

2020 Energy Efficiency Plan Second Draft

August 29, 2019



Agenda

- What We Heard from Stakeholders
- What's Changed and Why
- The 2020 Plan Second Draft by the Numbers

First Draft Stakeholder Input

Stakeholder Input – What We Heard

- Significant Stakeholder Input through Comments and Memoranda on the First Draft
 - Over 1,000 detailed and high level comments received from OER, DPUC, C-Team, TEC-RI, and Acadia Center
- Key Themes
 - Move to Lifetime and MMBtu goals* – mixed input on this change in the last year of the current 3 Year Plan
 - Performance Incentive* – concerns over increasing target incentive pool in 2020
 - Desire for increased savings and decreased budgets
 - Request for greater visibility into key programmatic changes, and plan document restructuring for clarity, transparency, and cross-program consistency

*The Company and stakeholders continue to have ongoing discussions around performance incentives and shifting to lifetime MMBtu

Changes from First Draft to Second Draft

Changes: First Draft to Second Draft of 2020 Plan

Change from First to Second Draft	Drivers
Reverted electric savings goal to net annual MWh, kW	Concerns over potential unintended consequences due to shift in savings goal to all-fuel lifetime MMBtu during the final year of a Three-Year Plan
Reverted natural gas savings goal to net annual MMBtu	Desire to maintain demand reduction targets and company accountability
Added all-fuel annual MMBtu target for subset of delivered fuel measures	Alternative to all-fuel MMBtu metric provides specific targets and company accountability for currently non-incentivized opportunities for weatherization and air source heat pumps for delivered fuel customers
Reverted Performance Incentive Pool to 5% of Program Spending Budget	Stakeholder feedback, maintaining alignment with current goal structure
<ul style="list-style-type: none"> ↑ Electric savings goal by ~3,000 kWh (1.8%) ↑ Gas savings goal by ~8,800 MMBtu (2.0%) 	Sought additional opportunities for higher throughput of savings in several programs and measures; positive evaluation results increasing savings
<ul style="list-style-type: none"> ↓ Electric budget by ~ \$3.9M (3.4%) 	Rightsizing <i>Sales, Technical Assistance and Training Budget</i> to 2019 tracking, reduction in On-Bill Recovery funding, and incentive reductions
<ul style="list-style-type: none"> ↓ Electric surcharge by ~ 7.3% ↓ Gas surcharge by ~ 6.8% (Resi) 7.1% (C&I) 	Reduced budget requirements; Reduction of negative year-end 2019 fund balance, and updated gas load forecast

Residential and Income Eligible Sector Changes

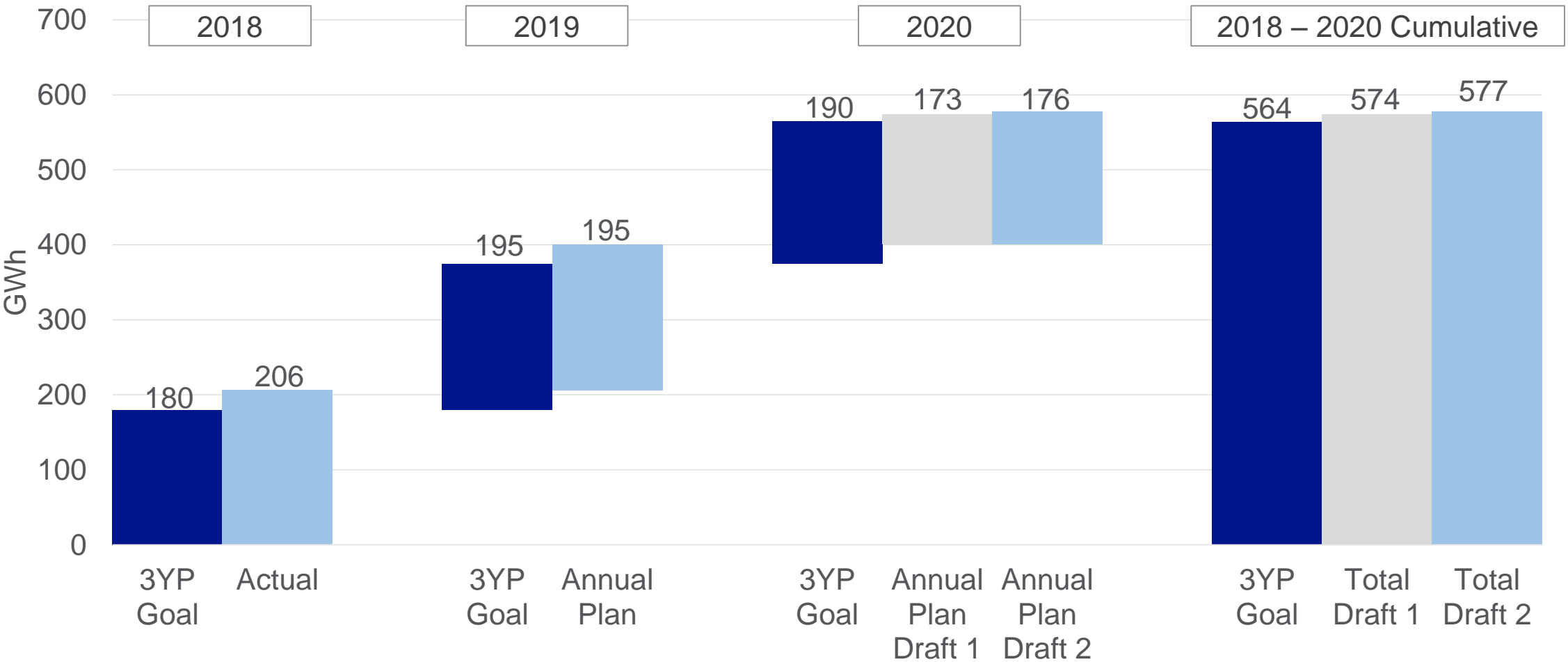
Change	Driver
Work with Stakeholders to standardize the Single Family Income Eligible weatherization assessment approach that achieves a better balance between consistency, rigor, cost, and efficiency	Operationalizing findings from the latest process evaluation of the Single Family Income Eligible program
Updated and expanded planned changes for Multifamily programs	Stakeholder feedback on underperformance in this sector and need to improve program delivery and savings attainment
ENERGYSTAR Lighting increased 466 Annual MWh between drafts, cut 1 st draft budget by \$1.25M	Consultant Feedback and Internal Review
Residential Consumer Products increased its energy goal by 834 Annual MWh	Consultant Feedback and Internal Review

Commercial and Industrial Sector Changes

Change	Driver
New initiatives that the Company is looking to launch and grow in 2020. School SEMP's, Restaurant initiative, Lodging initiative, Commercial Laundry initiative and additional SEMP's with universities and colleges.	Internal analysis of new and expanded market opportunities for customers that have not been fully addressed by commercial programs up to this point.
Approximately 4,300 Annual MMBtu Gas savings was added to added for the Hotel Initiative under the Large Commercial Retrofit program.	Internal Review identified the Hospitality space as a high potential sector.
Proposed new participation requirements and incentive structure for New Construction program.	Recent receipt of initial results from internal analysis conducted to guide this change.

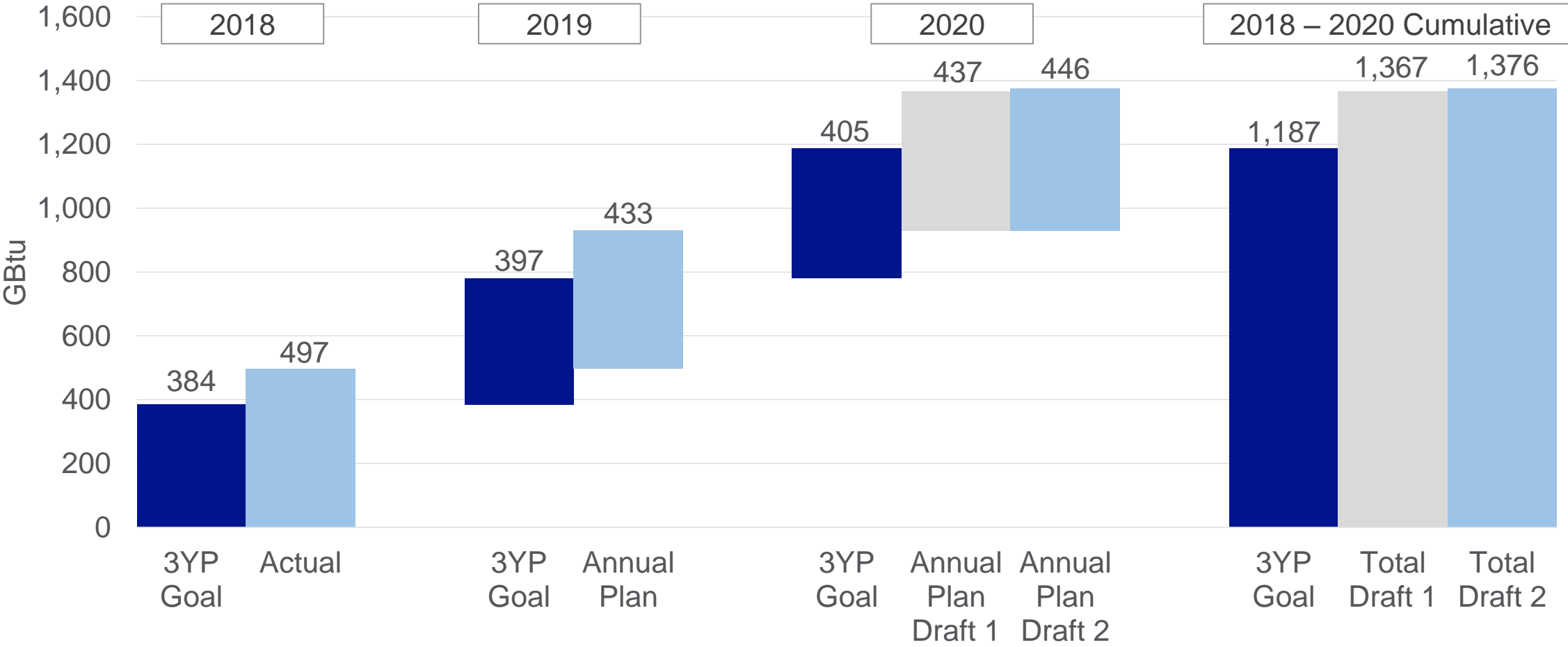
Second Draft of the 2020 Plan by the Numbers

3YP Goals Compared to Annual Achieved & Projected – Electric



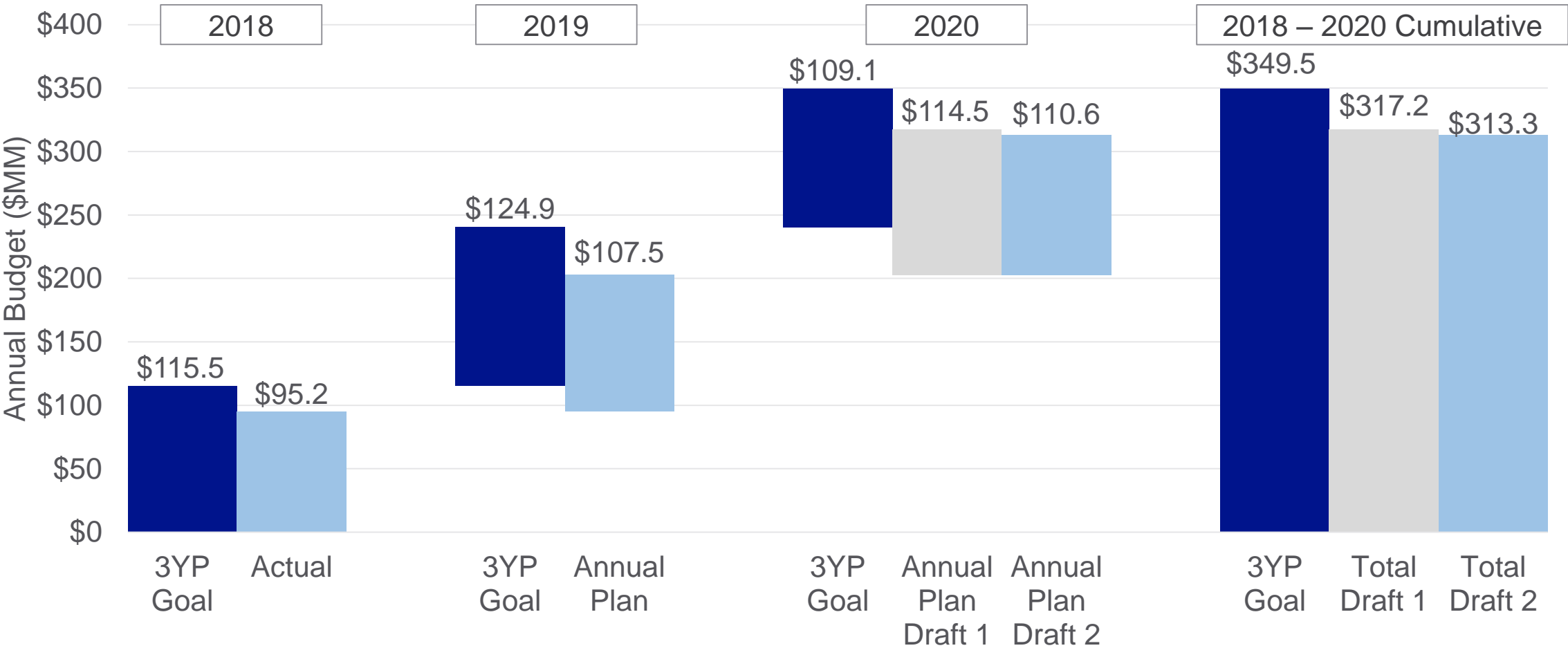
2020 Plan Draft 2 increases annual electric saving goal 1.8%, maintains path to exceeding 3YP electric savings goals

3YP Goals Compared to Annual Achieved & Projected – Natural Gas



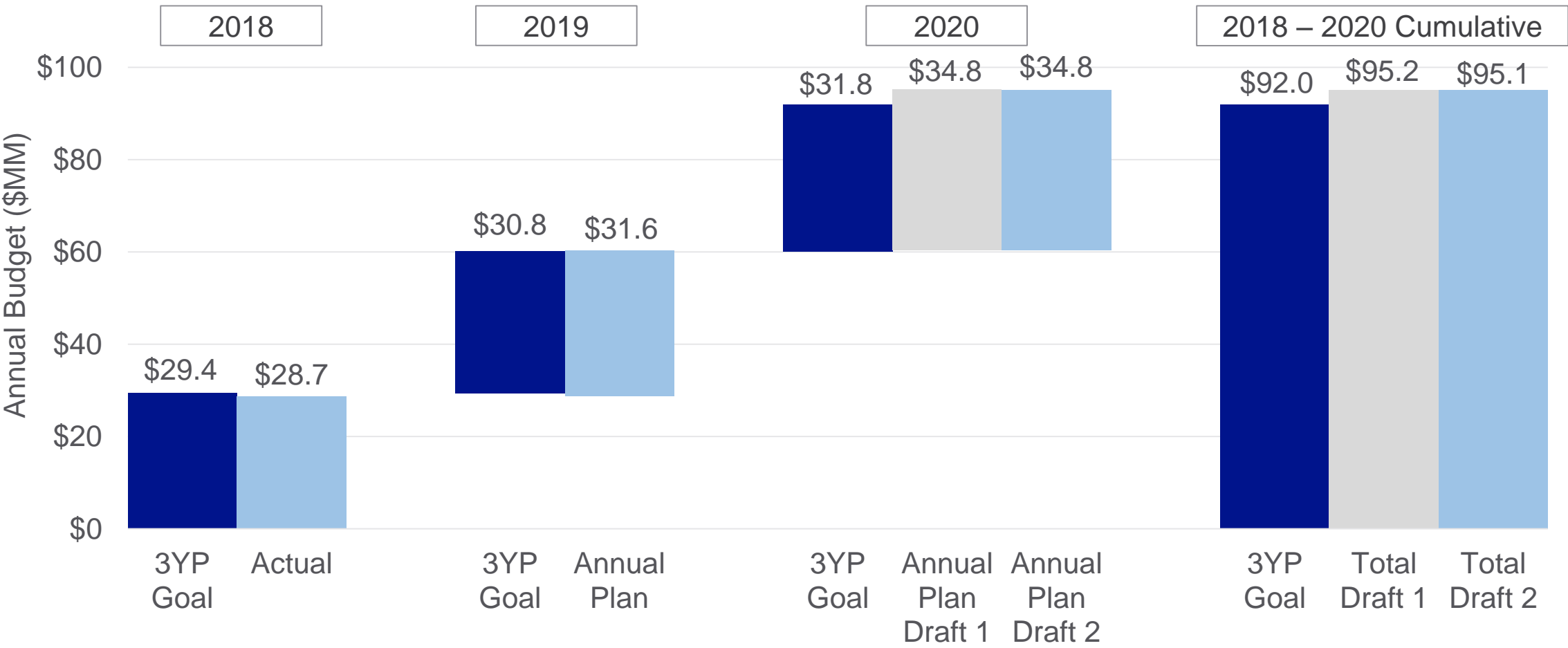
2020 Plan Draft 2 increases annual gas saving goal 2.0% over Draft 1, maintains path to exceeding 3YP gas savings goals

2020 Electric Budget Relative to 3YP



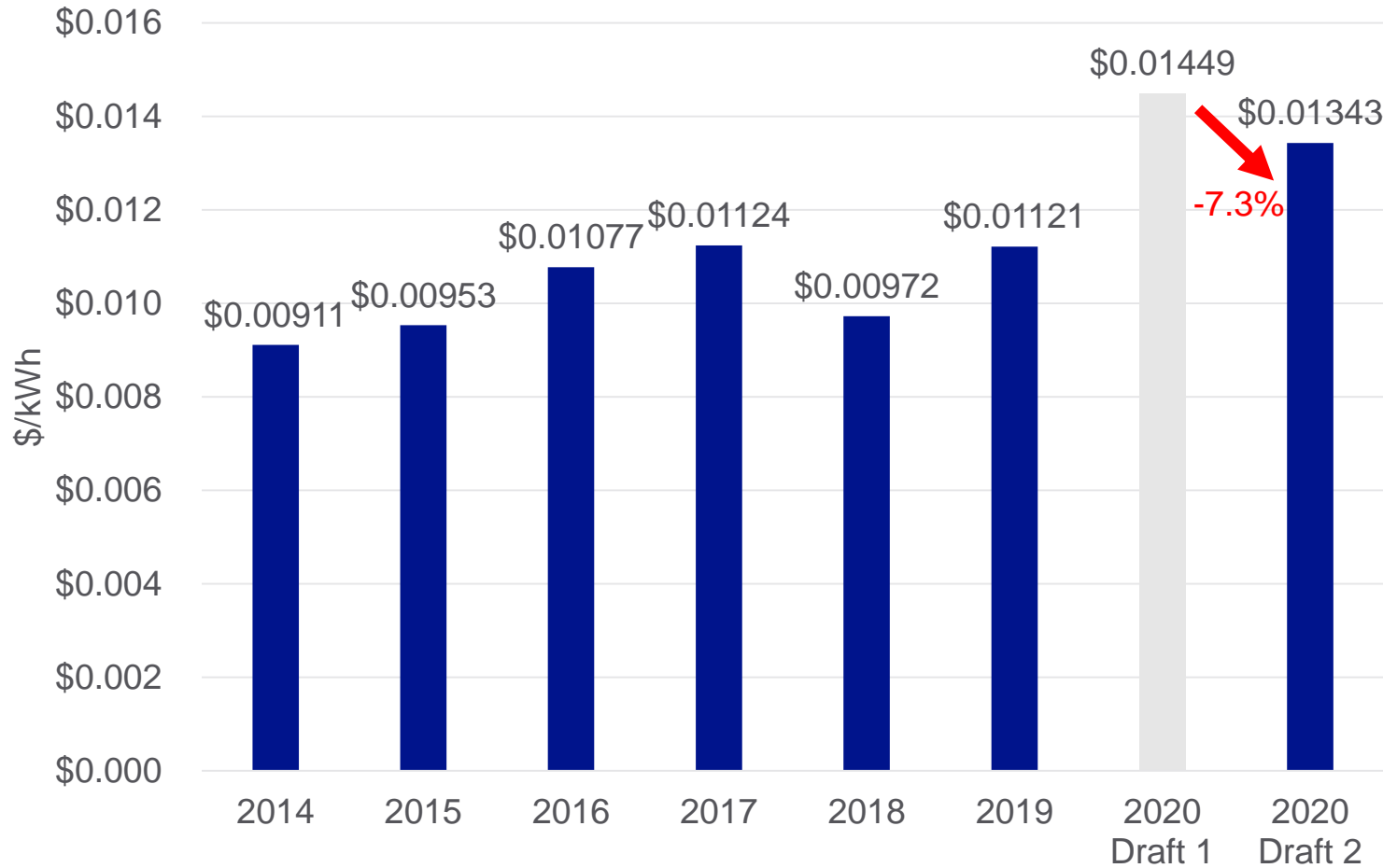
2020 Draft 2 budget maintains program momentum / targeted investments while reducing by nearly \$4M from Draft 1

2020 Gas Budget Relative to 3YP



Gas budget projected to slightly exceed 3YP total while exceeding 3YP aggregate savings goal by nearly 16%

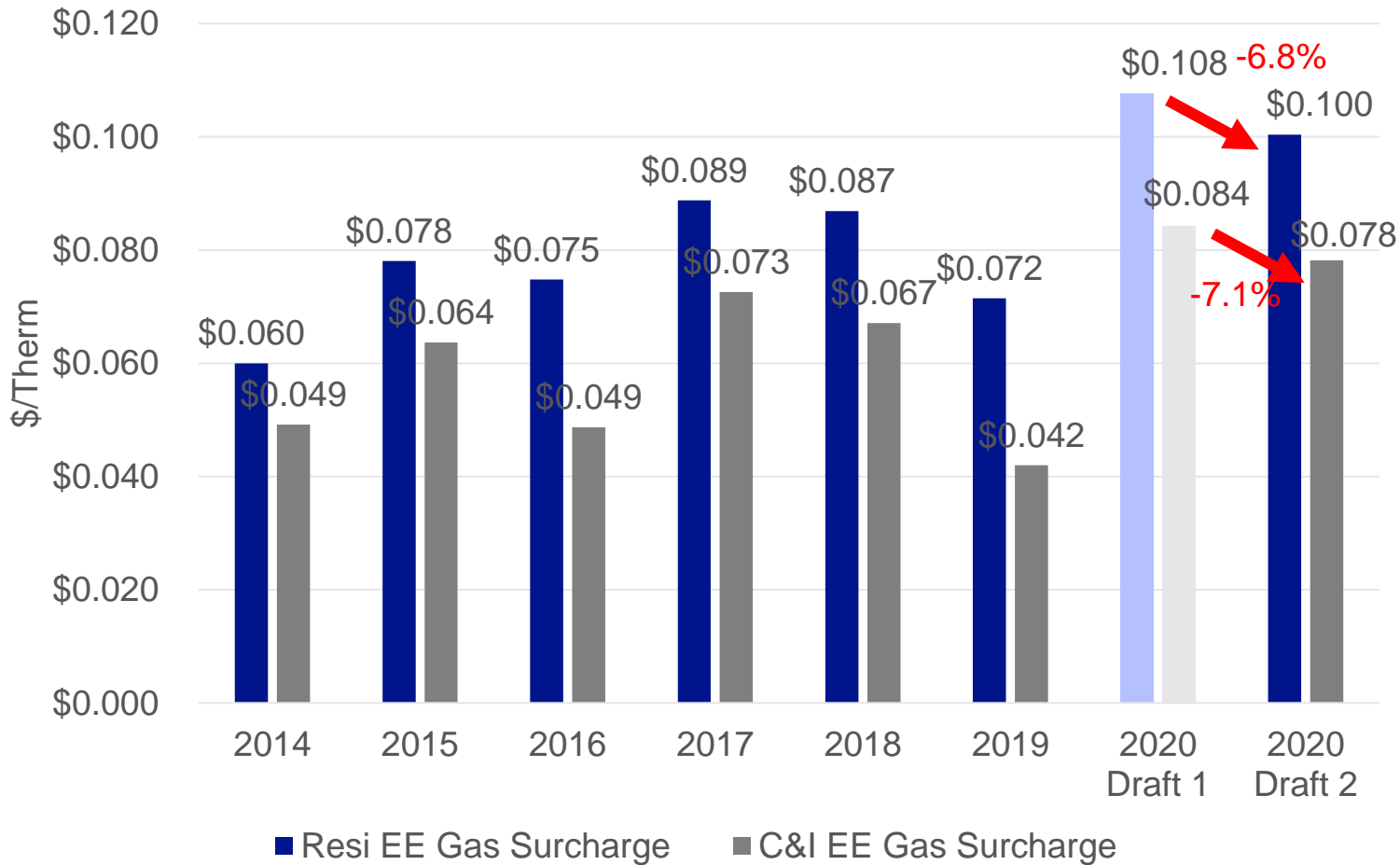
Electric EE Surcharge – Historical and 2020 Draft 1 to Draft 2 Comparison



Change from Draft 1 to Draft 2	Impact on Electric EE Surcharge
Reduced Negative EE Fund Balance	↓
Reduced Program Budget	↓
Reduction in On-Bill Recovery Funds	↓

Surcharge reduced by 7.3% from first to second draft due to reduced budget requirements, reduction in anticipated negative year-end 2019 fund balance

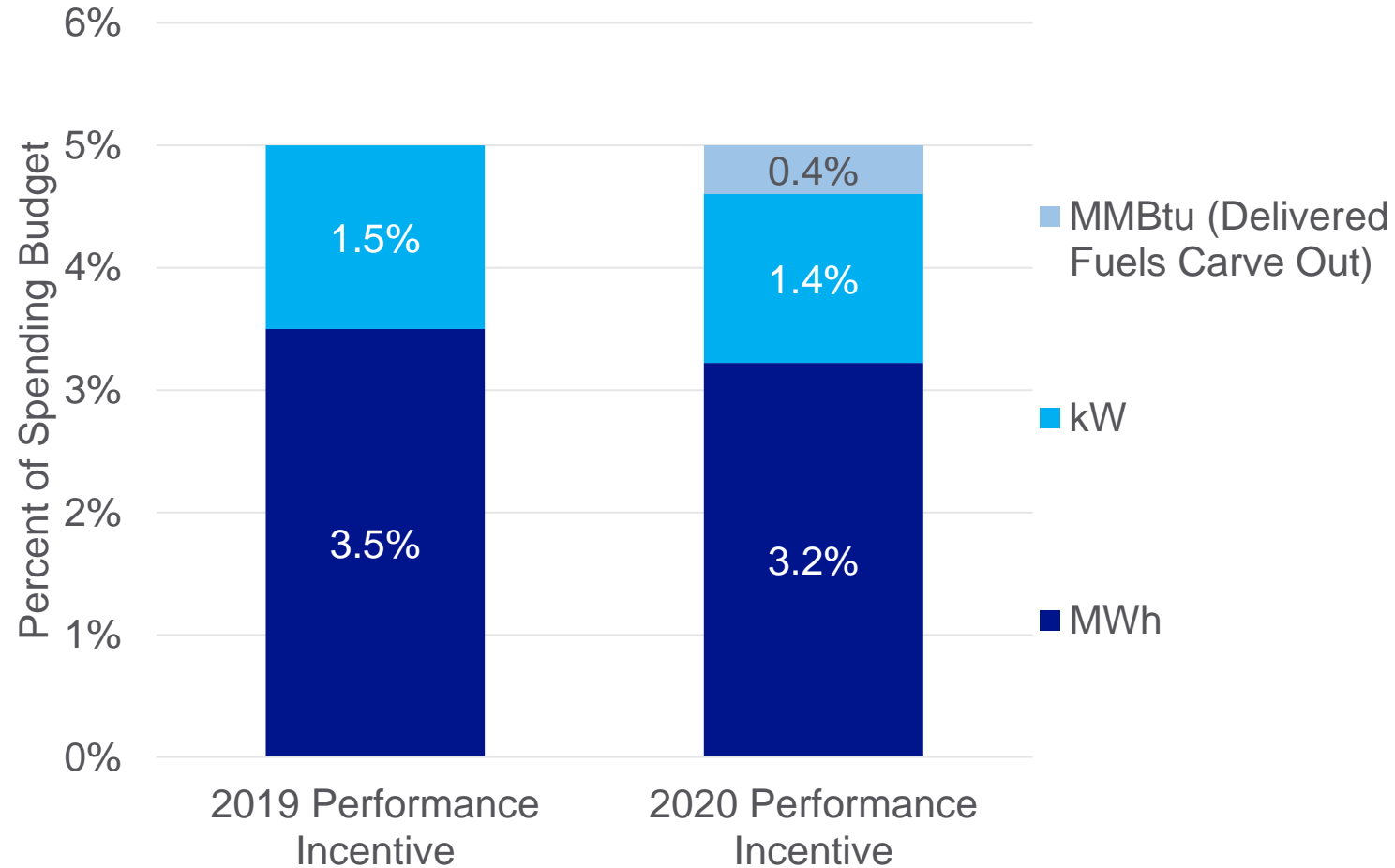
Gas EE Surcharge – Historical and 2020 Draft 1 to Draft 2 Comparison



Change from Draft 1 to Draft 2	Impact on Gas EE Surcharge
Reduced Negative EE Fund Balance	↓
Reduced Program Budget	↓

Residential surcharge decreases 6.8%, C&I decreases 7.1% from first draft to second, primarily driven by in anticipated negative year-end 2019 fund balance

Performance Incentive – 2019 to 2020 Comparison



2020 Electric Performance Incentive mechanism maintains same overall 5% of spending budget target, includes budget-based carve out for delivered fuel Wx and ASHP

Important Dates

July 10	Company Issues Plan Outline	✓
July 16	First Draft of Plan Distributed	✓
August 9	First Draft Stakeholder Comments Due	✓
August 23	Second Draft of Plan Distributed	✓
September 6	Second Draft Stakeholder Comments Due	
September 19	Final Draft of Plan Distributed	
October 3	EERMC Votes on 2020 Plan	
October 15	Plan Filed with PUC	