

THE NARRAGANSETT ELECTRIC COMPANY  
PERFORMANCE INCENTIVE RECOVERY PROVISION

The prices for Retail Delivery Service contained in each of the Company's rate class tariffs are subject to adjustment to reflect Performance Incentive Factor ("PIF"), designed to recover the amount of annual incentive under the Company's Performance Incentive Mechanisms ("PIMs") as approved by the Commission pursuant to this Performance Incentive Recovery ("PIR") Provision.

The PIF shall recover the performance incentives earned by the Company as a result of the Company achieving specific performance metrics pertaining to achievement of objectives as defined by the Commission. Except otherwise noted in Appendix A, the Company shall measure actual performance against the performance metrics identified below during the calendar years shown.

The performance incentives defined below and detailed in Appendix A shall allow the Company to earn incentives based on actual performance measured against each of the performance metrics, resulting in a dollar value earned by the Company. The Company shall aggregate the dollar values for all applicable performance metrics to determine the total dollar value earned by the Company for performance in the prior calendar year.

The Company shall not earn a performance incentive for actual performance which falls below the minimum performance level identified for each performance metric. The Company shall use linear interpolation to calculate the dollar value of any performance incentive earned that falls between the target level and minimum value, and target value and maximum value.

**PERFORMANCE INCENTIVE MECHANISMS**

**System Efficiency**

The System Efficiency incentive shall include the opportunity for the Company to earn performance incentives based on performance during a calendar year, in the area of Annual MW Capacity Savings, measured as the estimated avoided MW capacity from the following resources:

- (1) the installation of incremental behind-the-meter solar PV DG in excess of that forecasted by the Company;
- (2) the Company's residential and commercial and industrial demand response programs;
- (3) incremental installed energy storage capacity; and
- (4) any additional actions that the Company can identify to reduce peak demand, including non-wires alternatives expected to influence system peak that are not captured already under this or other metrics, and partnerships with third parties to provide peak reduction solutions.

THE NARRAGANSETT ELECTRIC COMPANY  
PERFORMANCE INCENTIVE RECOVERY PROVISION

Appendix A to this PST Provision provides the metrics and the incentive value associated with a range of outcomes. The incentives associated with performance between minimum and target levels or maximum and target levels will be determined linearly.

**REPORTING PERFORMANCE**

The Company shall file an annual PIM report with the Commission by March 1 annually. The annual performance report shall contain the following: (1) comparing the Company's performance relative to each performance incentive mechanism target; (2) describing the savings achieved; (3) calculating incentives earned, including proration of any incentives related to metric achievement between the minimum, midpoint, and the maximum target levels; and (4) any targets not achieved. The Company shall file a mid-year update on or before September 1 annually that describes the Company's progress toward each PIM metric target and the actions taken by the Company to achieve target performance. The mid-year update will also include an assessment of whether and, for the Annual MW Capacity Savings PIM, through which measures the Company expects to meet its annual PIM targets.

In the annual performance report submitted by March 1, the Company shall also propose the PIF based upon the incentives included in the report. The PIR shall be calculated as the amount of earned incentives divided by the forecasted kilowatt-hour deliveries for the recovery period. Unless otherwise directed by the Commission, the PIF shall be effective for usage on and after July 1 subsequent to the March 1 annual report. The amount to be recovered through the PIF shall be reconciled to actual revenue billed through the PIF during the recovery period, and any difference shall be reflected in a future PIF.

**ADJUSTMENTS TO RATES**

Modifications to the factor contained in this PIR Provision shall be in accordance with a notice filed with the Commission setting forth the amount of the revised factor and the amount of the increase or decrease. The notice shall further specify the effective date of such charges.

THE NARRAGANSETT ELECTRIC COMPANY  
 PERFORMANCE INCENTIVE RECOVERY PROVISION

APPENDIX A

**I. System Efficiency Incentives**

a. Annual MW Capacity Savings: Targets and Maximum Earnings Opportunity

	CY 2019	CY 2020	CY 2021
Minimum	14	17	21
Target	17	21	24
Maximum	20	25	29
Earnings at Maximum	\$362,085	\$622,370	\$944,141

For reporting performance on this metric, the Company shall submit resource-specific estimated MW savings. Performance against the target is not based on any pre-determined mix of qualifying resources, but rather a total count of MW savings across all categories. For existing eligible resources, the Company shall base savings on the following assumptions:

- (1) For solar PV, the Company will estimate the peak impact as the product of annual incremental installed capacity in excess of forecast levels available at the time of the ISO New England system peak, multiplied by a coincidence factor of 0.21. The Company will report the forecast capacity and peak impacts of PV included in its annual peak forecast for the compliance year from the most recent annual forecast.<sup>1</sup>
- (2) For residential Demand Response under the Company's Connected Solutions program, the Company will report the number of participating customers multiplied by a deemed kW savings value per thermostat of 0.46 kW. Should the Company modify the structure of this program or otherwise expand residential demand response offerings, the calculation of savings will be appropriately modified. Any such modifications to the incentive calculation will be presented to the Commission for review and approval prior to the commencement of the relevant performance year.
- (3) For commercial and industrial Demand Response, the Company will report the average observed MW savings over called events.
- (4) For any resources not listed above, the Company will report the calculation of resource-specific savings and provide explanation of any underlying assumptions.

---

<sup>1</sup> For example, the Company's 2018 peak forecast projects incremental peak impacts from load-reducing solar PV in 2019 of 7.41 MW (35.3 MW of incremental capacity) in 2019.