

Proposal for Modifications to the EE Performance Incentive Mechanism- Updated based on Compliance Filing

Electricity

1. Include Capacity, Energy, Energy DRIPE, and Natural Gas, Oil, and Other Resource benefits from Table E-6 in the calculation of net benefits. (same as NG proposal)
2. Exclude Non-Resource and Societal benefits from Table E-6 in the calculation of net benefits. (National Grid proposed to include 100% of these benefits)
3. Multiply Natural Gas, Oil, and Other Resource by 50%. (NG proposed to include 100% of these benefits)
4. Include all program implementation expenses in Table E-3 in the calculation of net benefits. (Same as NG)
5. Allocate Regulatory to program implementation expenses. (NG proposed to exclude regulatory)
6. Exclude customer contribution in Table E-5A from the calculation of net benefits. (Same as NG)
7. Establish downward adjustment for non-income eligible and income eligible performance below 65% of planned benefits. (NG proposed to forfeit 100% of design incentive pool for performance below 65%)

	100% of Electric Utility System Benefits (1)	50% of Natural Gas, Oil, and Other Resource Benefits (2)	Eligible costs (proposed + regulatory costs) (3)	Net Benefits (4)	NG Proposed Design Incentive Pool (5)	New Design Incentive Pool (6)	NG Proposed Payout Rate (7)	New Payout Rate (8)	New Downward Adjustment (9)
Non-Income Eligible	\$26,373,000	\$6,197,500	\$34,792,200 + \$492,333 = \$34,792,692	-\$2,714,030	\$1,925,000	0	11.132%	22.264%	\$1,251,250
Income Eligible	\$5,368,000	\$3,146,000	\$16,395,100 + \$492,333 = \$16,395,592	-\$8,373,430	\$1,100,000	0	12.617%	25.23%	\$715,000
C&I	\$147,522,000	\$11,585,000	\$53,711,500 + \$492,333 = \$53,711,992	\$105,395,500	\$2,475,000	\$5,500,000	1.735%	5.22%	0

Notes

(1) Sum of Capacity, Energy, and Energy DRIPE Benefits from Table E-6

(2) Sum of Natural Gas, Oil, and Other Resource Benefits from Table E-6 x 0.50

(3) Eligible program implementation expenses (excluding Connect Solutions) from Table E-3 + Regulatory Costs (**I allocated 1/3rd of the total regulatory cost to each sector for simplicity)

(4) = (1)+(2)-(3)

(5) Table 23 from PUC 2-23

(6) Design Incentive Pool is reallocated to C&I.

(7) Table 23 from PUC 2-23

(8) Non-Income Eligible and Income Eligible Payout Rate is doubled (i.e.(7)x2); C&I payout rate = (6)/(4)

(9) Downward adjustment for performance falling short of 65% of total benefits equal to 65% of National Grid's proposed design incentive pool.

Gas

1. Include Natural Gas Benefits from Table G-6 in the calculation of net benefits. (*Note, Note 1 in Table G-6 indicates that this is the sum of natural gas benefits and participant resource benefits; we could separate participant resource benefits at treat the same as in the electric proposal, but PUC 7-2 shows that participant resource benefits are quite small.)
2. Exclude Other Non-Gas Benefits from Table G-6.
3. Include all program implementation expenses in Table G-3 in the calculation of net benefits, **exclude C&I pilot costs**.
4. Allocate Regulatory from Table G-3 to program implementation expenses.
5. Exclude customer contribution in Table G-5A from the calculation of net benefits.
6. Establish downward adjustment for non-income eligible and income eligible performance below 65% of planned benefits.

	100% Natural Gas Benefits (1)	Eligible costs (proposed + regulatory costs) (2)	Net Benefits (3)	NG Proposed Design Incentive Pool (4)	New Design Incentive Pool (5)	NG Proposed Payout Rate (6)	New Payout Rate (7)	New Downward Adjustment (8)
Non-Income Eligible	\$14,111,700	\$14,548,500+ \$183,366= \$14,295,066	-\$183,366	\$595,000	0	4.115%	8.23%	\$386,750
Income Eligible	\$4,989,000	\$8,961,700+ \$183,366= \$9,145,066	-\$4,156,066	\$425,000	0	3.613%	7.226%	\$276,250
C&I	\$17,650,000	\$8,999,000+ \$183,366= \$9,182,366	\$9,467,634	\$680,000	\$1,164,500	1.921%	12.3%	0

- (1) Natural gas benefits from Table G-6
- (2) Program implementation expenses from Table G-3 (I allocated 1/3rd of regulatory cost to each sector for simplicity); pilot costs are excluded
- (3) = (1)-(2)
- (4) Table 23 in PUC 2-23
- (5) Design Incentive Pool is reallocated to C&I.
- (6) Table 23 from PUC 2-23
- (7) Non-Income Eligible and Income Eligible Payout Rate is doubled (i.e. (6) x 2); C&I payout rate = (5)/(3)

(8) Downward adjustment for performance falling short of 65% of total benefits equal to 65% of National Grid’s proposed design incentive pool.

Proposed Boundaries

- 1) When both sector-level spending and net benefits exceed 100% and net benefits outpace spending, for every 1% that the actual implementation expense exceeds the planned implementation expense from 100% to 125% of planned implementation expense, the sector payout rate applied to incremental net benefits (above 100% of target net benefits) will decrease by an amount equal to the sector payout rate divided by 25.
- 2) When sector-level spending exceeds 100% of the budget and spending outpaces net benefits, National Grid is not eligible for an incentive on net benefits that exceed 100%.
- 3) When sector-level spending exceeds the budget by more than 5% and net benefits are below 95% of the target, there will be a downward adjustment. For every 1% of excess spending, the sector payout rate will decrease by an amount equal to the sector payout rate divided by 25.

Example of Boundary 1

	Spending as % of Budget	Net Benefits as % of Target	Sector Payout Rate	Adjusted Payout Rate
C&I	108%	113%	5.22%	= 5.22- 8 x (5.22/25) = 3.549%

Calculation of Total Incentive:

$$= (100\% \text{ of net benefits} \times 5.22\%) + (\text{incremental net benefits} \times 3.549\%)$$

$$= \$5.5\text{M} + \$518,401$$

$$= \$6.02\text{M}$$

Example of Boundary 2

	Spending as % of Budget	Net Benefits as % of Target	Sector Payout Rate	Adjusted Payout Rate
C&I	108%	104%	5.22%	0

Calculation of Total Incentive:

$$= (100\% \text{ of net benefits} \times 5.22\%) + (\text{incremental net benefits} \times 0)$$

= \$5.5M

Example of Boundary 3

	Spending as % of Budget	Net Benefits as % of Target	Sector Payout Rate	Adjusted Payout Rate
C&I	108%	93%	5.22%	=5.22 - (8 x (5.22/25)) =3.549%

Calculation of Total Incentive

= (achieved net benefits x 3.549%)

= \$3,478,608