Andrew Marcaccio
Senior Counsel

March 19, 2021

VIA ELECTRONIC MAIL

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

RE: Docket 5076 – 2021-2023 Energy Efficiency Program Plan & 2021 Energy Efficiency Plan
Comments on the PUC's Proposed Incentive Mechanism ("PIM")

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company"), enclosed[1], please find the Company's comments on the PUC's proposed incentive mechanism ("PIM").

Thank you for your attention to this filing. If you have any questions or concerns, please do not hesitate to contact me at 401-784-4263.

Sincerely,

Andrew S. Marcaccio

cc: Docket 5076 Service List
John Bell, Division
Jon Hagopian, Esq.

[1] Per Commission counsel's update on October 2, 2020, concerning the COVID-19 emergency period, the Company is submitting an electronic version of this filing followed by five hard copies filed with the Clerk within 24 hours of the electronic filing.

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STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

The Narragansett Electric Company d/b/a National Grid 2021-2023 Energy Efficiency Program Plan (Three-Year Plan) & 2021 Annual Energy Efficiency Program Plan (Annual Plan)	)))))	Docket. No. 5076

THE NARRAGANSETT ELECTRIC COMPANY D/B/A NATIONAL GRID COMMENTS ON COMMISSION'S PROPOSED INCENTIVE MECHANISM ("PIM")

Overall Comments

National Grid appreciates the opportunity to comment on the Commission's PIM proposal. In particular, the Company appreciates the presentations by staff on the structure of the PIM, and the several opportunities to ask questions on the PIM through Technical Sessions and workshops. The Company's comments are structured around the set of seven topics that the PUC noted in the Notice to Solicit Comments in addition to a set of overarching comments. While the Company's comments here are focused on the specific set of topics detailed in the notice to comment, and opportunities for comment and discussion during 2021 have been appreciated in that they have further refined and clarified elements of the Commission PIM proposal, we wish to reiterate our fundamental concerns with several of the dramatic changes in the structure of the Commission PIM proposal relative to the PIM proposed in the Settlement filing in Docket 5076. The Settlement PIM was the result of significant, comprehensive negotiations among settling parties and reflected the goals and benefits the 2021 Annual and 2021 – 2023 Three-Year Plans are designed to achieve. The new Commission PIM proposal changes the focus of the programs from the set of benefits by which the programs are measured in the RI Test to a subset of benefits that, while a component of the Settlement PIM, were not the sole focus by which the programs were designed and measured, and do not reflect the multi-party stakeholder views ultimately resulting in the settlement filing. The change in benefits included in the PIM removes the direct connection between the categories of benefits that the programs are designed to generate (a direct reflection of stakeholder priorities), and the Company's earning opportunity.

General Comments

The Company provides Tables 3 and 4 attached to these comments to indicate the categories of benefits that are included in the Commission PIM, those that should be omitted, and the allocation percentages for the electric and natural gas portfolios, respectively. These table also indicate whether benefits are categorized as Utility System Benefits or Resource Benefits. These tables are derived from the Benefit-Cost Analysis completed for the 2021 Annual Plan and reflect changes made for the Compliance Filing submitted to the Commission on December 23, 2020. Table 4 is also intended to expand upon the level of detail included in Table G-6 of the Compliance Filing with respect to the set of benefits applicable to the gas portfolio PIM.
Tables 5 and 6 indicate the categories of costs to be included and omitted from the PIM calculations, based on tables E-2, E-3, G-2, and G-3, reflecting changes made to the 2021 Annual

Plan in the December 23, 2020 Compliance filing. The set of costs to be included in the PIM calculations are the sum of the category "Eligible Spending Budget" and regulatory costs for OER and EERMC from the same source tables E-2, E-3, G-2, G-3. Based on the Commission PIM document, these appear to be the two categories of costs included in the PIM.

The Company offers these tables with the goal of providing incremental clarity to all parties involved in the docket, and in doing so seeks confirmation from the Commission that the benefits and costs as shown are the consistent with the PUC's intended PIM design. Tables 7, 8, 9, and 10 attached to these comments reflect the structure of the Commission's PIM proposal as included in the notice, with updated values based on the contents of Tables 3, 4, 5, and 6. Tables 7, 8, 9, and 10 further note which components of the Commission's proposed PIM the Company anticipates would be expected to change annually in response to the Commission's question 5.

PUC Questions

1. Anything that remains unclear about the Commission PIM Proposal.

Referencing the Commission's presentation[1] on the PIM that was released along with the notice for comment, the Company provides several clarifications here that were raised at the Technical Session and Workshop with Commission staff to reiterate minor changes in language and notation in the PIM. These comments are offered to the Commission for clarity and confirmation.

- Referencing Slide 4, Rule 2. The Company notes that rule 2 on this slide should reference column (e) in the first tables on Slides 2 and 3 rather than column (h). Column e references the net benefits level at which the design incentive pool is achieved rather than the achievement adjustment factors.
- Referencing Slide 4, Rule 3. Rule 3 states the following (***Emphasis added)***.

> "RULE 3: When sector-level spending exceeds Planned Eligible Costs and net benefits achieved in the sector ***are less than*** the sector Design Performance Achievement and the overspending exceeds the overachievement:
> - The outcome is below the theoretical planned performance line y=x in "Quadrant I"
> - National Grid is not eligible for an incentive on incremental net benefits that exceed 100% of Design Performance Achievement."

Reiterating comments made at the staff workshop, the Company believes that this rule should be rewritten, replacing the emphasized section to state "***are greater than"***. This would be consistent with a condition in which the performance is in Quadrant 1, a performance space defined by net benefits exceeding design level while costs also exceed planned costs.

[1] http://www.ripuc.ri.gov/eventsactions/docket/5076-PUC%20PIM%20Proposal%202-18-21.pdf;

2. **The allocation of regulatory costs.**

The Company reiterates that it does not believe the regulatory costs designated for the EERMC and OER should be included in the calculation of the PIM. Given that these costs are budgeted for the activities of organizations (OER and the EERMC) who exercise oversight over the Company's energy efficiency program activities, the Company has limited ability to limit budget requests for activities supporting those efforts. Such decisions, particularly related to limiting or reducing budget requests, are better left to the Commission. Moreover, once budgeted, the Company has effectively no control or influence over these expenditures. Presumably, the purpose of the budget control mechanisms embedded into the Commission's PIM design is to encourage the Company to exercise restraint and demonstrate sound cost management in the administration of approved programs. The inclusion of regulatory costs, given the Company's limited ability to influence either the budgeting of these costs or their actual occurrence once budgeted, does not appear to align with this broader goal.

However, should the Commission determine that those costs should be included in the final PIM the Company suggests equal allocation of the costs among sectors, as the Commission proposed in the PIM document.

The Company allocates these funds to OER and the EERMC in accordance with enabling statutes and does not plan cost allocations at the sector level. The Company does not therefore have specific insight into how either OER or the EERMC would themselves allocate their incurred costs or use of the designated funds among the three sectors. Furthermore, the Company does not have the ability to directly manage, track, or report these expenditures at the sector level throughout the year in the same fashion that it manages its internal program implementation and administration budgets. Given the emphasis on cost controls present in the Commission's PIM and the potential for significant reductions in earned incentive in specific circumstances of budget exceedance, the Company believes that in the event that the Commission decides that regulatory costs should be included in these calculations, the most reasonable approach to inclusion of these costs is that they be allocated equally to sectors during the budgeting and planning process. For consistency, this approach should also be applied at year-end, when actual implementation expenses are calculated and reported.

3. **Whether the graduations included in the Commission PIM Proposal adequately address the concerns about abrupt changes in the prior proposal.**

The graduated thresholds included in the Commission PIM Proposal through both the "Payout Rate Adjustments" in the earning opportunity, and the "Service Achievement Adjustment Factors" in the Service Quality Adjustment component both represent an improvement from binary threshold levels in earlier iterations of the Commission PIM Proposal.

The Company continues to have concerns about "Performance Space Boundary Rule 4". This rule takes effect when spending exceeds 105% of planned budget and achieved net benefits are less than 95% of planned net benefits.

As currently structured, this rule could have the unintended consequence of producing a significant disincentive for the Company to pursue highly cost-effective projects that are clearly in the best interests of customers, even when viewed through the narrow lens of the Commission's proposed application of a prioritized set of customer benefits.
Below, in Table 1, the Company provides a specific hypothetical case where Boundary Rule 4 could have this impact. In this circumstance, the Company could be presented with an opportunity within the electric C&I sector to pursue a highly cost-effective project, leading to even PIM-eligible benefits significantly higher than the cost of implementing the project. Pursuing this project, and incurring the costs associated with it, would result in triggering Boundary Rule 4 and cause a significant reduction in earned PIM despite the significant, incremental net customer benefits generated as a result of pursuing the project.

Table 1: Illustrative Boundary Rule 4 Scenario (Current PUC Proposal)

Sector	Condition	Achieved Total Benefits ($000)	% Total Benefits Goal	Achieved Expenditures ($000)	% of Budget Spent	% Net Benefits	Achieved PIM Earning ($000)	% of Design PIM Earned
C&I Electric	Pre-Project	$127,831	89%	$56,284	104%	80%	$4,396	80%
C&I Electric	Post-Project (Boundary Rule 4 Triggered)	$135,012	94%	$57,367	106%	87%	$3,626	66%

The Company struggles to understand how significantly disincentivizing this outcome aligns with either customer interests or the Company's mandate under Least Cost Procurement law.

As an alternative to the Commission PIM Proposal Boundary Rule 4, the Company proposes a modification. This modification is intended to reduce the sharp break impact to total earning opportunity introduced by the current Boundary Rule 4 (and the resulting potential disincentive to pursue highly cost-effective projects), while still reducing Company earning opportunities when net benefits are achieved through greater than planned spending levels.

The proposed modification to Boundary Rule 4 would read as follows ***(Emphasis Added for New Portion)***:

- "When sector-level spending exceeds the Planned Eligible Costs by more than 5% and net benefits achieved in the sector are below 95% sector Design Performance Achievement
    - o The outcome is below the theoretical planned performance line y=x in "Quadrant IV"
    - o For every 1% that the spending exceeds the Planned Eligible Costs the sector Design Performance Payout, will decrease by an amount equal to the Design Performance Payout divided by 25 ***AND multiplied by the difference of the ratios of spending to planned costs and net benefits to planned net benefits.***

Expressed as a formula, the modified Boundary Rule 4 would be calculated as follows:

$$PI = Actual\ Net\ Benefits \times Design\ Payout\ Rate \times Payout\ Rate\ Adjustment \times \left\{ \begin{array}{c} 1 - 4\ x\ rowndown\ to\ nearest\ 0.01 \left[\left[\dfrac{(Spending - Planned\ Costs)}{Planned\ Costs} \right] \right] \\ x \left[\left(\dfrac{Spending}{Planned\ Costs} \right) - \left(\dfrac{Net\ Benefits}{Planned\ Net\ Benefits} \right) \right] \end{array} \right\}$$

Applying these calculations to the example situation shown earlier in this section demonstrates that the modified Boundary Rule 4 continues to promote cost efficiency on the part of the Company by significantly reducing the marginal earning opportunity when prescribed spending thresholds have been exceeded. Significantly, though, the Company's proposed modifications to Boundary Rule 4 removes the potential disincentive to pursuing highly cost-effective projects that exists in the current Commission proposal.

Table 2: Illustrative Boundary Rule 4 Scenario (Company Proposed Modification)

Sector	Condition	Achieved Total Benefits ($000)	% Total Benefits Goal	Achieved Expenditures ($000)	% of Budget Spent	% Net Benefits	Achieved PIM Earning ($000)	% of Design PIM Earned
C&I Electric	Pre-Project	$127,831	89%	$56,284	104%	80%	$4,396	80%
C&I Electric	Post-Project (Boundary Rule 4)	$135,012	94%	$57,367	106%	87%	$3,626	66%
C&I Electric	Post-Project (Modified Boundary Rule 4)	$135,012	94%	$57,367	106%	87%	$4,550	83%

The modified calculation, expressed arithmetically, resulting in the achieved earning in the last row of Table 2 is:

$$PI = \$77{,}645{,}234 \times 6.144551\% \times 1 \times \left\{ \begin{array}{c} 1 - 4\ x\ rowndown\ to\ nearest\ 0.01 \left[\left[\dfrac{(\$57{,}366{,}777 - \$54{,}119{,}601)}{\$54{,}119{,}601} \right] \right] \\ x \left[\left(\dfrac{\$57{,}366{,}777}{\$54{,}119{,}601} \right) - \left(\dfrac{\$77{,}645{,}234}{\$89{,}510{,}198} \right) \right] \end{array} \right\}$$

This adjustment also has parallels to an adjustment included in the 2020 Annual Energy Efficiency Plan PIM which would adjust the PIM by the delta between the ratios of spend to planned budget and savings to planned savings. [2]

4. Whether certain gas resource benefits should be categorized as system benefits.

Within the Gas PIM benefits calculations, the Company believes that in addition to the currently identified gas benefits, the gas demand reduction induced price effect (DRIPE) benefits should also be considered as a gas system benefit. This is consistent with the approach taken in response to PUC data request 7-2 in Docket 5076, where gas and gas DRIPE are categorized as benefits accruing to the gas utility system. This approach is also consistent with how DRIPE benefits are categorized in the original Docket 4600 framework, which applied to the electric system, and that categorized DRIPE benefits as within the Power System level. Extrapolating the Docket 4600 framework to the gas portfolio would therefore properly categorize gas DRIPE benefits as within the gas power system level. Please refer to Table 4 attached to these comments for the allocation of gas benefits in the calculation of the gas EE PIM.

5. Whether the PUC should adopt the Commission PIM Proposal for one or three years. If adopted for three years, what, if any, parts of the Commission PIM Proposal would change each year, and what would National Grid need to establish prior to the PUC adopting the Commission PIM Proposal for three years.

While Section 3.3 A.iv. of the Least Cost Procurement Standards indicates that the Structure of a PIM should only be approved in a Three-Year Plan, in recognition of the dramatic changes to the PIM structure as proposed by the Commission, the potential for resulting unintended consequences, and the ongoing robust stakeholder discussion around these proposed changes, the Company recommends that the Commission approve the structure and values of the PIM for only the 2021 program year. This would allow all stakeholders, including the Company and the Commission, to re-evaluate the approved structure with the benefit of actual implementation experience operating under this new framework, and potentially consider modifications without having to wait for the ensuing three-year planning cycle.

In addition to providing all parties with the benefit of applying incremental learnings and information to the design of near-term future PIM designs, this approach will also ensure that all of the known updates to planning assumptions and inputs that will influence the remaining Annual Plans in the current Three-Year planning cycle can be reflected in these PIM designs. Specific examples of these anticipated changes are enumerated below:

<u>Sector-level savings and benefits</u>. The Company engages with stakeholders in an iterative process to develop the specific savings goals for each program and sector in the annual planning process. Given the structure of the Commission PIM, where some sectors are not

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[2] RI PUC Docket 4979, 2020 Annual Energy Efficiency Plan, Bates Page 167 – 168 http://www.ripuc.ri.gov/eventsactions/docket/4979-NGrid-EEPP2020%20(10-15-19).pdf;

projected to achieve net benefits in 2021, the Company would need to seek areas of opportunity in future years to design programs that respond to the incentive structure and generate savings that contribute to achieving positive net benefits. This is unlikely to be possible in the income eligible residential sector, as these programs have higher incentives, and therefore higher overall programmatic costs relative to the prioritized benefit streams identified by the Commission, than those in the market rate residential portfolios. The Commission PIM proposal does not provide a realistic pathway to earning an incentive in this sector in 2021 or in future years, given the nature of the programs in this sector and the set of benefits that are the focus of the Commission PIM proposal. In the future, the Company and potential settling parties may seek ways that a PIM could provide a pathway to earning for all sectors. That would be challenging if not impossible if the proposed Commission PIM structure were fixed for all three years of the current Three-Year planning cycle.

<u>Evaluation, Measurement & Verification Changes</u>. The Company's claimable, program-attributable savings are also impacted on an annual basis by EM&V studies completed during each year and incorporated into go-forward planning assumptions. As each annual plan consciously reflects the latest information and research, claimable savings and resulting target benefits will therefore change on an annual basis as updated research becomes available.

<u>Benefits Calculations</u>. At the time of these comments, the New England regional avoided cost study ("AESC 2021") is concluding. As with past iterations of this study, the results will be applied in the Company's benefit-cost analysis for the 2022 Annual Plan as the basis for monetizing savings to benefits for most benefits streams. These revised benefits calculations will also apply to the PIM. Therefore, the Company believes it important that the PUC maintain flexibility by not holding the benefits values in the PIM constant year-over-year in this current proposal, or in consideration of any future PIM.

<u>Design-level Earning Opportunity, Earning Rates, and Service Quality Adjustments</u>. The Company would seek to revisit the design-level earning opportunity from the portfolio as a whole, and from each sector, in each annual filing to reflect the composition of the portfolio of efficiency programs. The specific design-level earning opportunity and Service Quality Adjustments would be proposed on an annual basis for each sector and would reflect the program savings, budgets, composition of savings and benefits for that year's planning. The earning rates in the PIM would consequently be a function of the planned benefits, budgets, and design-level earning opportunity in each sector.

<u>Renter Metric</u>. In the PIM proposed as part of the 2021-2023 Three-Year Plan Settlement the Company committed to tracking data during the 2021 program year in order to propose an additional component of the performance incentive mechanism in a future annual plan that would incent the Company's delivery of service specific to the renter population. The current PIM as proposed by the Commission does not allow for the incorporation of any such mechanism.

6. **What, if any, impact would the Commission PIM Proposal have on National Grid's ability to deliver programs to renters.**

   To the extent that the benefits resulting from such efforts could be achieved at the same or lower cost per unit than assumed in the approved plan, the Commission's PIM Proposal would have no impact on the Company's ability to deliver programs to renters. Beginning in the 2021 Program year the Company is initiating several studies that are designed to gather information about the multifamily and renter market segment, including a multi-family census, residential participant study, and residential non-participant study. These studies will provide needed information on this segment of customers and multi-family buildings, and the Company plans to utilize the results of these studies in continuing to seek pathways to increase service and benefits to renters through existing programs. As noted in the comments above in response to the Commission's Question #5, the Commission PIM proposal could in its current form preclude the addition of a specific renter metric. This is not aligned with commitments made by the settling parties in the Docket 5076 settlement proposal to propose such a metric in a future annual plan (starting in 2022) following from sufficient baseline data collection.

7. **To what extent should the rules pertaining to the ability of the Company to transfer funds between programs be modified? Is the requirement that the Commission approve certain transfers necessary in light of the Commission PIM Proposal?**

   Referencing the sections of the Annual Energy Efficiency Plan for 2021 Settlement filing in Docket 5076,[3] Bates pages 257 – 258, relating to Transferring Funds (Section 11.4) and Budget Management (11.5) the budget and transfer rules as included in the Settlement filing provide insight into program management and performance to stakeholders that contribute to the successful implementation of the energy efficiency programs. As such, the Company suggests that the notification and approval rules as contained in the Settlement filing be maintained for 2021 with some additional clarification surrounding the intent of requiring approvals for transfers, primarily that transfers should be understood to be strategic decisions to move funds from one program or sector to another to achieve a programmatic outcome. Such transfer rules should not apply to the unintentional over or underspend that may occur at the end of the program year due to the realities of program management and customer decision-making.

[3] http://www.ripuc.ri.gov/eventsactions/docket/5076-NGrid-2021EEPlan(10-15-2020).pdf;

Table 3: Summary of 2021 Electric Energy Efficiency Benefits for PUC PIM

Sector	Benefits ($)																
	Capacity					Energy					Non Electric				Societal		
						Winter		Summer									
	Summer Generation	Capacity DRIPE	Trans	Dist	Reliability	Peak	Off Peak	Peak	Off Peak	Energy DRIPE	Natural Gas	Oil	Other Resource	Non Resource	Carbon	NOx	Economic
Non-Income Eligible Residential	$1,826,244	$2,217,642	$2,619,966	$2,275,207	$26,454	$4,367,168	$4,302,109	$1,769,110	$1,332,165	$6,254,495	$364,454	$10,571,133	$1,658,245	$4,351,823	$7,730,690	$599,978	$40,664,015
Income Eligible Residential	$503,847	$66,663	$645,339	$560,419	$2,435	$862,612	$862,933	$438,262	$401,796	$1,023,869	$99,122	$5,786,231	$406,856	$11,457,176	$2,426,047	$240,593	$15,270,921
Commercial & Industrial	$14,776,107	$43,582	$19,443,469	$16,884,916	$71,494	$22,432,812	$16,443,401	$16,171,406	$9,901,681	$31,356,199	-$7,993,292	$0	$202,754	$31,163,254	$25,671,006	$858,960	$223,471,641
Included in PUC PIM? (Y/N)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No
Percent Application in PUC PIM	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	50%	50%	50%	0%	0%	0%	0%
Benefit Categorization	Electric Utility System Benefits										Resource Benefits			N/A			

Notes and Sources: 2021 Electric benefit-cost model. Note that benefits are shown with their full value in this table, that is, no percent application has been applied.

Table 4: Summary of 2021 Natural Gas Energy Efficiency Benefits for PUC PIM

Sector	Benefits ($)																	
	Natural Gas Benefits		Electric Capacity					Electric Energy					Non-Electric and Non-Gas			Societal		
								Winter		Summer								
	Natural Gas	Natural Gas DRIPE	Summer Generation	Capacity DRIPE	Trans	Dist	Reliability	Peak	Off Peak	Peak	Off Peak	Energy DRIPE	Oil	Other Resource	Non Resource	Carbon	NOx	Economic
Non-Income Eligible Residential	$14,112,497	$275,958	$126,671	$942	$142,390	$123,653	$7,036	$35,111	$35,212	$73,045	$56,564	$54,716	$0	$236,970	$7,368,132	$6,022,122	$823,782	$14,305,074
Income Eligible Residential	$4,988,980	$80,930	$38,689	$0	$43,151	$37,472	$2,038	$26,051	$27,374	$22,538	$17,800	$28,000	$0	$51,179	$12,027,109	$2,111,665	$287,697	$10,557,445
Commercial & Industrial	$17,649,927	$621,554	$8,500	$18	$9,695	$8,419	$485	$1,544	$1,245	$5,017	$3,804	$3,785	$0	$367,529	$16,249,028	$8,553,903	$1,267,101	$18,911,147
Included in PUC PIM? (Y/N)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No
Percent Application in PUC PIM	100%	100%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	0%	0%	0%	0%
Benefit Categorization	Gas Utility System Benefits		Resource Benefits												N/A			

Notes and Sources: 2021 Gas benefit-cost model . Note that benefits are shown with their full value in this table, that is, no percent application has been applied.

Table 5. Summary of 2021 Electric Energy Efficiency Costs for PUC PIM

Sector	Costs ($)	
	Eligible Spending Budget (from Table E-3)	Regulatory Costs
Non-Income Eligible Residential	$34,785,636	$492,337
Income Eligible Residential	$16,395,065	$492,337
Commercial & Industrial	$53,627,264	$492,337
Included in PUC PIM? (Y/N)	Yes	Yes
Notes and Sources:	2021 Table E-2 and E-3. Regulatory costs allocated equally to each sector.	

Table 6. Summary of 2021 Natural Gas Energy Efficiency Costs for PUC PIM

Sector	Costs ($)	
	Eligible Spending Budget (from Table G-3)	Regulatory Costs
Non-Income Eligible Residential	$14,529,083	$183,378
Income Eligible Residential	$8,961,772	$183,378
Commercial & Industrial	$8,953,630	$183,378
Included in PUC PIM? (Y/N)	Yes	Yes
Notes and Sources:	2021 Table G-2 and G-3. Regulatory costs allocated equally to each sector.	

Table 7. Electric Energy Efficiency Performance Incentive

Sector PI = min{ Payout Cap(j), [Actual Net Benefits* Design Payout Rate(g) * Payout Rate Adjustment(i)] }											
Sector	Planned Eligible Benefits		Planned Eligible Costs	Planned Eligible Net Benefits (4)	Design Performance Achievement	Design Performance Payout	Design Payout Rate	Design Payout Rate Thresholds	Payout Rate Adjustments	Payout Cap	Service Quality Metric
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
	100% Electric Utility System Benefits—Chosen by PUC; values from EE Plan	50% Resource Benefits—Chosen by PUC; values from EE Plan	As proposed + planned Regulatory costs—Chosen by PUC; values from EE Plan	=(a)+(b)-(c)	Net benefits at which design incentive pool is achieved—set by PUC	Set by PUC	=(f)/(e)	Achievement levels at which the Payout Rate Adjustments in (i) will be applied—Set by PUC	Factor to adjust Design Payout Rate for if final program achievement fall within the ranges in (h)—Set by PUC	=1.25*(f) Cap on sector payout regardless of achievement in sector—Set by PUC	Yes if (d) ≤ 0; No if (d) >0 See Service Quality Table—Set by PUC
Mkt. Res.	$26,990,559	$6,296,916	$35,277,973	($1,990,498)	$2,000,000	$500,000	25%	a. Achievement < 25% b. 25% ≤ Achievement < 50% c. 50% ≤ Achievement < 75% d. 75% ≤ Achievement • Spending > Planned Eligible Costs	a. 0.0 b. Achievement/100 + 0.1 c. Achievement/100 + 0.25 d. 1.0 • See Boundary Rules	$625,000	Yes
IES	$5,368,174	$3,146,105	$16,887,402	($8,373,123)	$2,000,000	$500,000	25%			$625,000	Yes
C&I	$147,525,068	($3,895,269)	$54,119,601	$89,510,198	$89,510,198	$5,500,000	6.14%			$6,875,000	No
Notes	Changes annually	Changes annually	Changes annually	Changes annually	Changes annually	Changes annually	Changes annually			Changes annually	Changes annually

Table 8. Electric Energy Efficiency Service Quality Adjustment

<table>
<tr><td colspan="3">Sector SQA = Maximum Service Adjustment(e) * Service Achievement Scaling Factor(g)</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><th rowspan="3"></th><th colspan="2">Planned Eligible Benefits</th><th>Planned Eligible Costs</th><th>Design Service Achievement</th><th>Maximum Service Adjustment</th><th>Service Adjustment Thresholds</th><th>Service Achievement Scaling Factors</th><th>Achievement Cost Adjustment</th></tr>
<tr><th>(a)</th><th>(b)</th><th>(c)</th><th>(d)</th><th>(e)</th><th>(f)</th><th>(g)</th><th>(h)</th></tr>
<tr><th>100% Electric Utility System Benefits—Chosen by PUC; values from EE Plan</th><th>50% Resource Benefits—Chosen by PUC; values from EE Plan</th><th>As proposed + planned Regulatory costs—Chosen by PUC; values from EE Plan</th><th>=(a)+(b)</th><th>Maximum downward adjustment to earned incentive—Set by PUC</th><th>Adjusted Achievement levels at which the Service Adjustments in (e) will be applied; adjustment is calculated in (h)—Set by PUC</th><th>Factor to scale program achievement that fall within the ranges in (f)—Set by PUC</th><th>Actual-cost-based adjustment factor applied to achievement. Result is if the difference between achievement and cost variances are greater than 5%, the Actual Achievement will be adjusted for use in—Set by PUC</th></tr>
<tr><th>Mkt. Res.</th><td>$26,990,559</td><td>$6,296,916</td><td>$35,277,973</td><td>$33,287,475</td><td>$1,251,250</td><td rowspan="3">a. Adjusted Achievement < 65%
b. 65% ≤ Adjusted Achievement < 95%
c. 95% ≤ Adjusted Achievement</td><td rowspan="3">a. 1
b. (95-Adjusted Achievement)/30
c. 0</td><td rowspan="3">Performance Variance = "Actual Benefits" /"Design Achievement" - "Spending" /"Planned Eligible Cost"

If the absolute value (Performance Variance) ≤ 0.05,
Then Adjusted Achievement = Actual Achievement
Else Adjusted Achievement = Actual Achievement * (1+ Performance Variance)</td></tr>
<tr><th>IES</th><td>$5,368,174</td><td>$3,146,105</td><td>$16,887,402</td><td>$8,514,279</td><td>$715,000</td></tr>
<tr><th>C&I</th><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Notes</td><td>Changes annually</td><td>Changes annually</td><td>Changes annually</td><td>Changes annually</td><td>Changes annually</td><td></td><td></td><td></td></tr>
</table>

Table 9. Gas Energy Efficiency Performance Incentive

Sector PI = min{ Payout Cap(j), [Actual Net Benefits* Design Payout Rate(g) * Payout Rate Adjustment(i)] }											
Sector	**Planned Eligible Benefits**		**Planned Eligible Costs**	**Planned Eligible Net Benefits (4)**	**Design Performance Achievement**	**Design Performance Payout**	**Design Payout Rate**	**Design Payout Rate Thresholds**	**Payout Rate Adjustments**	**Payout Cap**	**Service Quality Metric**
	(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**	**(h)**	**(i)**	**(j)**	**(k)**
	100% Gas Utility System Benefits—Chosen by PUC; values from EE Plan	**50% Resource Benefits—Chosen by PUC; values from EE Plan**	**As proposed + planned Regulatory costs—Chosen by PUC; values from EE Plan**	**=(a)+(b)-(c)**	**Net benefits at which design incentive pool is achieved—set by PUC**	**Set by PUC**	**=(f)/(e)**	**Achievement levels at which the Payout Rate Adjustments in (i) will be applied—Set by PUC**	**Factor to adjust Design Payout Rate for if final program achievement fall within the ranges in (h)—Set by PUC**	**=1.25*(f)**	**Yes if (d) ≤ 0; No if (d) >0**
										Cap on sector payout regardless of achievement in sector—Set by PUC	**See Service Quality Table—Set by PUC**
Mkt. Res.	$14,388,455	$446,155	$14,712,461	$122,149	$122,149	$100,000	81.8674%	a. Achievement < 25% b. 25% ≤ Achievement < 50% c. 50% ≤ Achievement < 75% d. 75% ≤ Achievement • Spending > Planned Eligible Costs	a. 0.0 b. Achievement/100 + 0.1 c. Achievement/100 + 0.25 d. 1.0 • See Boundary Rules	$125,000	No
IES	$5,069,911	$147,146	$9,145,150	($3,928,092)	$2,000,000	$500,000	25.0000%			$625,000	Yes
C&I	$18,271,480	$205,019	$9,137,008	$9,339,492	$9,339,492	$1,600,000	17.1316%			$2,000,000	No
Notes	Changes annually	Changes annually	Changes annually	Changes annually	Changes annually	Changes annually	Changes annually			Changes annually	Changes annually

Table 10. Gas Energy Efficiency Service Quality Adjustment

Sector SQA = Maximum Service Adjustment(e) * Service Achievement Scaling Factor(g)								
	Planned Eligible Benefits		**Planned Eligible Costs**	**Design Service Achievement**	**Maximum Service Adjustment**	**Service Adjustment Thresholds**	**Service Achievement Scaling Factors**	**Achievement Cost Adjustment**
	(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**	**(h)**
	100% Electric Utility System Benefits—Chosen by PUC; values from EE Plan	**50% Resource Benefits—Chosen by PUC; values from EE Plan**	**As proposed + planned Regulatory costs—Chosen by PUC; values from EE Plan**	**=(a)+(b)**	**Maximum downward adjustment to earned incentive—Set by PUC**	**Adjusted Achievement levels at which the Service Adjustments in (e) will be applied; adjustment is calculated in (h)—Set by PUC**	**Factor to scale program achievement that fall within the ranges in (f)—Set by PUC**	**Actual-cost-based adjustment factor applied to achievement. Result is if the difference between achievement and cost variances are greater than 5%, the Actual Achievement will be adjusted for use in—Set by PUC**
Mkt. Res.	N/A	N/A	N/A	N/A	N/A	a. Adjusted Achievement < 65% b. 65% ≤ Adjusted Achievement < 95% c. 95% ≤ Adjusted Achievement	a. 1 b. (95-Adjusted Achievement)/30 c. 0	Performance Variance = "Actual Benefits" /"Design Achievement" - "Spending" /"Planned Eligible Cost" If the absolute value (Performance Variance) ≤ 0.05, Then Adjusted Achievement = Actual Achievement Else Adjusted Achievement = Actual Achievement * (1+ Performance Variance)
IES	$5,069,911	$147,146	$9,145,150	$5,217,057	Lesser of $276,250 and earned incentive			
C&I	N/A	N/A	N/A	N/A	N/A			
Notes	Changes annually	Changes annually	Changes annually	Changes annually	Changes annually			

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

__________________________________ March 19, 2021

Joanne M. Scanlon Date

Docket No. 5076 - National Grid – 2021-2023 Energy Efficiency Program Plan & 2021 Annual Energy Efficiency Program Plan
Service list updated 12/3/2020

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