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PUC Financing Session

May 18th, 2017



3 Year Plan Financing Vision

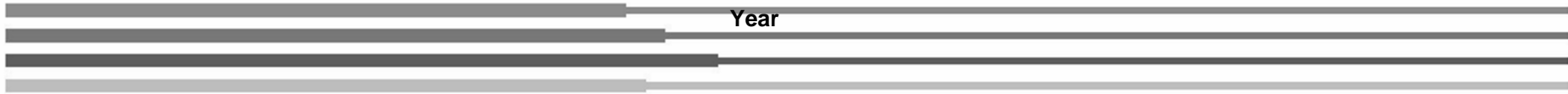
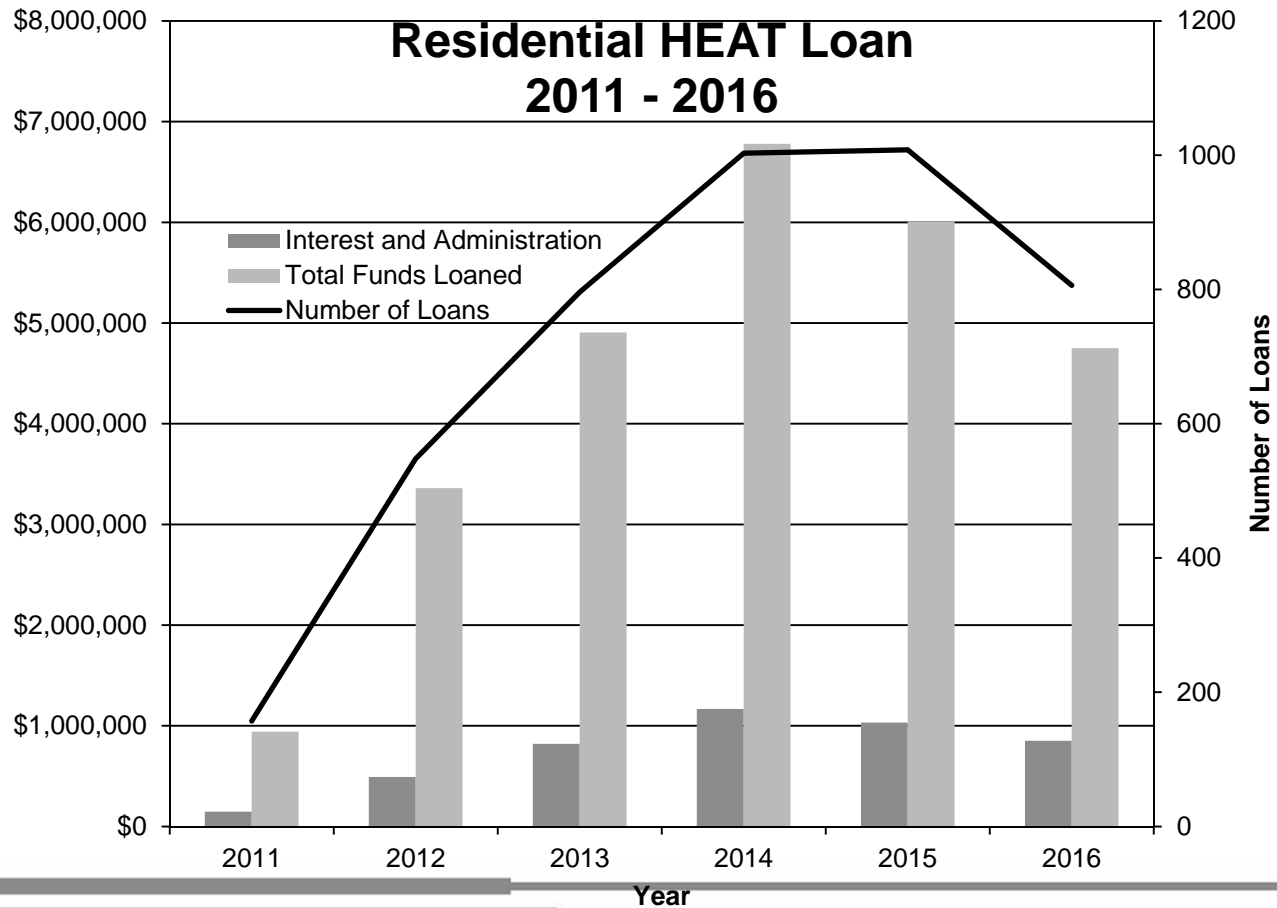
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National Grid will offer a suite of financing options which will:

- **Decrease barriers for our customers who have not yet participated**
- **Assist current participants in completing deeper energy efficiency projects**
- **Guide customers to the right finance tools that meet their needs**
- **Enable National Grid to meet the Council's aspirational energy savings goals**

Residential HEAT Loan Summary



HEAT Loan evaluation findings

Table 6-4: Income by Participant Group

| HOUSEHOLD INCOME | AUDIT ONLY (N=108) | WEATHERIZATION (N=68) | LOAN (N=82) |
|-----------------------------|-----------------------|--------------------------|----------------|
| Under \$50,000 | 20% | 15% | 18% |
| \$50,000 to under \$100,000 | 52% | 54% | 50% |
| \$100,000 or more | 28% | 31% | 32% |

- Heat Loan is predominantly used by customers with a household income under \$100,000
- 74% of customers do not use Heat Loan because they did not need a loan or did not want to take on more debt or commit to monthly payments
- If heat loan were not available, 65% of customers would have done a smaller project, delayed the project more than six months, or not done a project at all.

Heat Loan Three – Year Planning

Heat Loan is an essential component to moving customers to take action

Increase Capital Good Fund funding

- **Provide capital so capital good fund can serve more customers.**
- **Acquiring capital is the largest barrier for not serving more customers**

Reduce administration costs

- **Tier loans so smaller amounts have shorter time period and smaller interest buy down**

Study OBR and opportunities to include residential loans

Continue to work with partners to offer a suite of financing services in RI

Historical Performance C&I

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| | 2014 (Toray) | 2015 | 2016 | 2017 |
|-------------------------|---------------------|----------------------|----------------------|---------------------------------|
| Financing paid | \$ 4,121,076 | \$ 4,930,123 | \$ 4,530,172 | \$ 9,545,806[*] |
| Year End Balance | \$ 5,754,327 | \$ 10,360,900 | \$ 12,661,388 | \$ 1,454,194 |

Where are we growing and changing?

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Listening and research

- **Customers**
 - How do they like to work with us? What are their barriers? (Financial and otherwise)
- **Stakeholders and other partners**
- **Sales Leads**
 - Ilene Mason
 - What is the function of financing?
 - Key findings about OBR financing
 - Unique aspects of OBR

Building on Success

- What have we seen to date?

Where are we growing and changing? Continued...

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We are growing, learning, and doing all at the same time!

Infrastructure Bank

- **General**
- **Efficient Buildings Fund**
- **C-PACE**

Dunksy

- **Recommendations and comments**
- **Actions taken**

Challenges

- **Many partners, many points of view**
- **Aligning priorities (Customer needs, Council's goals)**

Meeting Future Goals

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The Company believes that future injections into the loan fund are critical to meeting its future goals. Past spending is not indicative of customer demand. In addition, increased certainty around fund injections will allow us to explore more sophisticated and strategic ways to deploy OBR funds.

| | Large C&I Electric Revolving Loan Fund Q1 | |
|-----|---|--------------------|
| (1) | 2017 Funds Available | \$13,661,388 |
| (2) | 2017 Loan budget | \$11,000,000 |
| (3) | Committed | \$8,068,443 |
| (4) | Paid | \$1,477,363 |
| (5) | Number of loans | 48 |
| (6) | Participants | 22 |
| (7) | Savings (MWh) | 3,132 |
| (8) | Available | \$1,454,194 |

We are still researching and developing OBR projections needed to make three year targets. This is in addition to other products in the market.

3 Year Planning Activities

National Grid will:

- **Continue to work with our partners and exchange ideas**
- **Continue to study OBR and fine tune the offering**
- **Continue to quantify what the optimal amount is among all financing vehicles in order to meet the Council's aspirational and national-leading targets**
- **Provide detailed quantitative analysis to the Collaborative and EERMC that detail the optimal cash-flow for OBR over the next three years.**

Example 1 – Manufacturer

Using lighting as a pivot point



- Had worked with us previously but, minimal participation 2008-2015
- No interest in projects resulting in less than a certain kWh savings
- Interested in a large lighting retrofit, but couldn't make the numbers work
- National Grid closed the gap with financing
 - A 1,300 net MWh project resulted from this collaboration
- Since that transaction the customer has or will be completing projects related to their cooling towers, their compressed air system, pumps, and exterior lighting. This was done with “capital saved on the lighting project from financing.”

Example 2 – Sm/Med Manufacturer Customer re-engagement

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- Despite repeated efforts the customer had only done 2 projects over the past 10 years (approx. 300,000 kWh savings)
- Customer had a large amount of fluorescent on 24/7
- Despite knowing that this could be large energy user the customer was unmoved by previous offers
 - OBR was introduced into the equation and the customer went forward with a lighting and controls project that resulted in 600,000 net kWh in savings
- The sales lead say that there is now potential for further measures including more than 10,000 therms of gas savings

Example 3 – Municipality Town Politics

- **Town in Washington county**
- **Applied to EBF, Town Manager vetoed**
- **Sales lead believes that the nine projects proposed would have move forward if sufficient OBR was available. It was not at the time.**
- **These nine projects were approximately 80% lighting and 20% non- lighting.**