice for \$100K is issued on 10/10/20. As of 9/30/20, the vendor has performed approximately 25% of the construction work. Should an accrual be recorded at 9/30/20?

Options:

- A. Yes. An accrual for \$100K should be recorded based on the agreed milestone payment.
- B. Yes. An accrual for \$250K should be recorded based on the work performed to date.
- C. No. An accrual was not necessary as the invoice was received after 9/30/20.

Answer: B. Yes. An accrual for \$250K should be recorded based on the work performed to date.

Debrief: Accruals should be booked each month based on work performed, rather than the schedule of milestone. On certain projects, the milestones may align with the schedule of work performed and could be used as a basis for booking accruals.

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Materials from CAP March, 2021 Accrual Review Session

Example 6 – Settlement with vendor

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Example:

Vendor X provided services during May - July 2020. In performing the work, the vendor stated they incurred overruns of \$2M, and sought payment from the Company under the terms of the contract. Through internal review performed during the month of September, the Company determined that payment of \$1.8M was due to the vendor. The Company and the vendor signed a settlement agreement for \$1.8M on 10/10/20. **Should an accrual have been recorded at 9/30/20?**

Options:

- A. Yes. An accrual for \$2M should have been recorded
- B. Yes. An accrual for \$1.8M should have been recorded
- C. No. While negotiations were ongoing at 9/30/20, the settlement agreement was not signed until after 9/30/20

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Materials from CAP March, 2021 Accrual Review Session

Answer: B. Yes. An accrual for \$1.8M should have been recorded

Debrief: While there is judgment involved, there are two key factors to consider-

- a. The work in question was performed prior to 9/30/20
- b. While the settlement had yet to be reached at 9/30/20, the Company had already determined that \$1.8M was due to the vendor; i.e., that a loss was "probable". As such, the Company should have recorded an accrual for \$1.8M as this represented management's best estimate at 9/30/20

Generally, when settlements are reached shortly after the balance sheet date, it would indicate the parties had already determined a loss was probable and that an estimate could be made

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Materials from CAP March, 2021 Accrual Review Session

Example 9 – Vendor submissions

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Example:

Vendor X performed construction work for the Company during the period 8/1/20 – 9/15/20. At 9/30/20, the vendor had yet to issue an invoice. The Company requested an estimate for the work performed from the vendor but did not hear back prior to the end of the September Close. Subsequently an invoice was issued to the Company for \$750K. **Should an accrual have been recorded at 9/30/20?**

Options:

- A. Yes
- B. No

Answer: A – Yes.

Debrief: As the work was performed prior to 9/30/20, an accrual should have been recorded. While the individual appropriately sought an estimate from the vendor, the absence of a response does not mean a zero accrual should be recorded. Other internal sources of information should be sought in order to make as accurate an estimate as possible.

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As a reminder, leaving the accrual as zero in these circumstances maximizes any error.

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A large blue rectangular area containing the National Grid logo in white text. The logo consists of the word "national" in a lowercase sans-serif font, followed by "grid" in a bold lowercase sans-serif font. The "i" in "grid" has a small diamond shape above it.

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Energy Efficiency Accrual Training

December 16, 2022

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Energy Efficiency Accrual Training

Agenda	
Welcome	Jackie Appel, Chris McCusker
Safety Moment	Froilan Santos
Calendar Year-End Messages	Chris McCusker and Customer Team
EE Accounting Key Points	Jackie Appel
- Accruals Significance	
- Accrual Accounting Key Concepts	
- Accrual Mechanics & Requirements	
- Your Responsibilities	
- Missed Accruals Common Themes	
- Best Practices for CY-End Accruals	
- Should This Be Accrued Examples	
Questions & Closing Remarks	Jackie Appel, Chris McCusker

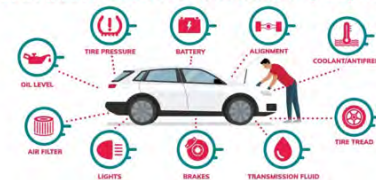
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Safety Moment: Winterizing Your Vehicle

How to Prepare:

- Check coolant levels
 - add additional coolant only when engine is cold
- Replace wiper fluid with winter mixture
- Keep a full gas tank
- Check tires (30-35psi & penny trick)
- Check battery (12.40-12.75 volts)
 - Batteries with a high CCA (cold cranking amps) count are best for cold climates
- Make sure maintenance is up to date

CAR MAINTENANCE CHECKLIST way.com



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Safety Moment: Winterizing Your Vehicle

What To Bring:

- Charged portable charger
- Warm clothes/blankets
- Windshield scraper
- Water & non-perishable snacks
- First aid kit
- Jumper cables/battery
- Hazards/reflectors
- Flashlight
- Sand/cat litter & salt
- Tow chains/rope
- Tire chains



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Key Messages For Year End

- There will be a lot of internal attention paid to this area and our controls and procedures around year-end.
- **No intentional shifting of work or invoices between periods.**
- Push for invoices and other documentation from vendors - the more we have in hand, the better.
- Overarching guidelines:
 - Recognizable spend/savings – project capable of producing energy savings in line with design and/or state requirements.
 - Post-completion milestones – routine vs. not routine considerations.
 - For example, a post inspection is not required to recognize spend/savings, but we should have other evidence – picture of completed project or payment to contractor.
 - Retail programs – same definition as above - need to be measured, but practical.
 - Retail rebates - based on application/form submission and vendor approval.
- There will be incremental review and testing performed after year-end for completeness and accuracy.
 - This is not an indictment that we think items will be reflected/not reflected incorrectly - the aim is to provide added comfort over #s and outcomes.
- If you're not sure over the next couple weeks, ask – we will get the right folks engaged to provide answers quickly.

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Significance of Accruals and Especially EE Accruals

- Traditionally have impacted the accuracy of Regulatory EE filings.
- Impact the accuracy of Financial Statements.
- Key inputs for management decisions.
- EE Visibility
 - High monthly accrual \$: Monthly average \$104M over last 6 months.
 - Manually intensive process increases risk of misstatements.
 - Regulatory and Internal Audit scrutiny.

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Significance of December 2022

Regulatory, Financial, Management Reporting	
<ul style="list-style-type: none"> • Regulatory <ul style="list-style-type: none"> - Expect increased regulatory scrutiny. - Accuracy and completeness is essential. Subjective inclusion of expenses and savings is not allowable. 	
<ul style="list-style-type: none"> • Financial <ul style="list-style-type: none"> - End of National Grid Q3 FY23. 	
Income Statement <ul style="list-style-type: none"> GAAP – Shareholder Incentive Revenue <ul style="list-style-type: none"> 2022 Program Year Shareholder Incentive Potential MA - \$23M, RI - \$6M IFRS – Expenses 	
Balance Sheet <ul style="list-style-type: none"> GAAP – Regulatory Assets & Liabilities, Current Liabilities IFRS – Current Liabilities 	
<ul style="list-style-type: none"> • Management Reporting <ul style="list-style-type: none"> Key inputs for decision-making. 	

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Refresh: The Basics of Accrual Accounting

- An accrual for expenses means recording a charge to the books of records (SAP) for work that has been completed (per the accounting definition of completed) but not yet recorded as an expense/liability.
- The trigger for expenses to be accrued is the period that work was completed/that expenses were incurred, **NOT WHEN INVOICED OR NOT WHEN PAID.**
The receipt of an invoice and/or the timing of payment don't impact whether an item needs to be accrued.
- Expenses & liabilities for EE work completed that have not been recorded in SAP to an expense and liability GL account should be accrued for every month UNTIL recorded in SAP.
Note: Invoices receipted to a PO will be auto-accrued by SAP.
- Contact EE Accounting if you have an invoice for services that span multiple periods, i.e., invoices for SaaS, software licenses, many marketing services such as for promotional placements.

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Refresh: How the EE Monthly Accrual is Calculated

- Multiple Inputs
 - Monthly Accrual Report for InDemand line items in an accruable status.
 - Payment Pulled report.
 - Manual Accrual Templates.
- Manual Accrual Templates
 - Require your Supervisor's sign-off for the last month in every quarter.
 - Manager sign-off is typically due 1-2 days after the Manual Accrual Submission due-date.
- EE Accounting
 - Receives the inputs from multiple sources and conducts 1st review for reasonableness.
 - Consolidates inputs, removes "exceptions", calculates totals, and conducts 2nd review for reasonableness.
- More on Exceptions
 - Might be accrued but with different accounting strings or subject to multi-period expense recognition such as RI RGGI-tracked projects, EV, SaaS and software license fees.
 - Category for "not accrued due to aging of the Monthly Accrual Report line items".
 - Exception line items are shown in the Consolidated Accrual file on an Exception tab.

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Manual Accruals – Your Responsibilities

- Adhere to the Manual Accrual Due Dates and the Supervisor/Manager Approval requirements.
- Reach out to vendors and remind them to submit manual accruals if required. Convey accrual due date and guidelines for what needs to be accrued. Monitor compliance.
- Review and, when necessary, challenge vendor's manual accruals.
Use other sources to prepare and submit your own estimates when necessary.
- Ensure that Manual Accrual Template fields are populated accurately and completely, including "Reason For Accrual" and "Source" for Accrual.
 - If accrual estimate, describe methodology used.
 - Attach supporting evidence for the Accrual Source.
- All manual accruals and supporting documents should be sent to the EEAccounting mailbox. Internal audit compliance requirement.
 - Send cc to Froilan Santos.

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Current Manual Accrual Template

Program Manager/ Submitter	EE Program	Type of Work	Fuel Type (Gas or Electric)	Segment (C&I or Res)	STATE ID	DIST CD	Vendor Name	Accrual Amount	Invoice/ Reference Number if applicable	Date	Reason for Accrual i.e., uninvoiced work completed, not uploaded to InDemand, etc.	Source (vendor email, invoice, estimate of uninvoiced work completed, etc). If estimate, describe methodology used

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Missed Accruals – Common Themes

- Vendor Invoicing Cycles and Misconceptions vis a vis accruals.
 - Work completed for the month after the last bill run was not uploaded or manually accrued.
- Late uploads/updates to InDemand.
 - Workpackages, applications, invoices, etc. for completed work are uploaded to InDemand after month-end or the status is moved to an accruable status after month-end but no manual accrual submitted for the month in which the work was completed.
- Manually accrued expenses from prior months remain accruable in a following month but were not manually re-accrued.
- Misconceptions of responsibilities
 - Vendor didn't submit a manual accrual so no manual accrual submitted to EE Accounting.
 - Vendor's accrual estimate seems questionable or methodology used is not conveyed but accrual is not questioned.

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Additional Tips – Preparing For 2022 Calendar Year-End

- Familiarize yourself with InDemand accruable statuses and guidance on requirements for expense and savings to be included in the 2022 Regulatory filing.
- Review Payment Pulled Report that will be sent by EE Accounting on 12/19 and resolve issues.
- Review your November manual accrual submissions or the November Consolidated Accrual File to determine December manual re-accruals required.

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Should This Be Manually Accrued ? – Some Examples

- Example 1

For an LCI Electric project, the ECM Installation Complete date, per the Task List, was 12/22/22 and this date was populated prior to 12/31/22. The invoice hadn't been received at 12/31/22. Is a manual accrual required for the period ending 12/31/22?

Answer: No. If the ECM Installation Complete date is populated with a CY2022 date prior to 12/31/22, the expense will be picked up by the InDemand Monthly Accrual Report and included in the December Consolidated Accrual File and the accrual recorded for December.

- Example 2

In January 2023 Vendor X uploaded applications with completion dates ranging from October 2022- January 2023. Was a manual accrual required for the period ending 12/31/22?

Answer: Yes. The work for some of the applications was completed as of 12/31/22 but since the applications hadn't been uploaded to InDemand until January 2023 none of the completed applications were picked up on the December Monthly Accrual Report. Therefore, a manual accrual was required for the work that had been completed at 12/31/22.

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Should This Be Manually Accrued ? – Some Examples

- Example 3

Construction was completed on an LCI Gas Custom project valued at \$200K in 12/2022. However, the Post Inspection had not been completed at 12/31/22. Is a manual accrual required for the period ending 12/31/22?

Answer: It Depends.

If the Completion Date field was manually populated no later than 12/31/22 with the completion date, a manual accrual would not be required. The Construction Completed status would be picked up by the December Monthly Accrual Report and included in the December Consolidated Accrual File and the accrual recorded for December. The Post Inspection is not required for accrual purposes.

If the Completion Date field was not manually populated by 12/31/22, a manual accrual would be required for December.

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Should This Be Manually Accrued ? – Some Examples

- Example 4

A Workpackage was ready to invoice at 12/31/22 but was not uploaded to InDemand until 1/15/22. Is a manual accrual required for the period ending 12/31/22?

Answer: Yes. Since the Workpackage had not been uploaded to InDemand by 12/31/22, a manual accrual would be required for December.

- Example 5

Vendor X uploaded an invoice for a miscellaneous expense on 12/15/22 for work completed earlier in December. Upon review of the invoice by the National Grid Program Manager, it was determined that the amount shown on the invoice was incorrect. The vendor was requested to send a revised invoice but it had not been received. Is a manual accrual required for the period ending 12/31/22?

Answer: Discussion topic. Technically the estimated correct amount is the amount that should be accrued. However, there are some complicating factors to consider.

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Q&A

