

Earnings Adjustment Mechanisms

New York State Electric & Gas Corporation – Electric
New York State Electric & Gas Corporation – Gas
Rochester Gas and Electric Corporation – Electric
Rochester Gas and Electric Corporation – Gas

INCENTIVE SUMMARY

Commencing with the term of the Rate Plan, the Companies will implement for the first time the following seven Earnings Adjustment Mechanisms (“EAMs”) associated with their electric or gas business during the Rate Plan: (1) Electric Share the Savings (“ESTS”); (2) Heat Pump Share the Savings (“HPSTS”); (3) Beneficial Electrification (“BE”); (4) Distributed Energy Resources (“DER”) Utilization; (5) Electric Peak Reduction (“EPR”); (6) Gas Share the Savings (“GSTS”); and (7) Gas Heating Load Peak Reduction (“GPR”). The EAMs will be measured on a rate year basis for RY1, RY2, and RY3. These EAMs will be in effect during the term of the Rate Plan and will remain in effect at the end of the term until extended or terminated by the Commission in a future rate proceeding. Table 1 and Table 2 below contain the EAMs and the incentives associated with each EAM’s minimum, midpoint, and maximum values. Adjustments to Rate Year 1 incentive levels and targets related to the COVID-19 pandemic are described later in this Appendix X:

Table 1: NYSEG Summary

EAM	Description		Rate Year 1	Rate Year 2	Rate Year 3
			(EAMs in \$)		
			NYSEG	NYSEG	NYSEG
Electric Share the Savings	Based on lifetime MWh savings' unit cost reductions.	Min	30% of \$ / Lifetime MWh Savings applied to acquired EE Savings		
		Mid			
		Max			
Heat Pump Share the Savings	Based on lifetime MMBTU savings' unit cost reductions.	Min	30% of \$ / Lifetime MMBtu Savings applied to acquired Heat Pump Savings		
		Mid			
		Max			
Beneficial Electrification	Based on GHG reductions provided by Heat Pumps and EVs.	Min	\$ 403,286	\$ 448,024	\$ 509,009
		Mid	\$ 806,571	\$ 896,048	\$ 1,018,018
		Max	\$ 1,613,143	\$ 1,792,095	\$ 2,036,037
DER Utilization	Based on Solar and Storage installations (in MWh).	Min	\$ 403,286	\$ 448,024	\$ 509,009
		Mid	\$ 1,209,857	\$ 1,344,071	\$ 1,527,027
		Max	\$ 2,419,714	\$ 2,688,143	\$ 3,054,055
Electric Peak Reduction	Based on electric peak reduction below NYISO ICAP forecast for Company service territories.	Min	\$ 403,286	\$ 448,024	\$ 509,009
		Mid	\$ 806,571	\$ 896,048	\$ 1,018,018
		Max	\$ 1,613,143	\$ 1,792,095	\$ 2,036,037
Total Electric	Sum of all electric EAMs; includes the Share the Savings EAMs.	Min	\$ 1,209,857	\$ 1,344,071	\$ 1,527,027
		Mid	\$ 5,574,681	\$ 6,276,588	\$ 7,395,978
		Max	\$ 10,037,858	\$ 11,408,317	\$ 13,409,237
Gas Share the Savings	Based on lifetime MMBTU savings' unit cost reductions.	Min	30% of \$ / Lifetime MMBtu Savings applied to acquired EE Savings		
		Mid			
		Max			
Gas Heating Load Peak Reduction	Based on gas peak day per heating degree day usage reductions.	Min	\$ 109,744	\$ 120,370	\$ 132,085
		Mid	\$ 219,488	\$ 240,740	\$ 264,171
		Max	\$ 438,976	\$ 481,481	\$ 528,341
Total Gas	Sum of all gas EAMs; includes the Share the Savings EAM.	Min	\$ 109,744	\$ 120,370	\$ 132,085
		Mid	\$ 505,056	\$ 646,099	\$ 767,822
		Max	\$ 871,654	\$ 1,095,661	\$ 1,291,450

Table 2: RG&E Summary

EAM	Description		Rate Year 1	Rate Year 2	Rate Year 3
			(EAMs in \$)		
			RG&E	RG&E	RG&E
Electric Share the Savings	Based on lifetime MWh savings' unit cost reductions.	Min	30% of \$ / Lifetime MWh Savings applied to acquired EE Savings		
		Mid			
		Max			
Heat Pump Share the Savings	Based on lifetime MMBTU savings' unit cost reductions.	Min	30% of \$ / Lifetime MMBtu Savings applied to acquired Heat Pump Savings		
		Mid			
		Max			
Beneficial Electrification	Based on GHG reductions provided by Heat Pumps and EVs.	Min	\$ 249,215	\$ 301,828	\$ 333,270
		Mid	\$ 498,431	\$ 603,656	\$ 666,540
		Max	\$ 996,862	\$ 1,207,311	\$ 1,333,080
DER Utilization	Based on Solar and Storage installations (in MWh).	Min	\$ 249,215	\$ 301,828	\$ 333,270
		Mid	\$ 747,646	\$ 905,484	\$ 999,810
		Max	\$ 1,495,293	\$ 1,810,967	\$ 1,999,620
Electric Peak Reduction	Based on electric peak reduction below NYISO ICAP forecast for Company service territories.	Min	\$ 249,215	\$ 301,828	\$ 333,270
		Mid	\$ 498,431	\$ 603,656	\$ 666,540
		Max	\$ 996,862	\$ 1,207,311	\$ 1,333,080
Total Electric	Sum of all electric EAMs; includes the Share the Savings EAMs.	Min	\$ 747,646	\$ 905,484	\$ 999,810
		Mid	\$ 3,182,340	\$ 3,582,243	\$ 4,066,402
		Max	\$ 5,694,413	\$ 6,495,835	\$ 7,348,789
Gas Share the Savings	Based on lifetime MMBTU savings' unit cost reductions.	Min	30% of \$ / Lifetime MMBtu Savings applied to acquired EE Savings		
		Mid			
		Max			
Gas Heating Load Peak Reduction	Based on gas peak day per heating degree day reduction.	Min	\$ 85,371	\$ 92,280	\$ 106,185
		Mid	\$ 170,742	\$ 184,560	\$ 212,370
		Max	\$ 341,483	\$ 369,120	\$ 424,739
Total Gas	Sum of all gas EAMs; includes the Share the Savings EAM.	Min	\$ 85,371	\$ 92,280	\$ 106,185
		Mid	\$ 462,887	\$ 559,563	\$ 651,750
		Max	\$ 784,128	\$ 937,307	\$ 1,090,468

The following is a summary of the EAM basis point achievement levels; details regarding the EAMs, including metrics, associated achievement, and basis points are more fully described below.

NYSEG

Electric-Only EAMs

	Level	Rate Year 1	Rate Year 2	Rate Year 3
Electric EE Share the Savings	Minimum	0.0	0.0	0.0

	Midpoint	14.2	13.2	14.0
	Maximum	21.5	20.0	21.2
Heat Pump Share the Savings	Minimum	0.0	0.0	0.0
	Midpoint	2.8	4.3	4.8
	Maximum	5.7	8.7	9.6
Beneficial Electrification	Minimum	2.5	2.5	2.5
	Midpoint	5.0	5.0	5.0
	Maximum	10.0	10.0	10.0
DER Utilization	Minimum	2.5	2.5	2.5
	Midpoint	7.5	7.5	7.5
	Maximum	15.0	15.0	15.0
Electric Peak Reduction	Minimum	2.5	2.5	2.5
	Midpoint	5.0	5.0	5.0
	Maximum	10.0	10.0	10.0
Total	Minimum	7.5	7.5	7.5
	Midpoint	34.6	35.0	36.3
	Maximum	62.2	63.7	65.8

NYSEG

Gas-Only EAMs

	Level	Rate Year 1	Rate Year 2	Rate Year 3
Gas EE Share the Savings	Minimum	0.0	0.0	0.0
	Midpoint	6.5	8.4	9.5
	Maximum	9.9	12.8	14.4
Gas Heating Load Peak Reduction	Minimum	2.5	2.5	2.5
	Midpoint	5.0	5.0	5.0
	Maximum	10.0	10.0	10.0
Total	Minimum	2.5	2.5	2.5
	Midpoint	11.5	13.4	14.5

	Maximum	19.9	22.8	24.4
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RG&E

Electric-Only EAMs

	Level	Rate Year 1	Rate Year 2	Rate Year 3
Electric EE Share the Savings	Minimum	0.0	0.0	0.0
	Midpoint	13.9	11.4	12.1
	Maximum	21.0	17.3	18.4
Heat Pump Share the Savings	Minimum	0.0	0.0	0.0
	Midpoint	0.6	0.7	0.9
	Maximum	1.1	1.5	1.7
Beneficial Electrification	Minimum	2.5	2.5	2.5
	Midpoint	5.0	5.0	5.0
	Maximum	10.0	10.0	10.0
DER Utilization	Minimum	2.5	2.5	2.5
	Midpoint	7.5	7.5	7.5
	Maximum	15.0	15.0	15.0
Electric Peak Reduction	Minimum	2.5	2.5	2.5
	Midpoint	5.0	5.0	5.0
	Maximum	10.0	10.0	10.0
Total	Minimum	7.5	7.5	7.5
	Midpoint	31.9	29.7	30.5
	Maximum	57.1	53.8	55.1

RG&E

Gas-Only EAMs

	Level	Rate Year 1	Rate Year 2	Rate Year 3
Gas EE Share the Savings	Minimum	0.0	0.0	0.0
	Midpoint	8.6	10.2	10.3
	Maximum	13.0	15.4	15.7
Gas Heating Load Peak Reduction	Minimum	2.5	2.5	2.5
	Midpoint	5.0	5.0	5.0
	Maximum	10.0	10.0	10.0
Total	Minimum	2.5	2.5	2.5

	Midpoint	13.6	15.2	15.3
	Maximum	23.0	25.4	25.7

The table below provides a summary of the value of a basis point for each rate year for each Company's electric and gas business.

<u>NYSEG:</u> <u>Value of an EAM basis point</u>	Rate Year 1	Rate Year 2	Rate Year 3
Electric (\$) [RY _x \$ BP Electric]	\$ 161,314	\$ 179,210	\$ 203,604
Gas (\$) [RY _x \$ BP Gas]	\$ 43,898	\$ 48,148	\$ 52,834

<u>RG&E:</u> <u>Value of an EAM basis point</u>	Rate Year 1	Rate Year 2	Rate Year 3
Electric (\$) [RY _x \$ BP Electric]	\$ 99,686	\$ 120,731	\$ 133,308
Gas (\$) [RY _x \$ BP Gas]	\$ 34,148	\$ 36,912	\$ 42,474

NYSEG TARGET SUMMARY: EARNINGS ADJUSTMENT MECHANISMS

EAM	Units	Level	Rate Year 1	Rate Year 2	Rate Year 3
			NYSEG	NYSEG	NYSEG
Electric Share the Savings		Base (MWh)	89,262	96,572	120,287
		Budget (\$)	\$ 23,465,797	\$ 24,348,006	\$ 29,010,139
		EUL (years)	10.0	10.0	10.0
		Cost (\$/Lifetime MWh)	\$ 26.29	\$ 25.21	\$ 24.12
Gas Share the Savings		Base (MMBtu)	132,141	149,818	167,658
		Budget (\$)	\$ 2,897,761	\$ 4,220,725	\$ 5,221,802
		EUL (years)	15.4	15.4	15.4
		Cost (\$/Lifetime MMBtu)	\$ 1.42	\$ 1.83	\$ 2.02
Heat Pump Share the Savings		Base (MMBtu)	63,614	117,911	153,328
		Budget (\$)	\$ 6,204,522	\$ 10,605,014	\$ 13,173,160
		EUL (years)	19.0	19.0	19.0
		Cost (\$/Lifetime MMBtu)	\$ 5.12	\$ 4.72	\$ 4.51
Beneficial Electrification¹	Lifetime CO ₂ e Savings	Min	335,853	517,894	664,720
		Mid	399,825	616,541	791,333
		Max	479,790	739,849	949,600
DER Utilization	Total Annual MWh	Min	99,307	70,662	102,420
		Mid	118,223	96,700	145,759
		Max	141,867	131,134	203,508
Electric Peak Reduction	NYISO Reported Peak (MW)	Forecasted Peak	3074.7		
		Min	3020.9		
		Mid	2994.3		
		Max	2967.8		
Gas Heating Load Peak Reduction²	% Reduction Below Prior Year Heat Factor	Prior Year HF	5,400		
		Min	0.4%		
		Mid	1.5%		
		Max	2.6%		

¹ BE targets will be updated pursuant to the Companies’ compliance filings (“Heat Pump Compliance Filings”) filed pursuant to the Commission’s Order Authorizing Utility Energy Efficiency and Building Electrification Portfolios Through 2025 issued January 16, 2020 in Case 18-M-0084 – In the Matter of a Comprehensive Energy Efficiency Initiative (“January 16, 2020 Order”).

² Gas peak numbers given are for “Rate Year 0,” (Winter 2019/2020) and will be calculated for RY1 to include actual performance in Rate Year 0 as further explained in this Appendix.

RG&E TARGET SUMMARY: EARNINGS ADJUSTMENT MECHANISMS

EAM	Units	Level	Rate Year 1	Rate Year 2	Rate Year 3
			RG&E	RG&E	RG&E
Electric Share the Savings		Base (MWh)	52,961	58,155	69,591
		Budget (\$)	\$ 14,137,818	\$ 14,788,092	\$ 16,947,479
		EUL (years)	11.2	11.2	11.2
		Cost (\$/Lifetime MWh)	\$ 23.83	\$ 22.70	\$ 21.74
Gas Share the Savings		Base (MMBtu)	153,246	172,393	192,920
		Budget (\$)	\$ 2,965,890	\$ 3,915,064	\$ 4,612,178
		EUL (years)	14.6	14.6	14.6
		Cost (\$/Lifetime MMBtu)	\$ 1.33	\$ 1.56	\$ 1.64
Heat Pump Share the Savings		Base (MMBtu)	7,541	14,206	18,304
		Budget (\$)	\$ 747,986	\$ 1,278,915	\$ 1,611,466
		EUL (years)	19.7	19.7	19.7
		Cost (\$/Lifetime MMBtu)	\$ 5.05	\$ 4.58	\$ 4.48
Beneficial Electrification³	Lifetime CO _{2e} Savings	Min	104,814	149,794	190,782
		Mid	124,779	178,327	227,121
		Max	149,735	213,992	272,545
DER Utilization	Total Annual MWh	Min	45,360	34,352	45,385
		Mid	54,000	53,736	86,503
		Max	64,800	79,894	142,771
Electric Peak Reduction	NYISO Reported Peak (MW)	Forecasted Peak	1,531.6		
		Min	1,484.9		
		Mid	1,461.2		
		Max	1,437.6		
Gas Heating Load Peak Reduction⁴	% Reduction Below Prior Year Heat Factor	Forecasted Peak	5,366		
		Min	1.4%		
		Mid	5.7%		
		Max	9.9%		

³ BE targets will be updated pursuant to the Heat Pump Compliance Filings.

⁴ Gas peak numbers given are for “Rate Year 0,” (Winter 2019/2020) and will be calculated for RY1 to include actual performance in Rate Year 0 as further explained in this Appendix.

COVID-19 ADJUSTMENTS

The following adjustments will be made to Rate Year 1 targets and awards necessitated by the ongoing COVID-19 pandemic:

EAM	Target Adjustment or New Formula (Share the Savings EAMs)
	Rate Year 1
	NYSEG and RG&E
Electric Share the Savings	$= \left\{ \left[\left(\frac{\$}{MWh_{lifetime}} \right)_{authorized} - \left(\frac{\$}{MWh_{lifetime}} \right)_{achieved} \right] * (MWh_{lifetime})_{achieved} * (30\%) \right\} * \left(\frac{MWh_{achieved}}{MWh_{authorized}} \right)$ <p>No minimum MWh threshold. Company share not to exceed 30% of savings.</p>
Heat Pump Share the Savings	$= \left\{ \left[\left(\frac{\$}{MMBtu_{lifetime}} \right)_{authorized} - \left(\frac{\$}{MMBtu_{lifetime}} \right)_{achieved} \right] * (MMBtu_{lifetime})_{achieved} * (30\%) \right\} * \left(\frac{MMBtu_{achieved}}{MMBtu_{authorized}} \right)$ <p>No minimum MMBtu threshold. Company share not to exceed 30% of savings.</p>
Beneficial Electrification	<p>EV Lifetime CO₂ Reductions: Adjusted by the change in new vehicle sales (from DMV data), in New York state. Sales of all vehicles in New York state during Rate Year 1 relative to sales during the 12 months preceding Rate Year 1.</p> <p>Heat Pumps Lifetime CO₂ Reductions: Adjusted by the $\left(\frac{MMBtu_{achieved}}{MMBtu_{authorized}} \right)$ adjustment ratio from Heat Pump STS EAM.</p>
DER Utilization	<p>Adjusted downward subject to number of days of NY on PAUSE</p> $\text{Adjustment Factor} = \frac{365 - \text{Number of Days of NY on PAUSE}}{365}$ <p>If NY on PAUSE is lifted at different times in different regions of NYSEG’s territory, the average number of days will be used for all appropriate regions for NYSEG. For RG&E the region that encompasses Rochester will be used.</p>
Electric Peak Reduction	<p>Average of Hourly Load Deficit (versus expected use) from the hours of 2 PM to 6 PM from NYISO data available nearest July 1, 2020.</p> <p>NYSEG – Average of Zones A-G. RG&E – Zone B only.⁵</p>
Gas Share the Savings	$= \left\{ \left[\left(\frac{\$}{MMBtu_{lifetime}} \right)_{authorized} - \left(\frac{\$}{MMBtu_{lifetime}} \right)_{achieved} \right] * (MMBtu_{lifetime})_{achieved} * (30\%) \right\} * \left(\frac{MMBtu_{achieved}}{MMBtu_{authorized}} \right)$ <p>No minimum MMBtu threshold. Company share not to exceed 30% of savings.</p>
Gas Heating Load Peak Reduction	<p>No target adjustment.</p>

⁵ <https://www.nyiso.com/documents/20142/12174395/NYISO-COVID-19-DemandImpactEstimates-20200505.pdf/f0867663-0b74-9724-38ab-8802f85b6a0d?t=1588787286990>

EAM	Awards
	Rate Year 1
	NYSEG and RG&E
Electric, Gas, and Heat Pump Share the Savings	Formula in prior table describes award levels.
Beneficial Electrification and DER Utilization	$Adjusted\ Incentive = Incentive * Adjustment\ Factor$
Electric Peak Reduction	$Adjusted\ Incentive = Incentive * (1 - Adjustment\ Factor)$
Gas Heating Load Peak Reduction	No award adjustment

For the Beneficial Electrification and DER Utilization EAMs, the Adjustment Factor is equal to the percentage of adjusted targets relative to the agreed upon targets (Pages 7 and 8 of the Appendix X). For example, if the original target is 100, and the adjusted target is 99, the adjustment factor is 99%, implying that the adjusted incentive is 99% of the original incentive.

For the Electric Peak Reduction EAMs, the Adjustment Factor is equal to the percentage reduction of adjusted targets relative to the agreed upon targets (Pages 7 and 8 of the Appendix X). For example, if the original target is 100, and the adjusted target is 99, the adjustment factor is 99%, implying that the adjusted incentive is 101% of the original incentive of the original incentive.

For any EAM that is adjusted downward, if NYSEG and/or RG&E achieves the original maximum target level (Pages 7 and 8 of this Appendix X) they shall be awarded the maximum incentive without adjustment. The EAMs subject to this clause are the Beneficial Electrification EAM and the DER Utilization EAM.

EAM CALCULATIONS

1.0 Electric EAMs

1.1 Electric Share the Savings EAM

1.1.1 Description

The ESTS EAM is designed to reduce unit costs for each Company's electric energy efficiency ("EE") portfolio by reducing the unit cost of lifetime energy savings (on a dollar per lifetime Megawatt-hour ("MWh") basis) below unit cost levels as approved in the Commission's Order Adopting Accelerated Energy Efficiency Targets, issued December 13, 2018 in Case 18-M-0084 and the January 16, 2020 Order, while increasing the overall achievement level of energy savings. Under the ESTS EAM, each Company will be awarded 30% of unit cost savings realized from the respective Company's acquired electric EE savings once the Company has met minimum electric EE lifetime savings targets, as provided in the metric described below.

1.1.2 Metric

The EAM performance and associated Company incentive will be calculated by determining: (i) the electric EE unit cost savings relative to the baseline unit cost; (ii) applying that to the acquired EE savings; and (iii) applying a percent share to the result, in this case 30%. The following formula represents this calculation.

$$\text{Electric STS (\$)} = \left[RY_x \text{ Base Cost} \left(\frac{\text{Lifetime \$}}{\text{MWh}} \right) - RY_x \text{ Actual Cost} \left(\frac{\text{Lifetime \$}}{\text{MWh}} \right) \right] \times RY_x \text{ Actual Lifetime MWhs} \times 30\%$$

Where, X is equal to 1, 2 and 3 for RY₁, RY₂, and RY₃ respectively.

1.1.3 Measurement

The applicable Total Resource Measure ("TRM"), at the time savings are acquired, will be used for each EE measure in a particular RY. Each Company will file its applicable System Energy Efficiency Plan ("SEEP") in Cases 15-M-0252 and 18-M-0084 based on the reporting schedule as defined in Clean Energy Guidance Document CE-02 adopted July 15, 2015 in Case 15-M-0252 – In the Matter of Utility Energy Efficiency Programs.

1.1.4 Achievement

Achievement for this EAM is based on the formula detailed in section 1.1.2. A Company must achieve the base eligible installed MWh target levels to be eligible to receive a share of the savings under this EAM.

1.1.5 Targets

The following table provides the target levels for ESTS EAM. Savings can be achieved by either: (i) lowering unit cost (i.e., lowering costs relative to the budget); (ii) increasing MWh savings; or (iii) a combination of (i) and (ii).

EAM	Level	Rate Year 1	Rate Year 2	Rate Year 3
Electric Share the Savings		NYSEG	NYSEG	NYSEG
	Base (MWh)	89,262	96,572	120,287
	Budget (\$)	\$ 23,465,797	\$ 24,348,006	\$ 29,010,139
	EUL (years)	10.0	10.0	10.0
	Cost (\$/Lifetime MWh)	\$ 26.29	\$ 25.21	\$ 24.12
Electric Share the Savings		RG&E	RG&E	RG&E
	Base (MWh)	52,961	58,155	69,591
	Budget (\$)	\$ 14,137,818	\$ 14,788,092	\$ 16,947,479
	EUL (years)	11.2	11.2	11.2
	Cost (\$/Lifetime MWh)	\$ 23.83	\$ 22.70	\$ 21.74

1.1 Heat Pump Share the Savings EAM

1.1.1 Description

The HPSTS EAM is designed to reduce unit costs for each Company’s heat pump portfolio by reducing the unit cost of lifetime energy savings (on a dollar per lifetime million British thermal units (“MMBtu”)⁶ basis) below unit cost levels as approved in the Commission’s January 16, 2020 Order, while increasing the overall achievement level of energy savings. Under the HPSTS EAM, the Company will be awarded 30% of unit cost savings realized from the Company’s acquired heat pump savings once the Company has met minimum heat pump MMBtu savings targets, as provided in the metric described below. In the event NYSEG or RG&E undertake non-pipes alternatives which include heat pumps as part of the solution, the Companies will not include those heat pumps associated with any such project in the calculation of the HPSTS EAM.

1.1.2 Metric

The EAM performance and associated Company incentive will be calculated by determining: (i) the heat pump unit cost savings relative to the baseline unit cost; (ii) applying that to the acquired heat pump savings; and (iii) applying a percent share to the result, in this case 30%. Mathematically,

$$\text{Heat Pump STS (\$)} = \left[RY_x \text{ Base Cost} \left(\frac{\text{Lifetime \$}}{\text{MMBtu}} \right) - RY_x \text{ Actual Cost} \left(\frac{\text{Lifetime \$}}{\text{MMBtu}} \right) \right] \times RY_x \text{ Actual Lifetime MMBtus} \times 30\%$$

Where, X is equal to 1, 2 and 3 for RY₁, RY₂, and RY₃ respectively.

1.1.3 Measurement

At the time a customer is awarded an incentive for a heat pump, the heat pump will be considered as installed for the purposes of calculating this EAM. Typical residential installations will be counted based on 1) whether they are air-source heat pumps (“ASHPs”) or ground source heat pumps (“GSHPs”) and 2) whether the heat pump can provide water heating in addition to space heating, and then awarded an assumed level of lifetime MMBtu savings. If a heat pump can provide both water heating and

⁶ BE targets will be updated pursuant to the Heat Pump Compliance Filings.

space heating, it will be awarded the sum of the appropriate values found in the appropriate table in Section 1.1.5.

Multi-unit residential installations will be counted on a residential proxy basis, whereby a multi-unit installation will be counted as 50% of the number of individual residential units served by the heat pump(s). For example, an apartment building that installs a single, large air-source heat pump for 20 residential customers will be counted as 10 residential ASHP installations.

Commercial and industrial installations will be counted on a residential proxy basis, whereby the square footage of the non-residential installation will be divided by an expected residential square footage of 2,000 sq. ft / per housing unit and then awarded the appropriate number of corresponding residential installations. For example, a commercial installation of an air-source heat pump that serves 40,000 sq. ft. will be considered equivalent to 20 residential ASHP installations.

Mini-split heat pumps (“MSHPs”) will be considered to be air-source heat pumps for the purposes of this EAM.

1.1.4 Achievement

Achievement for this EAM is based on the formula detailed in section 1.2.2 which provides the Companies’ incentive. A Company must achieve the base eligible installed MMBtu target levels to be eligible to receive a share of the savings.

1.1.5 Targets

Target levels are given below. Savings can be achieved by either; (i) lowering unit cost (i.e., lowering costs relative to the budget); (ii) increasing MMBtu savings; or (iii) a combination of (i) and (ii).

EAM	Level	Rate Year 1	Rate Year 2	Rate Year 3
Heat Pump Share the Savings		NYSEG	NYSEG	NYSEG
	Base (MMBtu)	63,614	117,911	153,328
	Budget (\$)	\$ 6,204,522	\$ 10,605,014	\$ 13,173,160
	EUL (years)	19.0	19.0	19.0
	Base Cost (\$/Lifetime MMBtu)	\$ 5.12	\$ 4.72	\$ 4.51
Heat Pump Share the Savings		RG&E	RG&E	RG&E
	Base (MMBtu)	7,541	14,206	18,304
	Budget (\$)	\$ 747,986	\$ 1,278,915	\$ 1,611,466
	EUL (years)	19.7	19.7	19.7
	Base Cost (\$/Lifetime MMBtu)	\$ 5.05	\$ 4.58	\$ 4.48

Assumptions ⁷	NYSEG + RG&E				
	ASHP Space Heat	ASHP Water Heat	GSHP Space Heat	GSHP Water Heat	GSHP Water Desuperheat ⁸
Annual Savings (MMBtu)	54.0	11.2	66.1	13.6	11.2
EUL (years)	15.0	15.0	25.0	25.0	25.0
Lifetime Savings (MMBtu)	810.0	168.0	1,652.5	340.0	280.0

1.2 **Beneficial Electrification EAM**

1.2.1 Description

The BE EAM is designed to measure expected carbon savings over the life of two beneficially electrifying technologies: heat pumps and light-duty electric vehicles (“EVs”).

1.2.2 Metric

The EAM performance and associated Company incentive will be calculated by determining the number of heat pumps installed and electric vehicles registered in a given Rate Year. The number of heat pumps and electric vehicles will be multiplied by the expected carbon savings over the life of the technology and measured against target levels set on a Lifetime Savings Tons CO₂e basis.

1.2.3 Measurement

Heat Pumps:

At the time a customer is awarded an incentive for a heat pump, the heat pump will be considered as installed for the purposes of calculating this EAM. Typical residential installations will be counted based on 1) whether they are space-heat only air-source heat pumps or ground source heat pumps, 2) whether they are heat pumps which provide water heating only, 3) whether the heat pumps are used for both space heating and water heating, and 4) whether a ground source heat pump includes a desuperheater, and then awarded an assumed level of lifetime CO₂e savings. If a heat pump can provide both water heating and space heating, it will be awarded the sum of the appropriate values found in the appropriate table in Section 1.2.5.

Multi-unit residential installations will be counted on a residential proxy basis, whereby a multi-unit installation will be counted as 50% of the number of individual residential units served by the heat pump(s). For example, an apartment building that installs an air-source heat pump for 20 residential customers will be counted as 10 residential ASHP installations.

Commercial and industrial installations will be counted on a residential proxy basis, whereby the square footage of the non-residential installation will be divided by an expected residential square footage of 2,000 sq. ft / per housing unit and then awarded

⁷ BE targets will be updated pursuant to the Heat Pump Compliance Filings.

⁸ Waste heat recovery systems such as those recovering heat from sewage lines will be credited as GSHP Desuperheaters.

the appropriate number of corresponding residential installations. For example, a commercial installation of an air-source heat pump that serves 40,000 sq. ft. will be considered equivalent to 20 residential ASHP installations.

MSHPs will be considered to be air-source heat pumps for the purposes of this EAM.

In the event NYSEG or RG&E undertake non-pipes alternatives which include heat pumps as part of the solution, the Companies will not include those heat pumps associated with any such project in the calculation of the BE EAM.

Electric Vehicles:

The Companies will determine the number and type of electric vehicles (battery or plug-in hybrid) by querying local municipality vehicle registration data over a given rate year. The number and type of EVs will then be multiplied by the appropriate number of lifetime tons CO_{2e} savings, as detailed in Section 1.3.5 in the Table “Electric Vehicle Assumptions.”

1.2.4 Achievement

To determine achievement, lifetime tons of CO_{2e} savings from both heat pumps and electric vehicles will be added together and measured against the target levels identified above. The minimum, midpoint, and maximum will be set at 5%, 25%, and 50%, respectively, above the baseline target level.

1.2.5 Targets

Target levels are given below. The maximum target level will be 50% above the baseline target.

EAM	Level	Rate Year 1	Rate Year 2	Rate Year 3
Beneficial Electrification (Lifetime CO_{2e} Savings)		NYSEG	NYSEG	NYSEG
	Baseline	319,860	493,233	633,066
	Minimum	335,853	517,894	664,720
	Midpoint	399,825	616,541	791,333
	Maximum	479,790	739,849	949,600
Beneficial Electrification (Lifetime CO_{2e} Savings)		RG&E	RG&E	RG&E
	Baseline	99,823	142,661	181,697
	Minimum	104,814	149,794	190,782
	Midpoint	124,779	178,327	227,121
	Maximum	149,735	213,992	272,545

Heat Pump Assumptions⁹	ASHP Space Heat	ASHP Water Heat	GSHP Space Heat	GSHP Water Heat	GSHP Water Desuperheat¹⁰
(per residential HP)	NYSEG	NYSEG	NYSEG	NYSEG	NYSEG
Lifetime Savings (tons CO ₂ e)	78.8	11.2	146.1	21.4	18.7
	RG&E	RG&E	RG&E	RG&E	RG&E
Lifetime Savings (tons CO ₂ e)	61.8	11.2	117.7	21.4	18.7

Electric Vehicle Assumptions	Battery Electric Vehicles	Plug-In Hybrid Electric Vehicles
(per light-duty EV)	NYSEG / RG&E	NYSEG / RG&E
Annual Savings (tons CO ₂ e)	3.7	3.2
EUL (years)	10.0	10.0
Lifetime Savings (tons CO ₂ e)	37.4	31.7

1.3 DER Utilization EAM

1.3.1 Description

The DER Utilization EAM is designed to measure expected annual MWhs from two common Distributed Energy Resources: Solar and Energy Storage. These values will be measured as the amount of MWs interconnected by each Company over a given Rate Year.

1.3.2 Metric

The EAM performance and associated Company incentive will be calculated by determining the MWs of solar and energy storage successfully interconnected by each Company in a given Rate Year. The amount of MWs of solar and storage will then be multiplied by the expected annual output to be measured against target levels set on an annual MWh basis.

1.3.3 Measurement

Installations of solar and storage with an online date during a particular Rate Year will be counted towards achievement of the DER EAM. The Companies will measure and report the MWs of solar and storage interconnected, and then multiply that number by the appropriate conversion factors identified in Section 1.4.5.

1.3.4 Achievement

To determine achievement, annual MWhs from both solar and energy storage will be added together and measured against the target levels. The minimum, midpoint, and maximum will be set at 5%, 25%, and 50%, respectively, above the baseline target level.

1.3.5 Targets

Target levels are given below. The maximum target level will be 50% above the baseline target.

⁹ BE targets will be updated pursuant to the Heat Pump Compliance Filings.

¹⁰ Waste heat recovery systems such as those recovering heat from sewage lines will be credited as GSHP Desuperheaters.

EAM	Level	Rate Year 1	Rate Year 2	Rate Year 3
DER Utilization (Annual MWh)		NYSEG	NYSEG	NYSEG
	Baseline	94,578	67,297	97,542
	Minimum	99,307	70,662	102,420
	Midpoint	118,223	96,700	145,759
	Maximum	141,867	131,134	203,508
DER Utilization (Annual MWh)		RG&E	RG&E	RG&E
	Baseline	43,200	32,716	43,224
	Minimum	45,360	34,352	45,385
	Midpoint	54,000	53,736	86,503
	Maximum	64,800	79,894	142,771

DER Assumptions	NYSEG / RG&E
Solar Capacity Factor (MW-AC)	17.7%
Annual Solar Output (MWh / MW-AC)	1,550.5
Storage Daily Operation (hours/day)	4
Annual Storage Output (MWh / MW installed)	1,460.0

1.4 Electric Peak Reduction EAM

1.4.1 Description

This EAM incentivizes NYSEG and RG&E to deliver New York Control Area (“NYCA”) coincident electric system peak reductions that provide additional system benefits and lower supply costs to customers. To the extent that there is a decline in the actual weather normalized NYCA coincident electric system peak below the rate year baseline level established for the EPR EAM, the Companies will receive an incentive under the EPR EAM.

1.4.2 Metric

The minimum, midpoint, and maximum levels of achievement are set below the adjusted NYISO Installed Capacity forecast Gold Book update issued in December prior to each rate year, with a downward revision of the lower bound of the 95% Confidence Interval (“CI”), based on the last five years of historical data (the difference between the New York Independent System Operator (“NYISO”) Installed Capacity (“ICAP”) forecast and actual peak contribution). The minimum, midpoint, and maximum targets will be 0.25, 1, and 1.75 Standard Deviations below the 95% CI lower interval.

The data used will be each Company’s peak contribution, exclusive of co-ops and municipal loads (utility only data figures).

The EAM will always use the most recent five years of historical data. For example, Rate Year 1 (Summer 2020) will use the five-year historical period from 2015 through 2019. Rate Year 2 (Summer 2021) will use the five-year historical period

from 2016 through 2020.

1.4.3 Measurement

All data used will come from the NYISO. Peak load forecasts and actuals will be reported by the NYISO and then used to determine EAM achievement.

1.4.4 Achievement

Achievement will be determined as the current Rate Year’s coincident NYISO peak contribution relative to expected target levels.

1.4.5 Targets

EAM	Level	RY ₁ (Summer 2020)	RY ₁ (Summer 2020)
Electric Peak Reduction (MWs)		NYSEG	RG&E
	Baseline (NYISO Forecast)	3074.7	1,531.6
	Minimum	3020.9	1,484.9
	Midpoint	2994.3	1,461.2
	Maximum	2967.8	1,437.6

Note: 2021 and 2022 forecasts cannot be calculated until December of the year prior, based on NYISO’s Gold Book forecast for peak load that upcoming year. The forecast will include the past five years of historical data. For example, the 2022 EPR target levels will be based on the historical forecast and actual peak data from 2017-2021.

2.0 Gas EAMs

1.1 Gas Share the Savings EAM

1.1.1 Description

The GSTS EAM is designed to reduce unit costs for each Company’s gas energy efficiency portfolio by reducing the unit cost of lifetime energy savings (on a dollar per lifetime million British thermal units (MMBtu) basis) below unit cost levels as approved in the Commission’s December 13, 2018 Order and January 16, 2020 Order, while increasing the overall achievement level of energy savings. Under the GSTS EAM, the Company will be awarded 30% of unit cost savings realized from the Company’s acquired gas EE savings once the Company has met minimum gas EE lifetime savings targets, as provided in the metric described below.

1.1.2 Metric

The EAM performance and associated Company incentive will be calculated by determining: (i) the gas EE unit cost savings relative to the baseline unit cost; (ii) applying that to the acquired EE savings; and (iii) applying a percent share to the result, in this case 30%. Mathematically,

$$Gas\ STS\ (\$) = \left[RY_x\ Base\ Cost \left(\frac{Lifetime\ \$}{MMBtu} \right) - RY_x\ Actual\ Cost \left(\frac{Lifetime\ \$}{MMBtu} \right) \right] \times RY_x\ Actual\ Lifetime\ MMBtus \times 30\%$$

Where, X is equal to 1, 2 and 3 for RY₁, RY₂, and RY₃ respectively.

1.1.3 Measurement

The applicable TRM, at the time savings are acquired, will be used for each EE measure in a particular RY. The acquired savings will be determined on a gross verified savings basis. Each Company will file its applicable System Energy Efficiency Plan (“SEEP”) in Cases 15-M-0252 and 18-M-0084 based on the reporting schedule as defined in Clean Energy Guidance Document CE-02 adopted July 15, 2015 in Case 15-M-0252 – In the Matter of Utility Energy Efficiency Programs.

1.1.4 Achievement

Achievement for this EAM is based on the formula detailed in section 2.1.2 which provides the Companies’ incentive. A Company must achieve the base eligible installed MMBtu target levels to be eligible to receive a share of the savings.

1.1.5 Targets

Target levels are given below. Savings can be achieved by either: (i) lowering unit cost (i.e., lowering costs relative to the budget); (ii) increasing MMBtu savings; or (iii) a combination of (i) and (ii).

EAM	Level	Rate Year 1	Rate Year 2	Rate Year 3
Gas Share the Savings		NYSEG	NYSEG	NYSEG
	Base (MMBtu)	132,141	149,818	167,658
	Budget (\$)	\$ 2,897,761	\$ 4,220,725	\$ 5,221,802
	EUL (years)	15.4	15.4	15.4
	Base Cost (\$/Lifetime MMBtu)	\$ 1.42	\$ 1.83	\$ 2.02
Gas Share the Savings		RG&E	RG&E	RG&E
	Base (MMBtu)	153,246	172,393	192,920
	Budget (\$)	\$ 2,965,890	\$ 3,915,064	\$ 4,612,178
	EUL (years)	14.6	14.6	14.6
	Base Cost (\$/Lifetime MMBtu)	\$ 1.33	\$ 1.56	\$ 1.64

1.2 Gas Heating Load Peak Reduction (“GPR”) EAM

1.2.1 Description

This EAM incentivizes NYSEG and RG&E to deliver gas system peak reductions that provide additional system benefits and lower supply costs to customers. To the extent that there is a decline in the actual weather adjusted gas system peak below the prior rate year baseline level established for the GPR EAM, the Company will receive an incentive under the GPR EAM. The minimum, midpoint, and maximum levels of achievement are set below the prior year gas heat factor. The minimum, midpoint, and maximum targets will be 0.25, 1, and 1.75 Standard Deviations, respectively, below the prior year heat factor.

1.2.2 Metric

The minimum, midpoint, and maximum levels of achievement are set below the heating only load prior year’s heat factor (heating load divided by heating degree days (“HDD”) for each Company. The minimum, midpoint, and maximum targets will be 0.25, 1, and 1.75 Standard Deviations of the prior five years below the prior

year heat factor for each Company.

NYSEG:

The “heat factor” for the peak day sendout is first calculated for the five years prior. Because NYSEG is a diverse territory with non-coincident peak day sendouts (different parts of the territory peak on different days), the weighted average sum of the various pooling areas’ respective peak day sendouts and associated heating degree days will be used to calculate a single weighted-average figure for NYSEG to determine EAM achievement.

For the purposes of this metric, NYSEG’s heat factor will be considered as the weighted average of seven pooling area components Dominion, Columbia, Tennessee, Orange & Rockland, Algonquin, North County, and Iroquois. For each pooling area component, the peak day winter sendout will be calculated as measured, then adjusted to remove the effects of: (i) interruptible customer usage; and (ii) baseline non-heating gas usage. Interruptible customer usage will be determined as the peak day usage for customers on an interruptible rate tariff. Baseline non-heating usage will be determined as the highest single day sendout during the preceding summer, less interruptible and daily-metered customer usage (on the summer peak day).

The weighted average sum of each pooling area peak day sendout less interruptible customer usage and baseline non-heating usage will be considered to be the aggregate peak day sendout for NYSEG. The weighted average sum of each pooling area’s corresponding heating degree day (i.e., the HDD associated with each pooling area’s peak day sendout) will be considered to be the aggregate HDDs for NYSEG.

For each of the prior five years, the aggregated peak day sendout for NYSEG will be divided by the aggregate peak day HDD’s to determine a single annual heat factor. A simple linear regression is run on the prior five years of heat factors to determine a trendline and standard deviation.

The minimum, midpoint, and maximum targets are set as 0.25, 1, and 1.75 Standard Deviations (from the five-year regression), respectively, below the most recent year’s heat factor.

RG&E:

The “heat factor” for the peak day sendout is first calculated for the five years prior. For the purposes of this metric, RG&E’s heat factor will be considered as the measured peak day winter sendout, then adjusted to remove the effects of: (i) interruptible customer usage; (ii) baseline non-heating gas usage; and (iii) large customer usage. Interruptible customer usage will be determined as the peak day usage for customers on an interruptible rate tariff. Baseline non-heating usage will be determined as the highest single day sendout during the preceding summer, less interruptible, daily-metered, and large customer usage (on the summer peak day). The large customer peak day usage will be removed from RG&E’s peak day sendout. The resulting adjusted peak day sendout value will be considered to be the adjusted

peak day sendout for RG&E. The HDDs for the peak day will be used as measured.

For each of the prior five years, the adjusted peak day sendout for RG&E will be divided by the peak day HDD's to determine a single annual heat factor. A simple linear regression is run on the prior five years of heat factors to determine a trendline and standard deviation.

The minimum, midpoint, and maximum targets are set as 0.25, 1, and 1.75 Standard Deviations (from the five-year regression), respectively, below the most recent year's heat factor.

1.2.3 Measurement

The current year's heat factor will be determined as detailed above and measured against the target reduction levels to determine achievement. The current year's heat factor will then be used as next year's baseline level and included in a new regression model to determine next year's target levels as explained above. The standard deviation from the regression will always use the most recent five years of historical data.

For example, RY1 (Winter 2020/2021) will use the five-year historical period from Winter 2015/2016 through Winter 2019/2020. RY2 (Winter 2021/2022) will use the five-year historical period from Winter 2016/2017 through Winter 2020/2021.

1.2.4 Achievement

Achievement will be determined as the current year's aggregate heat factor as a percentage reduction below the prior year's heat factor relative to expected target levels.

1.2.5 Targets

EAM	Level	RY₀ <small>(Winter 2019/2020)</small>	RY₀ <small>(Winter 2019/2020)</small>
Gas Heating Load Peak Reduction		NYSEG	RG&E
	Baseline (Prior Year Heat Factor)	5,400	5,366
	Minimum	0.4%	1.4%
	Midpoint	1.5%	5.7%
	Maximum	2.6%	9.9%

Note: The numbers shown for Winter 2019/2020, Rate Year 0. For Rate Year 1 (Winter 2020/2021), Rate Year 2 (Winter 2021/2022), and Rate Year 3 (Winter 2022/2023) forecasts cannot be calculated until the prior year, based on the past 5 years of historical data. For example, the RY₁ (Winter 2020/2021) GPR target levels will be based on the actual peak data from Winter 2015/2016 through Winter 2019/2020.

EAM REPORTING REQUIREMENTS

On July 31, 2021, 2022, and 2023, NYSEG and RG&E will each make a compliance filing (“EAM Compliance Filing”) to the Commission showing the calculation of incentives earned under each EAM for the Rate Year preceding the filing. Within 30 calendar days of filing the EAM Compliance Filing, the Companies will convene an informational meeting either in person or via teleconference of all interested parties to these proceedings to review the Companies’ calculation of the EAM for each Business. The Companies will also file with the Secretary quarterly reports no later than 60 days after the end of each calendar quarter to describe the Companies’ progress toward each EAM’s metric’s targets, the actions taken by the Companies to achieve target performance, and a forecast of whether the Companies expect to meet annual EAM targets.

RECOVERY OF EAM INCENTIVES

The Companies will be permitted to recover earned EAM incentives through a surcharge mechanism beginning 90 days after making its EAM Compliance Filing. NYSEG shall recover earned Electric EAMs through its Non-Bypassable Charge and earned Gas EAMs through a separate surcharge. RG&E shall recover earned Electric EAMs through its Non-Bypassable Charge and earned Gas EAMs through a separate surcharge. To determine responsibility for earned EAM awards amongst Service Classifications, the Companies will allocate the ESTS and HPSTS EAMs using the same allocation method to allocate Energy Efficiency-EE Tracker costs to service classes.

For NYSEG, the Energy Efficiency-EE Tracker cost allocation is as follows: (1) 83.81% is based on energy (i.e., kWh); (2) 5.84% is based on a 2 Coincident Peak (“CP”) demand allocator; (3) 4.34% is based on a 12 CP demand allocator; (4) 2.42 is based on a primary non-coincident peak (“NCP”) demand allocator; and (5) 3.59 % is based on a secondary NCP demand allocator.

For RG&E, the Energy Efficiency-EE Tracker cost allocation is as follows: (1) 83.43% is based on energy; (2) 6.53% is based on a 1CP demand allocator; (3) 3.38% is based on a 12 CP demand allocator; (4) 1.72% is based on a primary NCP demand allocator; and (5) 4.95% is based on a secondary NCP demand allocator.

The Companies will allocate EAM awards to Service Classifications for the BE EAM using transmission demand (12 CP), primary demand, secondary demand, and energy allocators with each carrying equal weight using the energy allocator. For the DER Utilization EAM, the Companies will allocate EAM awards to Service Classifications using transmission demand (12CP), primary demand, secondary demand, and energy allocators with each carrying equal weight. For the EPR EAM, the Companies will allocate EAM awards to Service Classification using the transmission demand allocator (12 CP). For the GSTS EAM, the Companies will allocate EAM awards to Service Classifications using the same allocation method to allocate Energy Efficiency-EE Tracker costs to service classes for both Companies, where the 83.81% is based on energy (i.e., therms) and 16.19% is based on peak day design demand allocator. For the Gas Heating Load Peak Demand EAM, the Companies will allocate EAM awards to Service Classifications using the gas peak day design demand allocator.

The calculation of the earned incentives is subject to review and adjustment by the Commission.

EAM SCORECARD METRICS

The Companies will track and report the progress of three Scorecard metrics: Locational System Relief Value (“LSRV”) Load Factor, Residential Electric Energy Intensity, and Commercial Electric Energy Intensity. The Companies shall report progress on each of its Scorecard metrics as part of its annual EAM Compliance Filing. To facilitate possible development of new EAMs for proposal in a future rate proceeding, the Companies will track for a scorecard load factors at various LSRV areas on their respective distribution systems. The development of a Load Factor EAM at LSRV circuits/areas will require AMI for hourly usage data. Thus, the Companies’ scorecard shall depend upon the installation of AMI at appropriate circuits. The Companies will also track Energy Intensity Data for a scorecard. The Residential Electric Energy Intensity metric will be calculated as the annual weather-normalized Residential MWh sales divided by the 12-month average of number of residential customers. For the purposes of this metric, residential customers are defined as customers taking service under Service Classifications 1, 8, and 12 for NYSEG, and Service Classifications 1, 4-I and 4-II for RG&E. The weather-normalized MWh sales used for this metric will be reduced by the aggregate MWh of electricity produced by Community Distributed Generation resources allocated to the relevant service classifications and adjusted to exclude the impacts of BE technologies such as incremental electric vehicle charging and heat pump usage.

The Commercial Electric Energy Intensity metric will be calculated as the annual weather-normalized Commercial MWh sales divided by the 12-month average of number of commercial customers. For the purposes of this metric, residential customers are defined as customers taking service under Service Classifications 2, 6, and 9 for NYSEG, and Service Classifications 2, 3, 7, and 9 for RG&E. The weather-normalized MWh sales used for this metric will be reduced by the aggregate MWh of electricity produced by Community Distributed Generation resources allocated to the relevant service classifications and adjusted to exclude the impacts of BE technologies such as incremental electric vehicle charging and heat pump usage.