

Summary of Work Regarding Development of New EE Program Cost Schedules

Division of Public Utilities and Carriers

April 2020

Current Forms of Budgeting/Cost Reporting

- While the planning process reviews many details, the Reports currently published by National Grid provide only high-level cost information relating to budgeting assumptions and cost incurrence
- This is not a criticism of the utility. They have been operating in good faith, using established practices
- The reporting formats were reasonable when the program budget was smaller, but now that the combined electric and gas far exceeds \$100 million per year, more granularity is needed
- Outcome of work with the Company: Agreement on new set of enhanced cost-schedules to be included in Year-End Annual Reports, beginning with the 2019 filing in May

Background:

Two Forms of Cost-Related Reporting

- There are two forms of current reporting relating to costs:
 - Program Budgets forecasting costs (filed with petition for approval)
 - Year-End Program Summary (filed in May)
- The two reports relate to each other
- At this time, the new schedules will apply to the Year-End Report. But the data could influence the type of schedules that are filed when approval for the 2021 program is sought
- The new schedules will be explained in the slides that follow by comparing current reports to new schedules

Current Practice: Forecasting Budget Costs

Contained in Filing Petitioning for Program Approval

Table E-2: Breakdown of Forecasted Costs

- The filing seeking approval of the program contains a budget schedule: “Table E-2”
- Table E-2 identifies the Company’s forecast of costs by program
- As shown in the next slide, forecasted costs are segregated into categories under the following labels:
 - Program Planning & Administration
 - Marketing
 - Rebates and Other Customer Incentives
 - Sales, Technical Assistance & Training (STAT)
 - Evaluation and Market Research

Categories of Program Costs for Budgeting

Table E-2
National Grid
2018 Electric Energy Efficiency Program Budget (\$000)

	Program Planning & Administration	Marketing	Rebates and Other Customer Incentives	Sales, Technical Assistance & Training	Evaluation & Market Research	Shareholder Incentive	Grand Total
Non-Income Eligible Residential							
Residential New Construction	\$63.9	\$2.5	\$407.0	\$238.0	\$52.1		\$763.4
ENERGY STAR® HVAC	\$70.2	\$108.5	\$1,494.9	\$512.3	\$18.8		\$2,204.7
EnergyWise	\$338.3	\$414.9	\$12,422.3	\$1,453.9	\$271.5		\$14,900.8
EnergyWise Multifamily	\$91.3	\$43.8	\$2,130.0	\$711.0	\$81.5		\$3,057.7
ENERGY STAR® Lighting	\$218.4	\$516.2	\$5,572.7	\$269.6	\$175.1		\$6,752.0
Residential Consumer Products	\$84.3	\$568.7	\$523.4	\$642.0	\$11.2		\$1,829.6
Home Energy Reports	\$84.7	\$10.9	\$2,466.2	\$10.2	\$52.3		\$2,624.4
Energy Efficiency Education Programs	\$0.0	\$40.0	\$0.0	\$0.0	\$0.0		\$40.0
Residential Demonstration and R&D	\$11.3	\$63.5	\$437.8	\$235.0	\$175.0		\$922.6
Community Based Initiatives - Residential	\$6.2	\$80.0	\$76.8	\$0.0	\$0.0		\$163.0
Comprehensive Marketing - Residential	\$5.7	\$550.8	\$0.0	\$0.0	\$0.1		\$556.7
Residential Shareholder Incentive	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,690.7	\$1,690.7
Subtotal - Non-Income Eligible Residential	\$974.4	\$2,399.9	\$25,531.1	\$4,072.0	\$837.6	\$1,690.7	\$35,505.7
Income Eligible Residential							
Single Family - Income Eligible Services	\$272.5	\$129.2	\$7,087.4	\$1,596.8	\$229.1		\$9,315.0
Income Eligible Multifamily	\$85.5	\$9.5	\$1,880.0	\$515.3	\$63.0		\$2,553.2
Income Eligible Shareholder Incentive	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$593.4	\$593.4
Subtotal - Income Eligible Residential	\$358.0	\$138.7	\$8,967.4	\$2,112.1	\$292.1	\$593.4	\$12,461.7
Commercial & Industrial							
Large Commercial New Construction	\$239.9	\$367.7	\$4,193.4	\$1,182.6	\$122.0		\$6,105.7
Large Commercial Retrofit	\$659.4	\$276.2	\$19,352.8	\$3,241.6	\$456.7		\$23,986.6
Small Business Direct Install	\$288.1	\$336.9	\$5,625.4	\$463.2	\$196.6		\$6,910.2
Commercial Demonstration and R&D	\$19.4	\$58.0	\$515.8	\$360.6	\$40.0		\$993.8
Community Based Initiatives - C&I	\$1.7	\$20.0	\$19.2	\$0.0	\$0.0		\$40.9
Comprehensive Marketing - C&I	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0
Finance Costs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0
RI Infrastructure Bank	\$0.0	\$0.0	\$5,000.0	\$0.0	\$0.0		\$5,000.0
Commercial & Industrial Shareholder Incentive	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$2,151.86	\$2,151.9
Subtotal - Commercial & Industrial	\$1,208.5	\$1,058.8	\$34,706.5	\$5,248.0	\$815.3	\$2,151.9	\$45,189.1
Regulatory							
OER	\$706.1	\$0.0	\$0.0	\$0.0	\$0.0		\$706.1
EERMC	\$706.1	\$0.0	\$0.0	\$0.0	\$0.0		\$706.1
Subtotal - Regulatory	\$1,412.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,412.1
Grand Total	\$3,953.0	\$3,597.4	\$69,205.1	\$11,432.1	\$1,945.0	\$4,436.0	\$94,568.6
System Reliability Procurement							\$399.3

Notes:

- (1) 2017 Commitments are anticipated to be \$0.
- (2) For more information on Finance Costs, please refer to the 2018 C&I Program Description, Attachment 2.
- (3) OER and EERMC total 2.0% of customers' EE Program Charge collected on Table E-1, minus 2%.
- (4) System Reliability funds are included for illustrative purposes. They are part of the 2018 System Reliability Procurement Report, filed as a separate docket.

Total Budget

Table E-2 contains lines forecasting costs for each specific program.

Example: “EnergyWise” directly costs \$14.9 million, summing across all columns.

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Residential Demonstration and R&D	\$11.3	\$63.5	\$437.8	\$235.0	\$175.0		\$922.6
Community Based Initiatives - Residential	\$6.0	\$88.0	\$76.0	\$0.0	\$0.0		\$169.0

Highest Cost Category is “Rebates and Other Customer Incentives”

Table E-2
National Grid
2018 Electric Energy Efficiency Program Budget (\$000)

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Cost Categories Lack Granularity and are not Definitionally Clear

- The filed budget does not go any deeper than the five broad cost categories
- Some of the categories are not clearly delineated
- For example, category labeled: **“Rebates and Other Customer Incentives”**
 - Highest cost category of the portfolio
 - This category contains more than rebates and incentives paid to customers
 - It also contains vendor service costs utilized in the provision of service to customers
 - Example: “Home Energy Reports” has no rebates associated with it. It is the cost of the service being provided to the customer.
 - The blending of rebates/incentives with vendor service costs may inadvertently leave the impression that it is all rebate payments to participating customers
- New schedules in the Year End Report will drill down further on vendor costs
- More information will be provided that show the split between vendor services and actual rebates, as actually incurred for the year

Another Example: Allocated Costs

- There are costs that are not directly attributable to any individual programs, but are allocated by the Company
- Based on review of 2018 costs, approximately 7% of the total program costs appear to be allocated
- Nothing necessarily wrong with allocated costs; it is a standard utility practice to appropriately spread certain costs
- But more visibility is needed for both budgeting, cost review, and effectively incentivizing cost controls

Tables in Year-End Report

Filed in May

Limitations of Current Year End Report

- The Year-End Report discloses total “Implementation Expenses”
- As shown in the next slide, the Year-End report only provides total costs by program in one column of one schedule (Table E-1)
- There are no schedules that break out actual cost-incurrence by the same cost categories that were used to establish the original budget
 - The program costs are rolled up into one number by program, lacking visibility that would allow comparison of actual costs against the original budget

Year End Results: Table E-1 summarizing Total "Implementation Expenses" Incurred

\$88,122.9

NATIONAL GRID ENERGY EFFICIENCY PROGRAMS IN RHODE ISLAND
Table E-1: Summary of 2018 Target and Year End Results

Sector and Program	(1) Demand Reduction (Annual kW)		(3)	(4) Energy Savings (Annual MWh)			(7) Customer Participation			(10) Implementation Expenses (\$ 000)			(13)	(14)
	Target	Actual	Pct Achieved	Target	Actual	Pct Achieved	Approved Target	Actual	Pct Achieved	Budget	Actual	Pct Achieved	Lifetime MWh	\$/kWh
Commercial & Industrial														
Large Commercial New Construction	1,728	2,116	122.4%	13,959	14,017	100.4%	139	149	106.9%	\$6,111.7	\$5,177.0	84.7%	218,617	\$0.024
Large Commercial Retrofit	11,910	12,471	104.7%	75,616	80,591	106.6%	2,193	3,299	150.4%	\$24,030.7	\$22,657.2	94.3%	952,429	\$0.024
Small Business Direct Install	1,034	1,697	164.0%	9,940	10,321	103.8%	565	679	120.2%	\$6,924.5	\$5,982.3	86.4%	126,524	\$0.047
Commercial Demonstration and R&D										\$993.8	\$938.0	94.4%		
Community Based Initiatives - C&I										\$40.9	\$2.0	4.8%		
RI Infrastructure Bank										\$5,000.0	\$5,000.0	100.0%		
SUBTOTAL	14,673	16,284	111.0%	99,515	104,929	105.4%	2,897	4,126	142.4%	\$43,101.6	\$39,756.4	92.2%	1,297,570	\$0.031
Income Eligible Residential														
Single Family - Income Eligible Services	696	973	139.9%	4,185	4,336	103.6%	2,750	3,850	140.0%	\$9,329.3	\$9,871.9	105.8%	45,094	\$0.219
Income Eligible Multifamily	170	211	124.2%	3,287	2,480	75.4%	4,800	3,875	80.7%	\$2,557.4	\$2,590.5	101.3%	28,903	\$0.090
SUBTOTAL	865	1,184	136.9%	7,472	6,816	91.2%	7,550	7,725	102.3%	\$11,886.7	\$12,462.5	104.8%	73,997	\$0.168
Non-Income Eligible Residential														
Residential New Construction	49	70	143.3%	619	972	157.1%	501	458	91.4%	\$764.6	\$767.0	100.3%	14,961	\$0.051
ENERGY STAR® HVAC	433	972	224.6%	2,091	1,992	95.3%	1,794	3,057	170.4%	\$2,206.6	\$1,857.1	84.2%	27,709	\$0.067
EnergyWise	286	414	144.7%	6,157	6,684	108.6%	10,000	11,838	118.4%	\$14,916.3	\$13,406.7	89.9%	46,499	\$0.288
EnergyWise Multifamily	329	240	72.8%	4,207	2,834	67.4%	6,000	2,415	40.3%	\$3,062.6	\$2,195.9	71.7%	29,788	\$0.074
Home Energy Reports	3,325	2,748	82.6%	25,054	23,527	93.9%	213,750	208,594	97.6%	\$2,629.3	\$2,568.6	97.7%	23,527	\$0.109
ENERGY STAR® Lighting	4,413	6,141	139.1%	38,891	54,211	139.4%	292,150	430,649	147.4%	\$6,768.6	\$10,704.8	158.2%	304,000	\$0.035
Residential Consumer Products	429	759	176.9%	2,849	4,243	149.0%	9,682	19,609	202.5%	\$1,831.1	\$1,906.5	104.1%	30,794	\$0.062
Energy Efficiency Education Programs										\$40.0	\$0.0	0.0%		
Residential Demonstration and R&D										\$922.6	\$598.2	64.8%		
Community Based Initiatives - Residential										\$163.0	\$70.6	43.3%		
Comprehensive Marketing - Residential										\$556.7	\$456.5	82.0%		
SUBTOTAL	9,264	11,343	122.4%	79,868	94,464	118.3%	533,877	676,620	126.7%	\$33,861.5	\$34,532.0	102.0%	477,278	\$0.072
Regulatory														
OER										\$686.1	\$686.0	100.0%		
EERMC										\$686.1	\$686.1	100.0%		
SUBTOTAL										1,372.1	1,372.1	100.0%		
TOTAL	24,802	28,811	116.2%	186,855	206,209	110.4%	544,324	688,471	126.5%	\$90,221.9	\$88,122.9	97.7%	1,848,845	\$0.048
Municipal LED Street Lights										\$802.3	\$861.3	107.3%		
System Reliability Procurement										\$399.3	\$237.3	59.4%		

Development of New Schedules

- As a test case, the Company took actual 2018 Program costs and used a Division-requested set of schedules to create drafts of enhanced cost schedules
- The proposed schedules were populated with more granular data from 2018.
- The Company presented the populated draft schedules to the Division
- Further discussion occurred and additional enhancements were agreed
- The Company will supplement its report with new schedules when it files its Year End Report for the 2019 program in May
- The Company also will go back to 2018 and create a revised set of identical schedules for that program year, after completing the 2019 report

The Series of New Schedules

- To the Company's credit, they were very cooperative and helpful in the development of the new set of cost schedules
- The schedules will be designed to address the following:
 - Costs broken out by the original budgeted sub-categories
 - Further drill down on each cost category
 - Specific data on individual vendor costs
 - Threshold-based segregation of rebates received by customers
 - Visibility to costs not related to specific programs that were allocated across programs
- Examples of some of the new schedules appear in the slides that follow (these are drafts using 2018 electric EE data; final formats may be further edited)

New Cost Summary Schedule

Schedule 1 - Program and Sector Cost Summary

By Report Category

		(d)	(e)	(f)	(g)	(h)	
		(Schedule 4)	(Schedule 5)	(Schedule 6)	(Schedule 7)	(Schedule 8)	
		col a	col a	col a	col a	col a	
		Program Planning & Admin.	Marketing	Rebates and Other Customer Incentives	STAT	Evaluation & Research	
Total Costs							
1	Res New Construction (Electric)	\$767,033	\$81,499	\$1,995	\$393,861	\$273,715	\$15,963
2	ENERGY STAR HVAC (Electric)	\$1,857,069	\$78,278	\$152,517	\$1,332,017	\$288,274	\$5,982
3	EnergyWise (Electric)	\$13,406,705	\$348,317	\$385,305	\$12,300,666	\$254,444	\$117,973
4	EnergyWise Mult (Electric)	\$2,195,869	\$97,721	\$118,540	\$1,634,686	\$322,263	\$22,659
5	Home Energy Reports (Electric)	\$2,568,593	\$82,689	\$8,787	\$2,466,215	\$3,490	\$7,412
6	ENERGY STAR Lighting (Electric)	\$10,704,849	\$224,246	\$450,241	\$9,705,254	\$264,724	\$60,384
7	Res Consumer Products (Electric)	\$1,906,524	\$100,744	\$500,561	\$807,984	\$494,057	\$3,178
8	Res Connected Solutions (Electric)	\$0	\$0	\$0	\$0	\$0	\$0
9	Energy Eff. Education (Electric)	\$0	\$0	\$0	\$0	\$0	\$0
10	Residential Pilots (Electric)	\$598,244	\$55,894	\$10,138	\$122,787	\$406,246	\$3,179
11	Community Based Initiatives - Residential (Elec)	\$70,571	\$0	\$46,571	\$24,000	\$0	\$0
12	Comprehensive Marketing Residential (Electric)	\$456,510	\$5,416	\$451,057	\$0	\$0	\$36
13	OTHER RESIDENTIAL PROGRAMS (Electric)	\$0	\$0	\$0	\$0	\$0	\$0
14	Subtotal Non-Income Eligible Residential	\$34,531,966	\$1,074,803	\$2,125,713	\$28,787,471	\$2,307,214	\$236,765
15	Single Family - Inc Elig (Electric)	\$9,871,922	\$283,731	\$118,556	\$7,698,047	\$1,673,260	\$98,327
16	Income Elig - Mult (Electric)	\$2,590,534	\$91,458	\$23,170	\$2,114,584	\$344,582	\$16,740
17	Subtotal Income Eligible Residential	\$12,462,456	\$375,189	\$141,726	\$9,812,631	\$2,017,842	\$115,067
18	Large C&I New Constr (Electric)	\$5,176,973	\$361,873	\$294,267	\$3,292,877	\$1,143,263	\$84,694
19	Large Comm Retrofit (Electric)	\$22,657,199	\$1,147,065	\$244,373	\$17,707,740	\$3,236,527	\$321,494
20	Small Business Direct (Electric)	\$5,982,325	\$392,764	\$340,113	\$4,972,860	\$151,014	\$125,574
21	Commercial Connected Solutions (Electric)	\$0	\$0	\$0	\$0	\$0	\$0
22	Commercial Pilots (Electric)	\$937,980	\$119,317	\$4,802	\$678,522	\$132,160	\$3,179
23	Comprehensive Marketing C&I (Electric)	\$0	\$0	\$0	\$0	\$0	\$0
24	Community Based Initiatives - C&I (Electric)	\$1,961	\$188	\$1,774	\$0	\$0	\$0
25	Finance Costs (Electric)	\$5,000,000	\$0	\$0	\$5,000,000	\$0	\$0
26	OTHER C&I PROGRAMS (Electric)	\$0	\$0	\$0	\$0	\$0	\$0
27	Subtotal Commercial & Industrial	\$39,756,438	\$2,021,206	\$885,328	\$31,651,999	\$4,662,963	\$534,941
28	TOTAL All Sectors	\$86,750,859	\$3,471,199	\$3,152,767	\$70,252,101	\$8,988,019	\$886,774

Each column will have an accompanying schedule that drills down further on each category. All cost totals in each schedule should tie out to each other.

New Schedule Breaking Down National Grid Labor

Schedule 2 - Labor and Employee Expenses

	(a) (b)+(c)	(b) (e)+(h)	(c) (f)+(i)	(d) (e)+(f)	(e)	(f)	(g) (h)+(i)	(h)	(i)
	Total National Grid Labor + Expenses	National Grid Direct Labor + Expenses	National Grid Allocated Labor + Expenses	Total National Grid Labor	National Grid Direct Labor	National Grid Allocated Labor	Total National Grid Employee Expenses	National Grid Direct Employee Expenses	National Grid Allocated Employee Expenses
1 Res New Construction (Electric)	\$73,643	\$27,424	\$46,220	\$70,938	\$26,280	\$44,658	\$2,705	\$1,143	\$1,562
2 ENERGY STAR HVAC (Electric)	\$65,982	\$14,262	\$51,720	\$63,150	\$13,512	\$49,639	\$2,831	\$750	\$2,081
3 EnergyWise (Electric)	\$307,328	\$45,578	\$261,749	\$296,794	\$44,760	\$252,034	\$10,534	\$819	\$9,715
4 EnergyWise Mult (Electric)	\$86,147	\$14,318	\$71,829	\$82,987	\$13,617	\$69,370	\$3,160	\$701	\$2,459
5 Home Energy Reports (Electric)	\$59,911	\$2,514	\$57,397	\$57,836	\$2,458	\$55,378	\$2,075	\$56	\$2,020
6 ENERGY STAR Lighting (Electric)	\$201,171	\$27,427	\$173,744	\$193,409	\$26,684	\$166,726	\$7,761	\$743	\$7,018
7 Res Consumer Products (Electric)	\$92,795	\$15,847	\$76,948	\$88,399	\$15,468	\$72,931	\$4,396	\$379	\$4,017
8 Res Connected Solutions (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9 Energy Eff. Education (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10 Residential Pilots (Electric)	\$15,169	\$15,169	\$0	\$15,747	\$15,747	\$0	-\$578	-\$578	\$0
11 Community Based Initiatives - Residential (Electric)	\$1,059	\$1,059	\$0	\$1,059	\$1,059	\$0	\$0	\$0	\$0
12 Comprehensive Marketing Residential (Electric)	\$23,750	\$0	\$23,750	\$21,699	\$0	\$21,699	\$2,051	\$0	\$2,051
13 OTHER RESIDENTIAL PROGRAMS (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14 Subtotal Non-Income Eligible Residential	\$926,955	\$163,598	\$763,356	\$892,019	\$159,585	\$732,433	\$34,936	\$4,013	\$30,923
15 Single Family - Inc Elig (Electric)	\$233,182	\$24,949	\$208,233	\$225,344	\$24,321	\$201,022	\$7,838	\$628	\$7,210
16 Income Elig - Mult (Electric)	\$73,733	\$10,624	\$63,109	\$71,097	\$10,133	\$60,964	\$2,636	\$492	\$2,145
17 Subtotal Income Eligible Residential	\$306,915	\$35,573	\$271,341	\$296,440	\$34,454	\$261,986	\$10,475	\$1,120	\$9,355
18 Large C&I New Constr (Electric)	\$557,589	\$184,759	\$372,829	\$536,222	\$178,837	\$357,384	\$21,367	\$5,922	\$15,445
19 Large Comm Retrofit (Electric)	\$1,753,468	\$748,665	\$1,004,803	\$1,684,677	\$719,116	\$965,562	\$68,791	\$29,549	\$39,242
20 Small Business Direct (Electric)	\$366,100	\$84,248	\$281,852	\$354,936	\$83,779	\$271,157	\$11,164	\$469	\$10,695
21 Commercial Connected Solutions (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22 Commercial Pilots (Electric)	\$31,550	\$31,550	\$0	\$27,954	\$27,954	\$0	\$3,596	\$3,596	\$0
23 Comprehensive Marketing C&I (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
24 Community Based Initiatives - C&I (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25 Finance Costs (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26 OTHER C&I PROGRAMS (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
27 Subtotal Commercial & Industrial	\$2,708,707	\$1,049,222	\$1,659,485	\$2,603,789	\$1,009,686	\$1,594,103	\$104,918	\$39,537	\$65,381
28 TOTAL All Sectors	\$3,942,576	\$1,248,394	\$2,694,182	\$3,792,248	\$1,203,725	\$2,588,523	\$150,329	\$44,669	\$105,659

Draft of New Vendor Cost Schedule, Format Not finalized Yet

Schedule 3 - Expenses Categorized as Vendor Costs in Company's Systems ¹

	(a)	(b)	(c) (a) - (b)	(d)	(e)	(f) (d) + (e)	(g) (c) + (f)
	Services, Products, and Rebates Provided to Customers. ² (also referred to as "Rebates and Other Customer Incentives")	Rebate Payments Made Directly to Customers by National Grid and Rebates Paid to PEX's to Whom Customer Rebates were Assigned	Payments to Service Vendors for Costs Relating to Services, Products, and Processing Rebates (excluding costs included in col. c) ³	Direct "External Costs" ⁴ from Vendor Services	"External Costs" from Vendors Originating from an Allocation	Total of Vendor Costs Categorized as "External Costs" from Service Vendors (excluding costs included in columns a, b & c)	Total Costs from Service Vendors, Excluding Rebate Payments Made Directly to Customers by National Grid
1	Res New Construction (Gas)						
2	ENERGY STAR HVAC (Gas)						
3	EnergyWise (Gas)						
4	EnergyWise Mult (Gas)						
5	Home Energy Reports (Gas)						
6	ENERGY STAR Lighting (Gas)						
7	Res Consumer Products (Gas)						
8	Res Connected Solutions (Gas)						
9	Energy Eff. Education (Gas)						
10	Residential Pilots (Gas)						
11	Community Based Initiatives - Residential (Gas)						
12	Comprehensive Marketing Residential (Gas)						
13	OTHER RESIDENTIAL PROGRAMS (Gas)						
14	Subtotal Non-Income Eligible Residential						
15	Single Family - Inc Elig (Gas)						
16	Income Elig - Mult (Gas)						
17	Subtotal Income Eligible Residential						
18	Large C&I New Constr (Gas)						
19	Large Comm Retrofit (Gas)						
20	Small Business Direct (Gas)						
21	Commercial Connected Solutions (Gas)						
22	Commercial Pilots (Gas)						
23	Comprehensive Marketing C&I (Gas)						
24	Community Based Initiatives - C&I (Gas)						
25	C&I Multifamily (Gas)						
26	Finance Costs (Gas)						
27	OTHER C&I PROGRAMS (Gas)						
28	Subtotal Commercial & Industrial						
29	TOTAL All Sectors						

¹ The Company's accounting system treats all payments made directly to customers and vendors as one category of vendor expenses.

Rebates paid to customers through service contracts with vendors are included in the service cost of the vendor.

² This category has formally been labeled in prior year annual reports as "Rebates and Other Customer Incentives" in annual reports.

³ This cost category includes service costs plus rebates processed and paid to customers by the vendor, but excludes rebates paid directly to customers by the Company in col (b).

⁴ The term "External Costs" has been used in Company reports to identify a subset of vendor costs not included in "Rebates and Other Customer Incentives".

New Schedule Breaking Down “Program Planning & Admin Costs”

Schedule 4 - Program Planning & Administration

	(a) (b)+(e)+(h)	(b) (c)+(d)	(c)	(d)	(e) (f)+(g)	(f)	(g)	(h) (i)+(j)	(i)	(j)
	Total Costs	Total National Grid Labor Costs	National Grid Direct Labor	National Grid Allocated Labor	Total National Grid Employee Expenses	National Grid Direct Employee Expenses	National Grid Allocated Employee Expenses	External Vendor Services Costs	Direct External Services Costs	External Services Costs Originating from an Allocation
1 Res New Construction (Electric)	\$81,499	\$55,771	\$19,952	\$35,818	\$2,501	\$1,069	\$1,432	\$23,226	\$28	\$23,198
2 ENERGY STAR HVAC (Electric)	\$78,278	\$51,153	\$11,799	\$39,354	\$1,574	\$0	\$1,574	\$25,552	\$64	\$25,488
3 EnergyWise (Electric)	\$348,317	\$217,095	\$27,461	\$189,634	\$8,402	\$819	\$7,583	\$122,820	\$0	\$122,820
4 EnergyWise Mult (Electric)	\$97,721	\$62,124	\$10,942	\$51,183	\$2,398	\$351	\$2,047	\$33,198	\$49	\$33,149
5 Home Energy Reports (Electric)	\$82,689	\$49,960	\$2,458	\$47,502	\$1,955	\$56	\$1,900	\$30,773	\$8	\$30,766
6 ENERGY STAR Lighting (Electric)	\$224,246	\$139,281	\$16,841	\$122,440	\$5,609	\$713	\$4,896	\$79,356	\$55	\$79,301
7 Res Consumer Products (Electric)	\$100,744	\$61,708	\$14,463	\$47,245	\$2,218	\$329	\$1,889	\$36,817	\$6,218	\$30,599
8 Res Connected Solutions (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9 Energy Eff. Education (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10 Residential Pilots (Electric)	\$55,894	\$14,991	\$14,991	\$0	\$0	\$0	\$0	\$40,903	\$40,903	\$0
11 Community Based Initiatives - Residential (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12 Comprehensive Marketing Residential (Electric)	\$5,416	\$3,209	\$0	\$3,209	\$128	\$0	\$128	\$2,079	\$0	\$2,079
13 OTHER RESIDENTIAL PROGRAMS (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14 Subtotal Non-Income Eligible Residential	\$1,074,803	\$655,293	\$118,907	\$536,386	\$24,786	\$3,337	\$21,449	\$394,724	\$47,324	\$347,400
15 Single Family - Inc Elig (Electric)	\$283,731	\$178,084	\$25,341	\$152,742	\$6,721	\$613	\$6,108	\$98,926	\$0	\$98,926
16 Income Elig - Mult (Electric)	\$91,458	\$58,086	\$10,133	\$47,954	\$2,269	\$351	\$1,918	\$31,103	\$45	\$31,058
17 Subtotal Income Eligible Residential	\$375,189	\$236,170	\$35,474	\$200,696	\$8,990	\$965	\$8,026	\$130,029	\$45	\$129,985
18 Large C&I New Constr (Electric)	\$361,873	\$147,221	\$16,023	\$131,198	\$5,619	\$1,473	\$4,146	\$209,033	\$24,156	\$184,878
19 Large Comm Retrofit (Electric)	\$1,147,065	\$388,312	\$27,725	\$360,586	\$12,592	\$1,198	\$11,395	\$746,161	\$238,040	\$508,121
20 Small Business Direct (Electric)	\$392,764	\$165,136	\$7,580	\$157,556	\$4,979	\$0	\$4,979	\$222,649	\$628	\$222,020
21 Commercial Connected Solutions (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22 Commercial Pilots (Electric)	\$119,317	\$18,775	\$18,775	\$0	\$41	\$41	\$0	\$100,502	\$100,502	\$0
23 Comprehensive Marketing C&I (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
24 Community Based Initiatives - C&I (Electric)	\$188	\$0	\$0	\$0	\$0	\$0	\$0	\$188	\$188	\$0
25 Finance Costs (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26 OTHER C&I PROGRAMS (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
27 Subtotal Commercial & Industrial	\$2,021,206	\$719,444	\$70,103	\$649,340	\$23,231	\$2,711	\$20,519	\$1,278,532	\$363,513	\$915,019
28 TOTAL All Sectors	\$3,471,199	\$1,610,906	\$224,484	\$1,386,422	\$57,007	\$7,013	\$49,994	\$1,803,285	\$410,882	\$1,392,403

New Schedule Breaking Down Marketing Costs

Schedule 5 - Marketing

	(a) (b)+(e)+(h)+(k)	(b) (c)+(g)	(c)	(d)	(e) (f)+(g)	(f)	(g)	(h) (i)+(j)	(i)	(j)
	Total Costs	Total National Grid Labor Costs	National Grid Direct Labor	National Grid Allocated Labor	Total National Grid Employee Expenses	National Grid Direct Employee Expenses	National Grid Allocated Employee Expenses	External Vendor Services Costs	Direct External Services Costs	External Services Costs Originating from an Allocation
1 Res New Construction (Electric)	\$1,995	\$83	\$0	\$83	\$9	\$0	\$9	\$1,903	\$0	\$1,903
2 ENERGY STAR HVAC (Electric)	\$152,517	\$5,351	\$1,713	\$3,639	\$622	\$244	\$379	\$146,544	\$63,263	\$83,280
3 EnergyWise (Electric)	\$385,305	\$32,231	\$18,318	\$13,913	\$1,448	\$0	\$1,448	\$351,626	\$33,202	\$318,423
4 EnergyWise Mult (Electric)	\$118,540	\$4,145	\$2,675	\$1,470	\$363	\$210	\$153	\$114,032	\$80,382	\$33,651
5 Home Energy Reports (Electric)	\$8,787	\$366	\$0	\$366	\$38	\$0	\$38	\$8,383	\$0	\$8,383
6 ENERGY STAR Lighting (Electric)	\$450,241	\$27,139	\$9,829	\$17,310	\$1,832	\$30	\$1,802	\$421,270	\$25,093	\$396,177
7 Res Consumer Products (Electric)	\$500,561	\$20,046	\$976	\$19,070	\$2,034	\$50	\$1,985	\$478,481	\$42,020	\$436,461
8 Res Connected Solutions (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9 Energy Eff. Education (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10 Residential Pilots (Electric)	\$10,138	\$0	\$0	\$0	\$0	\$0	\$0	\$10,138	\$10,138	\$0
11 Community Based Initiatives - Residential (Electric)	\$46,571	\$1,059	\$1,059	\$0	\$0	\$0	\$0	\$45,512	\$45,512	\$0
12 Comprehensive Marketing Residential (Electric)	\$451,057	\$18,471	\$0	\$18,471	\$1,922	\$0	\$1,922	\$430,664	\$7,919	\$422,745
13 OTHER RESIDENTIAL PROGRAMS (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14 Subtotal Non-Income Eligible Residential	\$2,125,713	\$108,892	\$34,571	\$74,322	\$8,268	\$533	\$7,735	\$2,008,553	\$307,530	\$1,701,023
15 Single Family - Inc Elig (Electric)	\$118,556	\$4,333	\$0	\$4,333	\$466	\$15	\$451	\$113,758	\$14,589	\$99,168
16 Income Elig - Mult (Electric)	\$23,170	\$317	\$0	\$317	\$33	\$0	\$33	\$22,819	\$15,558	\$7,262
17 Subtotal Income Eligible Residential	\$141,726	\$4,650	\$0	\$4,650	\$499	\$15	\$484	\$136,577	\$30,147	\$106,430
18 Large C&I New Constr (Electric)	\$294,267	\$19,642	\$4,177	\$15,464	\$1,825	\$79	\$1,746	\$272,801	\$92,257	\$180,544
19 Large Comm Retrofit (Electric)	\$244,373	\$17,970	\$6,354	\$11,616	\$1,595	\$284	\$1,311	\$224,808	\$89,197	\$135,611
20 Small Business Direct (Electric)	\$340,113	\$36,775	\$22,609	\$14,166	\$1,783	\$184	\$1,599	\$301,554	\$136,162	\$165,392
21 Commercial Connected Solutions (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22 Commercial Pilots (Electric)	\$4,802	\$0	\$0	\$0	\$0	\$0	\$0	\$4,802	\$4,802	\$0
23 Comprehensive Marketing C&I (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
24 Community Based Initiatives - C&I (Electric)	\$1,774	\$0	\$0	\$0	\$0	\$0	\$0	\$1,774	\$1,774	\$0
25 Finance Costs (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26 OTHER C&I PROGRAMS (Electric)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
27 Subtotal Commercial & Industrial	\$885,328	\$74,387	\$33,140	\$41,246	\$5,203	\$546	\$4,657	\$805,738	\$324,191	\$481,547
28 TOTAL All Sectors	\$3,152,767	\$187,929	\$67,711	\$120,218	\$13,970	\$1,094	\$12,876	\$2,950,868	\$661,868	\$2,289,000

Similar Schedules for Other Cost Categories

- Schedules mirroring Schedule 4 (Program Planning & Administration) and Schedule 5 (Marketing) will be created for two of the other cost categories:
 - Schedule 7: Sales, Technical Assistance & Training (STAT)
 - Schedule 8: Evaluation and Market Research
- Schedule 6 will attempt to address the split between vendor costs and rebates paid to customers, for costs included in the current category labeled “Rebates and Other Customer Incentives”
 - This category may be renamed for clarity

New Schedule Regarding Costs Shared with Other States

Schedule 9 - Shared Cross-Jurisdictional Costs (Non-Labor)

(Non-Labor Services/Costs that are Shared with Other Jurisdictions and are Allocated to Rhode Island)

<100K only for RI

	(a)	(b) (c)x(a)	(b) (c)x(a)	(b) (c)x(a)	(c)	(c)	(c)	(d)	(e)
Description of Service/Cost	Total Cost Used as Basis for Allocation	Total Allocated to Rhode Island	Total Allocated to RI-ELEC	Total Allocated to RI-GAS	% to Rhode Island	% to RI-ELEC	% to RI-GAS	% to Mass.	% to New York
1 Charged to DSM - InDemand Support & Releas	\$306,133	\$65,942	\$47,492	\$18,450	22%	16%	6%	78%	0%
2 Charged to DSM - InDemand Support & Releas	\$2,840,469	\$545,732	\$403,045	\$142,687	19%	14%	5%	66%	15%
3 Charged to DSM - InDemand Support & Releas	\$293,172	\$57,755	\$43,096	\$14,659	20%	15%	5%	67%	14%
4									
5 DSM & CMS Quarterly Journal Entries	\$368,625	\$74,170	\$54,646	\$19,524	20%	15%	5%	68%	12%
6									
7 Charged to DSM - Advertising	\$4,605	\$3,323	\$2,109	\$1,213	72%	46%	26%	0%	28%
8 Charged to DSM - Advertising	\$11,011	\$10,669	\$10,104	\$565	97%	92%	5%	0%	3%
9 Charged to DSM - Advertising	\$18,886	\$1,572	\$0	\$1,572	8%	0%	8%	18%	73%
10 Charged to DSM - Advertising	\$6,704	\$2,794	\$2,794	\$0	42%	42%	0%	52%	7%
11 Charged to DSM - Advertising	\$84,693	\$12,335	\$8,242	\$4,094	15%	10%	5%	40%	46%
12 Charged to DSM - Advertising	\$335,261	\$61,429	\$43,841	\$17,587	18%	13%	5%	38%	44%
13 Charged to DSM - Advertising	\$156,761	\$38,174	\$30,316	\$7,858	24%	19%	5%	55%	21%

Confidential Vendor Data Schedules

- The Company will provide confidential schedules that provide more specific data regarding costs incurred through outside vendors
- The Division has honored the Company's request to keep these schedules confidential, so as not to publicly reveal individual vendor data
- One schedule will identify vendor costs (by vendor) for each program
- A second schedule will show aggregate total costs of each vendor receiving \$1 million or more from all programs during the program year
 - NOTE: Vendor schedules of this type were produced for the Division relating to the costs from the 2018 Program Year
 - The vendor schedules provide important insight into cost incurrence

(see the next slide)

Vendor Costs from 2018 Program

- The total amount of vendor costs from the list of vendors who invoiced the Company \$1 million or more was **\$91 million** in 2018.
- The \$91 million included **both** service costs **plus** rebates paid by vendors to customers
- Placing this in context,
 - the total 2018 electric program vendor costs were \$89 million and the total gas program vendor costs were \$27 million;
 - total for both = \$116 million.
- Thus, the total costs from this subset of vendors (including cost of services plus rebates paid by the vendor) made up **78% of all program costs** charged to ratepayers in 2018.
- Of that total, **only four vendors** on this list made up approximately **71%** of the \$91 million (or 56% of the total combined electric and gas programs).
- It is not clear through the current reporting schedules how much was services cost and how much was rebate funding. This information will be provided in the new schedules

Where We Go from Here

- The Company is working diligently to file its Year-End Report for 2019 (due May 1)
- Company represented that it will attempt to have a full set of the enhanced schedules included with the filing
- Review of confidential vendor data will require a Non-disclosure agreement, assuming the PUC grants the Company's motion for a protective order
- The Division assured the Company that if more time was needed on any specific schedule, it is better to file quality data than rushing an important schedule to a May 1 deadline
- This will be the first program review with this new data in the new formats
- Further enhancements may evolve as experience is gained
- The schedules could be very helpful for the budget process in planning for the 2021 program
- The granularity also will provide a foundation for further inquiry on some costs that have not been completely visible during the review and budgeting processes in the past