

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
**PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC           :  
COMPANY, DEMAND-SIDE                        :  
MANAGEMENT PROGRAMS FOR 2005           :           DOCKET NO. 3635

**REPORT AND ORDER**

**I. Introduction**

Since 1989, the Commission has annually reviewed the design and implementation for Narragansett Electric Company's ("Narragansett" or "Company") - proposed Demand Side Management ("DSM") programs which are paid through a required assessment of an adjustment factor. The Utility Restructuring Act of 1996 ("URA"), as amended and set forth in Title 39 of the Rhode Island General Laws, has codified a charge of 2.0 mills per kilowatt-hour for the 2003 programs, unless the Commission approves a higher factor.<sup>1</sup> Although the law provides the funding for the programs and states that the Company shall administer the programs, the Commission continues to have the responsibility for reviewing the design and implementation of Narragansett's DSM programs.

**II. Pre-Filing Proceedings**

In Commission Order No. 17927 in Docket No. 3463 (In re: the Narragansett Electric Demand-Side Management Programs for 2004), the Commission ordered Narragansett to file a proposed shareholder incentive plan no later than September 1, 2004. The Commission indicated that Narragansett could seek Commission action prior to September 1, 2004 on the shareholder incentive mechanism. Narragansett was

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<sup>1</sup> R.I.G.L. § 39-2-1.2(b) provides this level of funding for DSM programs for a ten-year period beginning January 1, 2003.

required to file no later than September 15, 2004 its proposed 2005 programs and budget, or the parties could file a Settlement no later than September 15, 2004 regarding proposed 2005 programs and budget. However, the Commission stated that in no event shall a Settlement address the shareholder incentive mechanism unless prior Commission action has been sought.

In response, on July 7, 2004, the parties to Docket No. 3463 attended a Technical Record Session at the Commission's Offices, 89 Jefferson Boulevard, Warwick, Rhode Island to discuss shareholder mechanism design. At the conclusion of the Technical Record Session, the parties requested the opportunity to pose questions to the Commission for its review and consideration prior to incorporating changes into a filing. The Commission agreed to review and discuss issues raised by the parties. At its Open Meeting on July 29, 2004, the Commission discussed issues raised by the parties in a July 17, 2004 letter. Therefore, the prerequisite action required prior to the filing of a Settlement was satisfied.

### **III. Settlement of the Parties**

On September 30, 2004, Narragansett filed a Settlement of the Parties ("2005 Settlement"), entered into by the Rhode Island Division of Public Utilities and Carriers ("Division"), The Energy Council of Rhode Island ("TEC-RI"), the Rhode Island State Energy Office ("SEO"), the Coalition for Consumer Justice ("CCJ"), People's Power & Light ("PP&L"), and Narragansett (collectively, "the Collaborative").<sup>2</sup>

The Collaborative reiterated the six criteria for DSM programs, namely, (1) cost-effectiveness, (2) ability to serve a large number and broad mix of Rhode Island

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<sup>2</sup> On August 27, 2004, Narragansett was granted an extension of time to October 1, 2004 to file a Settlement. A copy of the Settlement with all attachments is attached hereto as Appendix A and incorporated by reference.

customers, (3) maximization of long-term savings, (4) ability to capture potential lost opportunities for efficiency improvement, (5) promotion of market transformation, and (6) support of long-term electricity supply and reliability objectives.<sup>3</sup>

The Settlement noted that Narragansett has projected spending the entire calendar year 2004 DSM budget and that savings goals will be achieved. However, the Company also projects carrying a negative fund balance in the amount of \$288,510 into 2005 due to less than expected revenues during 2004. The Company will file its Year-End Report no later than May 1, 2005.<sup>4</sup> The Collaborative agreed that the portfolio of programs and services for 2005 have an overall projected budget of \$21,737,600, \$5,751,600 allocated to Residential programs, \$11,820,600 allocated to Large Commercial and Industrial (“C&I”) programs, \$3,164,500 allocated to Small C&I programs, and \$673,500 allocated to the Company Incentive, \$27,400 allocated to the load response program and \$300,000 allocated to program design and evaluation.<sup>5</sup> The Collaborative agreed to allow the Company to transfer funds from one program to another within a sector with prior Division approval. The Company will be allowed to transfer funds from one sector to another with prior Division approval if the transfer from a sector will reduce the approved budget from that sector by 20% or less. Transfers that will reduce a sector budget by more than 20% will require prior Commission approval. The Company will not be permitted to adjust its incentive target calculations for any transfers between sector budgets except where such budget level changes as a result of the May 2005 True-up filing.<sup>6</sup>

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<sup>3</sup> Joint Exhibit 1 (Settlement), p. 3.

<sup>4</sup> Id. at 4.

<sup>5</sup> Id. at p. 6, Attachment 5, p. 1.

<sup>6</sup> Id. at 6-8.

The Collaborative agreed to continue the eight 2004 residential programs, namely, the EnergyWise Program, Appliance Management Program (“AMP”), EnergyStar Appliances Program, EnergyStar Heating Program, EnergyStar Central Air Conditioning Program, EnergyStar Lighting, Energy Efficiency Educational Programs and EnergyStar Homes.<sup>7</sup> The proposed residential program changes include increased participation and lower rebates in the EnergyStar Appliances and Lighting programs, doubling of the goal for the EnergyStar Air Conditioning program, obtaining participation of all of Rhode Island’s vocational schools in the EnergyStar Homes training program and closing the Home Energy Management (water heater control) program.<sup>8</sup>

Other specific changes are included in the EnergyStar Appliances program where the Company will discontinue direct incentive payments to salespeople for promoting EnergyStar appliance sales. A new aspect of the program will be coordination with a retailer to develop a turn-in event for room air conditioners and dehumidifiers. Participants will receive a rebate for a new EnergyStar qualifying unit and will ensure proper recycling of the old units.<sup>9</sup> Similarly, as part of the EnergyStar Lighting program, the Company will coordinate with a local retailer for a turn-in event for halogen torchieres.<sup>10</sup> The rebate structure of the EnergyStar Homes program will be adjusted to encourage higher Home Energy Rating Scores (“HERS”). In the past, builders received an incentive for reaching the minimum HERS scores for EnergyStar Homes. That will be eliminated and in its place, additional rebates will be available to cover the incremental

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<sup>7</sup> Id.

<sup>8</sup> Id. at Attachment 1, p. 19.

<sup>9</sup> Id. at Attachment 1, pp. 25-27.

<sup>10</sup> Id. at Attachment 1, p. 32.

cost of achieving higher HERS ratings. In order to increase participation, there will be an additional incentive to a builder constructing his or her first EnergyStar Home.<sup>11</sup>

The Collaborative agreed to changes to the Large Business Services and Small Business Services programs in the areas of Lighting, HVAC Chillers (under Design 2000*plus*), Variable Speed Drives (under Energy Initiative and Design 2000*plus*), Customer Measures, Other Services (under Energy Initiative and Design 2000*plus*) and overall Small Business Services.

Specifically regarding the Small Business Services Program, the Collaborative agreed to increase the eligibility of Customers to include an average monthly demand of less than 200 kW, or annual energy usage of less than 300,000 kWh, with a \$311,000 budget increase to accommodate anticipated increased participation. The 2005 programs will build on the experiences gained during 2004. In 2005, the Company will coordinate its Energy Initiative Program services with the SEO's Energy Services Company ("ESCO") initiative. Customers in the 100 kW to 200 kW range who participate in the ESCO program and receive Energy Initiative rebates will be counted as Energy Initiative participants.<sup>12</sup>

Specifically regarding the Large Business Services Program, the rebate for Energy Initiative for select measures will be reduced from 40% to 35% of the total costs. The Company will offer a Custom Lighting measure option for Design 2000*plus* based on lighting power density (watts per square foot). The Company will explore opportunities for LED retrofits on State-owned traffic signals. The Company will lower incentives on 150 to 300 ton water chillers and will increase the incentive for large 300 to

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<sup>11</sup> Id. at Attachment 1, p. 36-37.

<sup>12</sup> Id. at Attachment 2, pp. 1-3.

1,000 ton water cooled chillers. The Company will expand the list of variable speed drive measures that are eligible for prescriptive incentives. The Company will reduce the Energy Initiative incentives on Custom Measures from 45% to 40% of the total costs, or at a level that buys the equipment down to a two-year payback to the customer, whichever is less. The Company will integrate Advanced Building Design Guidelines (ABDG) into its current programs to target and encourage more comprehensive treatment for medium size new construction buildings.<sup>13</sup>

The Collaborative agreed that the Company will be entitled to earn a shareholder incentive if certain goals are met in order to continue providing an incentive to shareholders for their support of programs designed to reduce Narragansett's load. The shareholder incentive mechanism will include two components: (1) five performance-based metrics and (2) kWh savings targets by sector. Each of the five performance-based metrics will provide the Company the opportunity to earn up to \$15,000. There are two metrics in the residential sector, two in the Large Business Services/C&I sector and one in the Small Business Services/C&I sector. The Settlement sets forth preliminary goals which will be updated and finalized based on 2004 numbers as part of a March 31, 2005 filing.<sup>14</sup>

Residential Metric One relates to EnergyStar Homes. The goal of the metric is to increase the penetration of signed builders agreements in 2005 by 3 percentage points compared to the penetration achieved in 2004. The Company will be entitled to receive 67%, or \$10,000, of the \$15,000 incentive if the percentage signed is equal to the 2004 performance. Residential Metric Two relates to EnergyWise Targeting. In order to meet

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<sup>13</sup> Id. at Attachment 3, pp. 1-17, Attachment 4, pp. 1-2.

<sup>14</sup> Id. at 9-10.

this metric, the Company will actively target customers who have not previously been served by the *EnergyWise* program for participation in the program. The Company can earn the full \$15,000 incentive if it serves 100 customers from the two targeted groups. It will be entitled to receive 60%, or \$9,000, if it serves 60 participants.<sup>15</sup>

C&I Metric One is related to Building Operator Training and Certification. In order to meet the metric, the Company must enroll 25 Rhode Island facility building engineers, technicians, contractors, or operators in the Northeast Energy Efficiency Partnerships – Level 2 – O&M training and certification course. The Company can earn 80%, or \$12,000, of the full incentive if it enrolls 20 participants. C&I Metric Two relates to High Performance Schools. In order to meet the metric, the Company must contract with two more schools than the number contracted with in 2004 through Design 2000*plus*. The Company can earn 67%, or \$10,000, if it contracts with the same number of schools in 2005 as in 2004, or 83%, or \$12,500, if it contracts with one additional school. C&I Metric Three is related to Comprehensiveness in Small Business Installations. In order to earn the full incentive, the Company must achieve 2 percentage points greater comprehensiveness in Small Business Services in 2005 than the percentage it achieved in 2004. The percentage will be calculated as the number of completed non prescriptive lighting or other customer energy efficiency measures (excluding custom walk-in cooler only measures) divided by the number of participant locations (excluding custom walk-in cooler only participants) in 2005. The Company will exclude from this metric and assessment of its performance the target customers in the 100 kW to 200 kW range who participate in the SEO's Energy Services Company Initiative ("ESCO") program in order to avoid taking advantage of free riders. The Company can earn 60% or

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<sup>15</sup> Id. at Attachment 7, pp. 2-5.

\$9,000 of the incentive if the comprehensiveness percentage is equal to 2004 performance.<sup>16</sup>

The target incentive rate for the kWh savings goal is 4.40% of the eligible spending budget. The projected incentive amount is \$673,476 in 2005, of which, \$75,000 is set aside for the performance based metrics. The threshold performance level for energy savings by sector will be increased from 45% to 60% of the annual energy savings goal. The Company will have the ability to earn an additional incentive on savings up to 125% of the target savings. The threshold number can be recalculated under two circumstances, one of which is as a result of the May 2005 True-up.<sup>17</sup> The second is if the assumptions used to develop savings goals change as a result of completed evaluation studies.<sup>18</sup>

The projected cost-effectiveness of the 2005 programs, using the benefit/cost test in place in 2004, is 2.99 to 1.00, meaning that for every dollar spent, benefits valued at \$2.99 are expected to be generated. With regard to reporting requirements, the Company will file its 2004 Year-End Report no later than May 1, 2005. The final goals filing for each Performance Based metric or a recommended goals filing will be made with the Commission on or before March 31, 2005.

#### **IV. Settlement Hearing**

On November 29, 2004, the Commission conducted a duly noticed public hearing at its offices at 89 Jefferson Boulevard, Warwick, Rhode Island to consider the propriety of the proposed Settlement. The following appearances were entered:

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<sup>16</sup> Id. at Attachment 7, pp. 5-10.

<sup>17</sup> The May True-up compares the 2004 actuals to the 2004 projections, including budget, expenditures, goals, and participation.

<sup>18</sup> Joint Ex. 1, pp. 10-12.



FOR NARRAGANSETT: Laura S. Olton, Esq.  
FOR THE DIVISION: William K. Lueker, Esq.  
Special Assistant Attorney General  
FOR THE COMMISSION: Cynthia G. Wilson, Esq.  
Senior Legal Counsel

The following witnesses were sworn: Al Contente, Division Engineer, Timothy Woolf, Division Consultant, David Stearns, Division Rate Analyst V, Narragansett witnesses Carol White, Laura McNaughton, Jeremy Newberger, Michael McAteer, for the State Energy Office, Janice McClanahan, and for People's Power & Light, Erich Stephens, Executive Director.

Ms. White opined that the primary reason 2004 revenues were below projections was the mild summer and fall weather.<sup>19</sup> Mr. McAteer noted that RISE Engineering again won the competitive bid process for providing 2005 program implementation services. Mr. McAteer also discussed reorganization of the business service department with the goal of providing the same level of services to business accounts with more efficiency.<sup>20</sup> Ms. White noted that the compensation changes associated with the reorganization will reduce the payroll dollars that are charged to the DSM account in 2005.<sup>21</sup> Addressing another budget issue, Ms. McNaughton indicated that Narragansett can produce more kWh savings with fewer funds due to negotiated cooperative promotions with retailers or manufacturers. Participating in these promotions allows Narragansett to shift costs for promoting the rebates to retailers and manufacturers.<sup>22</sup>

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<sup>19</sup> Tr. 11/29/04, p. 21.

<sup>20</sup> Id. at 21-22.

<sup>21</sup> Id. at 26-27.

<sup>22</sup> Id. at 65-70.

Ms. McNaughton explained that with regard to the outreach to the former Home Energy Management customers with electric water heaters for participation in EnergyWise services, of the 4,000 customers, 1,500 had already received EnergyWise services. For the remaining customers, the Company would use direct mail and follow-up telemarketing. Customers will receive the information regardless of whether they initiate contact with the Company.<sup>23</sup>

Ms. McClanahan explained the ESCO which will be run by the SEO. This small business program “piggy-backs” off of the Narragansett DSM small business program and requires at least one fossil fuel measure in a building. The SEO has targeted businesses for participation in the ESCO program using information from Narragansett. However, Mr. Newberger explained that while the measures may be similar to Narragansett DSM programs, the ESCO program participants will only be included in the Small Business participation metric if RISE is delivering the services as opposed to another vendor. Additionally, if a rebate is provided, the customer will be counted toward the metric.<sup>24</sup>

Addressing rebates in the Small Business Services category, Mr. McAteer noted that with regard to the co-pay which can be spread over twenty-four months, there are very few delinquent payments. He maintained that the repayment period assists small companies greatly and is one reason for the success of the programs. He noted that most of the measures are so cost effective that many customers receive a positive cash flow within a year.<sup>25</sup>

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<sup>23</sup> Id. at 27-34.

<sup>24</sup> Id. at 37-40.

<sup>25</sup> Id. at 40-41.

Discussing the Demand Response Audits and the implementation of Demand Response Programs, Mr. Newberger agreed that the purpose of both initiatives is to defer upgrading of facilities. However, in response to a question regarding why audits are an appropriate use of DSM funds and the Demand Response Programs are not, Mr. Newberger argued that there is a difference in that the purpose of the DSM programs overall is to save energy throughout the entire year rather than at a specific time of the year. Mr. Woolf responded that perhaps it would be more appropriate to exclude Demand Response Audits from the DSM budget than to include Demand Response Programs in the DSM budget. However, he indicated that the Company had argued effectively that there are efficiencies in having the audits made part of the DSM programs in order to avoid a duplication of efforts by Company employees.<sup>26</sup> Mr. Woolf did agree with questioning from the Bench that “it might be worth investigating further the efficiencies of combining the two versus having them done separately.”<sup>27</sup>

Addressing the shareholder incentive structure, Ms. White clarified that the maximum shareholder incentive that can be earned in 2005 is \$823,000 versus \$695,000 earned in 2004, an 18.4% increase.<sup>28</sup> Funds in excess of the budgeted \$673,000 that can be earned for 100 percent performance in 2005, or \$150,000, will be borrowed from the 2006 budget. However, Ms. White opined that Narragansett will not exceed the savings goals in all areas.<sup>29</sup> Furthermore, Mr. Woolf testified that the goals are an improvement

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<sup>26</sup> Id. at 41-49.

<sup>27</sup> Id. at 50.

<sup>28</sup> Id. at 61.

<sup>29</sup> Id. at 61-64.

over 2004 and will be reevaluated again for 2006. Mr. Stephens testified that the goals are harder in 2005 and if not, they can be addressed for the 2006 programs.<sup>30</sup>

In response to a question from the Bench regarding the kinds of audits or checks and balances that exist to ensure continuation of the integrity of the programs and budget, Mr. Woolf explained that while an outside auditor could be brought in, other states undertake such reviews through entities equivalent to the DSM Collaborative, the Division or the Commission. Mr. Woolf also pointed out the internal controls that Narragansett has in place. Additionally, counsel for the Division further explained the processes undertaken by members of the Collaborative to ensure the integrity of the programs and budget.<sup>31</sup> The Bench indicated that there is no need for an additional layer of bureaucracy and that as long as other people are reviewing the integrity of the programs and budgets and are satisfied that “the pieces are in place to give reasonable assurance that the numbers are valid on a test basis, or however they might be reviewed, and that conclusion drawn, then that would satisfy my concern.”<sup>32</sup>

## **V. Commission Findings**

After the close of the hearing, the Commission considered the evidence and rendered a unanimous Bench decision to approve the Settlement as filed. The Commission noted that the parties had put a great deal of work into developing the

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<sup>30</sup> *Id.* at 64-65. Furthermore, in pre-filed documents, it was noted that the performance in 2005 will be the baseline performance (100 percent goal) for like programs in 2006, thus forcing the Company to “stretch” to receive the same level of incentive as the prior year. In other words, if the Company exceeds a goal by 10 percent in 2005, that level of achievement will be the 100 percent goal for 2006.

<sup>31</sup> *Id.* at 92-103. The Company agreed to provide a record response outlining all of the processes it has in place to monitor programs. This response was filed with the Commission on December 14, 2004. The processes include Tracking and Result Reporting through advanced data systems and the Company’s Internal Audit department, evaluation studies conducted by the Company’s Evaluation group, Collaborative oversight, an Audit of C&I programs performed by the Company’s Program and Policy group, tracking of residential programs which tie customer participation back to billing by expert outside evaluation firms, periodic Internal Audits by the Internal Audit department, and Incentive Processing over a three year time period.

<sup>32</sup> *Id.* at 94-97.

programs and budget and had responded to several past concerns of the Commission. The Commission notes that Narragansett and the Collaborative appear to be striving to improve their programs annually through involvement in regional and national initiatives. Furthermore, the Company, the Division and the Collaborative as a whole appear to be undertaking appropriate reviews to ensure the integrity of the programs and budgets. To add another layer of review absent any findings of impropriety would be a waste of ratepayer resources.

With regard to the revised shareholder incentive structure, the Commission has some concern with the increased overall level of potential incentive in light of the fact that it anticipates borrowing from the 2006 program budget at a time when there was an anticipated shortfall in the 2004 budget, requiring some 2005 DSM funds to be used to finalize 2004 programs. However, the Commission takes comfort in the fact that the level of performance in 2005, if over 100 percent of the savings goal, will be the baseline for performance in 2006 upon which the Company can earn its incentive. Additionally, the Commission appreciates the fact that the parties will continue to monitor the savings goal in order to ensure the proper methodology is being utilized.

Accordingly, it is hereby

(18152) ORDERED:

1. The Settlement filed by Narragansett Electric Company on behalf of the Parties to this docket dated September 30, 2004, is hereby approved.
2. A Conservation and Load Management Adjustment and Renewable Factor of \$0.0023 per kilowatt-hour is hereby approved for usage on and after January 1, 2005 through December 31, 2005. Narragansett shall apply

\$0.002 per kilowatt-hour to its demand side management programs and shall submit an amount equal to \$0.0003 per kilowatt-hour to the State Energy Office Renewables Programs.

3. Narragansett shall file no later than September 15, 2005 its proposed 2006 programs and budget, or the parties shall file a Settlement no later than September 15, 2004 regarding proposed 2006 programs and budget. In the event of a direct non-settled filing by Narragansett Electric Company, responsive pleadings shall be made no later than October 15, 2005.
4. The Parties shall act in accordance with all other findings and instructions contained in this Report and Order.

EFFECTIVE AT WARWICK, RHODE ISLAND, PURSUANT TO A BENCH DECISION ON NOVEMBER 29, 2004. WRITTEN ORDER ISSUED FEBRUARY 17, 2005.

PUBLIC UTILITIES COMMISSION

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Elia Germani, Chairman

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\*Kate F. Racine, Commissioner

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Robert B. Holbrook, Commissioner

\*Commissioner Racine concurs but is unavailable for signature.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

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In Re: The Narragansett Electric Company,     )  
Demand-Side Management Programs for 2005     )     Docket No. 3635  
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SETTLEMENT OF THE PARTIES

September 30, 2004

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## **ATTACHMENTS**

1. 2005 Residential Programs
2. 2005 Small Business Services Program
3. 2005 Large Business Services Programs
4. Preliminary Summary of Proposed Changes to the Large Business Services and Small Business Services Programs for 2005
5. 2005 Proposed Budget and 2005 Proposed Budget Vs. 2004 True-Up Budget
6. DSM Funding Sources in 2005 by Sector
7. 2005 Performance Metrics
8. Derivation of the 2005 Spending Budget for Shareholder Incentive Calculation and Target 2005 Shareholder Incentive
9. Calculation of 2005 Program Year Cost-Effectiveness and Goals

## **I. Introduction**

This Stipulation and Settlement (“Settlement”) is jointly submitted and entered into by the Rhode Island Division of Public Utilities and Carriers (“Division”), The Energy Council of Rhode Island (“TEC-RI”), the Rhode Island State Energy Office (“SEO”), the Coalition for Consumer Justice (“CCJ”), People’s Power and Light (“PP&L”) and The Narragansett Electric Company (“Narragansett” or “Company”) (together, the “Parties”), and addresses all issues raised by members of the DSM Collaborative<sup>1</sup> concerning the Company’s Demand-Side Management (“DSM”) Programs for the year 2005.

A DSM collaborative group has been meeting regularly since 1991 to analyze and inform the Company’s DSM programs. Since 1997, the Company has been offering its programs pursuant to statute, R.I.G.L. 39-2.1.2(b).

Prior stipulations and settlements have set forth the criteria for the Company’s DSM programs, including that the DSM programs: (1) be as cost-effective as possible; (2) serve a large number and broad mix of Rhode Island customers; (3) maximize long-term savings; (4) capture potential lost opportunities for efficiency improvement; (5) promote market transformation; and (6) support long-term electricity supply and reliability objectives. Over time, in response to customer feedback obtained through public forums and elsewhere, the DSM Collaborative has worked to enhance programs for customers by improving the efficiency and quality of energy-efficient products, expanding services to customers, and becoming more involved in statewide and regional initiatives.

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<sup>1</sup> Members of the Collaborative presently include the Company, the Division, and the intervenors in this Docket including the SEO, TEC-RI, PP&L, and CCJ. The constitution of the Collaborative has varied since 1991, as some organizations have withdrawn and others have joined.

## **II. 2004 Program Status**

The Company currently projects that it will fully spend its approved DSM budget for 2004 and that sector savings goals will be achieved. As shown in Attachment 6, the Company currently projects that it will carry a negative fund balance of (\$288,510) into 2005 because actual DSM revenues in 2004 are expected to fall short of projected revenues for the year. The Company will file its Year-End Report regarding the 2004 programs no later than May 1, 2005.

## **III. 2005 DSM Programs**

The DSM programs for 2005 build on the momentum and success of prior DSM programs and services, and also provide support to the Rhode Island Greenhouse Gas Process Stakeholder Group's activities. The Parties agree to the Company's 2005 DSM Programs described below<sup>2</sup>:

### **A. Residential Programs**

In 2005, the Parties agree to continue the residential programs offered in 2004.<sup>3</sup> These programs include the *EnergyWise* Program, the Appliance Management Program (Low Income), ENERGY STAR® Appliances, ENERGY STAR Heating Program, ENERGY STAR Central Air Conditioning Program, ENERGY STAR Lighting, Energy Efficiency Educational Programs, and ENERGY STAR Homes. Descriptions of these programs, including expected changes from 2004, are provided in Attachment 1.

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<sup>2</sup> Throughout the program year, the Parties may consider additional enhancements beyond those identified herein as more information becomes available to support an informed review of those potential changes.

<sup>3</sup> It should be noted, however, that the Home Energy Management program is being discontinued at year end 2004. A description is included in Attachment 1. Costs for decommissioning this program are included in the 2005 budget.

## **B. Small Business Services Program**

The Parties agree to continue the Small Business Services Program in 2005 with continued emphasis on greater comprehensiveness and custom treatment for non-prescriptive lighting measure installations in the program. The Company proposes to raise the eligibility of customers for this program from 100 kW to 200 kW as a means to better target services to this sector.<sup>4</sup> A description of the Small Business Services Program, including expected changes from 2004, is provided in Attachment 2.

In 2005, program implementation services will be provided by a contractor(s) selected through competitive bid during the fourth quarter of 2004.

## **C. Large Business Services Programs**

The Parties agree to continue the Energy Initiative and Design 2000*plus* Programs in 2005 as described in Attachment 3. The Company intends to build on its experience promoting better energy performance in commercial facilities by offering a number of new initiatives including Advance Building Design Guidelines (ABDG), the U.S. Environmental Protection Agency's (EPA) Commercial ENERGY STAR Buildings, and economic development activities. The ABDG guidelines will promote best efficiency practices in building design and construction with owners and practitioners. In addition, customers will be offered the opportunity to benchmark their facilities through the EPA's Commercial ENERGY STAR Buildings rating system to encourage businesses to take advantage of efficiency opportunities. The Company also recognizes the benefits to working closely with the economic development community in Rhode Island and intends to focus its services in partnership with the Rhode Island Economic Development Corporation (EDC) to support EDC's efforts to

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<sup>4</sup> About 10% of eligible customers in the 100 kW to 200 kW size range participated in the Energy Initiative program in 2003. This is less than half the participation rate (26%) of customers greater than 200 kW.

encourage businesses to locate and conduct business in Rhode Island. More detail on each of these new initiatives is available in Attachment 3.

A preliminary summary of proposed changes and process improvements to these programs is provided in Attachment 4.

#### **IV. Budgets and Funding Sources**

##### **A. Budgets**

The Parties agree that the portfolio of DSM programs and services for 2005 will have an overall projected budget of \$21,737,600. Proposed program budgets are provided in Attachment 5. A comparison of these proposed budgets to the 2004 budget filed with the Commission on May 28, 2004 in the Company's "true-up" filing is also provided in Attachment 5.<sup>5</sup>

##### **B. Sector Budgets and Transferring of Funds**

The Parties propose to use the same methodology that has been used since 2001 for the transfer of funds from one program to another. The Parties agree to segment the budget into three sectors: residential, small commercial and industrial, and large commercial and industrial. Transfers may occur as follows:

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<sup>5</sup> For 2005, the Company will have moderately reduced the size of its Business Services department such that the funding level of the existing compensation plan will be reduced proportionately. The Company is also reorganizing the structure of its Business Services department resulting in more department personnel involvement in the delivery of the DSM programs without increasing the overall department time spent on program delivery. For 2005, the Company will modify its performance based recognition plan for consistency with affiliate companies, but it will be administered in same fashion as it has in all previous years, with DSM performance being rewarded at the same proportion as in the past. Although these changes have a small effect on the compensation plan for the upcoming year, they do not constitute material changes. They are mentioned in an effort to disclose any and all relevant information.

- a. Within a sector, the Company can transfer funds from one program to another only with prior approval by the Division.
- b. With Division approval, the Company can transfer funds from one sector to another so long as the transfers from a sector reduce the approved budget for that sector by 20% or less. Transfers that would reduce a sector's budget by more than 20% in aggregate (over the course of the program year) will require Commission approval.

For transfers requiring Division, but not Commission, approval, the Parties will inform the Commission about all the transfers, both between sectors and within sectors, in a timely fashion. The Parties will regularly review the amount of funds needed and available for each program (as well as any changes to the overall fund balance, as discussed in Section IV.C below) and will transfer monies as needed. The Company will not be permitted to adjust its incentive target calculations for any transfers between sector budgets except as described in Section IV.C below.

### **C. 2005 DSM Program Funding Sources**

The sources of funding for the 2005 DSM Programs are shown in Attachment 6. The Parties agree that the 2005 budget should continue to be funded from the following sources: (1) the statutory-based DSM charge of \$0.002 per kWh; (2) interest earned; (3) funds received from Small Business Program co-payments and from large Commercial and Industrial technical assistance co-payments in 2005; (4) Large C&I commitments from 2004; and (5) carryover of the 2004 fund balance, if any. The projected funding amounts are shown in Attachment 6.

The projected 2005 budget for DSM programs is dependent on a number of projections that inform the amount of funding, including projections of kilowatthour sales of electricity, year-end 2004 large commercial and industrial

program commitments, and a projection of year-end 2004 spending. In order to obtain the most accurate budget possible, the Parties agree to true-up each of the components of the budget calculation that are currently projected with actual year-end numbers. The true-up will occur when year-end actual amounts become available, but no later than May 31, 2005 (the "May True-up"). The May True-up will result in more or less money being available for the 2005 DSM budget. The Parties will review the budget to determine how best to revise the budget in accordance with the results of the true-up. If the difference between the results of the true-up and the filed budget is 20% or less of the total approved budget, the Division shall have the authority to approve the reallocation. The Company will be permitted to adjust the projected spending budgets and savings goals in the shareholder incentive calculation in accordance with the adjustments made in the May True-up filing.

The Parties agree that the Company should make every attempt to spend or commit all the funds available for DSM in a given year, including any increases in the fund balance due to increased sales or other factors. The Company will seek Division or Commission approval of any proposed revisions throughout the year in accordance with the procedure described above for the May True-up. The Parties also agree to review the status of program budgets regularly to assess whether they are likely to come to a successful completion. If not, the Parties agree to review the advisability of transferring funds to other programs where the money could be more effectively used.

## **V. Continuation of the Collaborative**

The Parties agree that the Collaborative, consisting of the Parties to this Settlement plus any and all Parties identified by the Commission for inclusion, shall meet no less than six times in 2005 to review the status and performance of the Company's 2005 DSM

programs and to review proposed 2006 DSM programs and performance metrics. If the Parties are unable to agree on all or part of the Company's 2006 DSM programs or performance metrics, the Company will be free to unilaterally file all or part of its 2006 DSM program proposal for approval by the Commission on or before October 1, 2005.

## **VI. Incentive**

In Order No. 17927 (July 28, 2004), the Commission directed:

Narragansett Electric Company shall file a proposed shareholder incentive plan no later than September 1, 2004. Responsive filings by other parties shall be made no later than October 1, 2004. Narragansett may seek Commission action prior to September 1, 2004 on the shareholder incentive mechanism. (Order 17927, p. 20)

The Commission also noted, "In the event the parties desire to hold a technical session prior to September 1, 2004 in order to discuss shareholder incentives and receive direction from the Commission, they may request such action." (Order 17927, p. 19)

In response, the Company and Collaborative requested that a technical session be scheduled in July 2004 prior to the development of plans for 2005. A technical session was held on July 7, 2004, which provided the Commission, Company, and the Collaborative an opportunity to discuss the incentive mechanism. In addition, at its Open Meeting held on July 29, 2004, the Commission discussed questions provided by the Company with regard to the incentive mechanism. The discussions held at both the technical session and the open meeting have guided the DSM incentive mechanism proposal contained in this Settlement:

- The shareholder incentive mechanism will continue to include two components:  
(1) performance-based metrics and (2) kWh savings targets by sector. This



incentive mechanism has been in place for less than one year and more experience with this mechanism will be helpful.

- The Parties have agreed to the inclusion of five performance-based metrics for 2005. These metrics include two that relate to the Residential sector, one that relates to the Small Business Services sector, and two that relate to the Large Business Services sector. Each of the proposed performance-based metrics is provided in Attachment 7. The Parties agree that the Company will have the ability to earn \$15,000 for each performance metric it successfully achieves in 2005 with an opportunity to earn a portion of the incentive for partially achieving goals as shown in Attachment 7. The total potential incentive for performance metrics is capped at \$75,000.

The Parties have provided provisional goals for the proposed metrics based on currently available information. The Company, with agreement of the Parties, will file with the Commission a supplement to this Settlement that provides final goals for each metric by March 31, 2005 with the final goals informed by relevant available year-end 2004 data. Updating the provisional performance targets at a later date will have no impact on the shareholder incentives established for these performance-based metrics. If the Parties are unable to reach agreement about the specific performance goals, the Company reserves the right to file recommended goals with the Commission for its approval by March 31, 2005.

- The Parties have agreed to retain a target incentive rate of 4.40% in 2005 applied to the eligible spending budget for 2005. The projected spending budget for 2005 is approximately \$15.3 million (see Attachment 8, page 1 of 2). Therefore, the total target incentive for 2005 is 4.40% of \$15.3 million, or \$673,476, as shown in Attachment 8 page 2 of 2. Of this total, \$75,000 will be the target incentive for the performance-based metrics and the remainder will be for the kWh savings target.
- The threshold performance level for energy savings by sector will be increased in 2005 from 45% of the annual energy savings goal to 60% of the energy savings

goal for the sector. The Company must attain at least this threshold level of savings in the sector before it can earn an incentive related to achieved energy savings in the sector.

- The Company will have the ability to earn an incentive for each kWh saved, once threshold savings for the sector are achieved, up to 125% of target savings. The incentive per kWh saved by sector is provided in Attachment 8 page 2 of 2.
- The incentive cap on energy savings will be equal to 125% of the target incentive amount for energy savings. If the Company achieves this level of exemplary performance, Rhode Island consumers will realize additional savings. Given budget control requirements, this will provide the Company with an incentive to improve the efficiency of its program implementation efforts while providing Rhode Island consumers with value in excess of the incremental incentive that may be earned by the Company.

Attachment 8, page 1 of 2 provides the derivation of the eligible spending budget that is used to determine the amount of the incentive that the Company may earn if it is successful in achieving its goals for both energy savings and performance metrics. Attachment 8, page 2 of 2 provides a summary of the incentive related to performance metrics and the incentive related to annual energy savings goals by sector. Energy savings goals by sector reflect the expected cost of savings in each sector informed by evaluation studies and have been adjusted to take into account changing rebate policies and the changing market being served. These goals have been carefully reviewed by the Collaborative to ensure that they represent reasonable and challenging goals for the year.

There are two circumstances that would necessitate the recalculation of the threshold, calculated cap, and incentive for a particular sector. First, if budgets are adjusted as a consequence of the Company's true-up filing in May 2005 (with Division or Commission approval, as appropriate), the threshold and incentive for the affected sectors will be adjusted as will each sector's incentive caps. Second, if the assumptions used to develop

savings goals change as a result of completed evaluation studies, the Company will recalculate savings goals to account for those evaluation findings and will report actual savings on the same basis. None of these changes will affect the target incentive dollars associated with performance metrics. The Company will report program results compared to these revised budgets and goals in its Year-End Report regarding 2005 DSM Program efforts.

## **VII. Miscellaneous**

### **A. Cost-Effectiveness**

The Company has projected cost-effectiveness for the proposed 2005 programs using the benefit/cost test in place during 2004. Attachment 9 provides the calculation of 2005 program year cost-effectiveness and goals based on the proposed budgets. Attachment 9 shows that the proposed portfolio of programs is expected to have a benefit/cost ratio of 2.99 which means that \$2.99 in benefits is expected to be created for each \$1 invested in the programs.

### **B. Reporting Requirements**

The Company will provide quarterly reports to the Division and the Commission on the most currently available program performance. These reports will include a comparison of budgets and goals by program to actual expenses and savings on a year-to-date basis. The Company will provide to the Parties and file with the Commission its 2004 Year-End Report no later than May 1, 2005. The Company will provide to the Parties a summary of evaluation results together with a memorandum summarizing the impact of those results on Narragansett's programs no later than early September 2005. The Company will report on 2005 metric results, achieved energy savings in 2005, and earned incentives in its Year-End Report for 2005, to be filed no later than May 1, 2006.

**C. Other Miscellaneous Provisions**

1. Other than as expressly stated herein, this Settlement establishes no principles and shall not be deemed to foreclose any Party from making any contention in future proceeding or investigation.
2. This Settlement is the product of settlement negotiations. The content of those negotiations is privileged and all offers of settlement shall be without prejudice to the position of any Party.
3. This Settlement is submitted on the condition that it be approved in full by the Commission, and on further condition that if the Commission does not approve the Settlement in its entirety, the Settlement shall be deemed withdrawn and shall not constitute a part of the record in any proceeding or used for any purpose.
4. Other than as expressly stated herein, the approval of this Settlement by the Commission shall not in any respect constitute a determination as to the merits of any issue in any other proceeding.

The Parties respectfully request the Commission approve this Stipulation and Settlement as a final resolution of all issues in this proceeding.

Respectfully submitted,

THE NARRAGANSETT ELECTRIC COMPANY

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Laura S. Olton, Esq.

Date

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Respectfully submitted,

THE NARRAGANSETT ELECTRIC COMPANY

Laura S. Olton      9/28/04

Laura S. Olton, Esq.

Date

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND  
CARRIERS

William K. Lueker 9/27/04

By its Attorney Date  
William K. Lueker, Special Assistant Attorney General

THE ENERGY COUNCIL OF RHODE ISLAND

\_\_\_\_\_  
William Martin Date

RHODE ISLAND STATE ENERGY OFFICE

\_\_\_\_\_  
Janice McClanaghan Date

THE COALITION FOR CONSUMER JUSTICE


\_\_\_\_\_  
Arlene Bolvin Date

-12-

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND  
CARRIERS

\_\_\_\_\_  
By its Attorney Date  
William K. Lueker, Special Assistant Attorney General

THE ENERGY COUNCIL OF RHODE ISLAND

 9/27/04  
\_\_\_\_\_  
William Martin Date

RHODE ISLAND STATE ENERGY OFFICE

\_\_\_\_\_  
Janice McClanaghan Date

THE COALITION FOR CONSUMER JUSTICE

\_\_\_\_\_  
Arline Bolvin Date

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND  
CARRIERS

\_\_\_\_\_  
By its Attorney Date  
William K. Lueker, Special Assistant Attorney General

THE ENERGY COUNCIL OF RHODE ISLAND

\_\_\_\_\_  
William Martin Date

RHODE ISLAND STATE ENERGY OFFICE

*Janice McClanaghan 9/24/04*  
\_\_\_\_\_  
Janice McClanaghan Date

THE COALITION FOR CONSUMER JUSTICE

\_\_\_\_\_  
Arline Bolvin Date



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To: J. Scanlon	From: Arline Bolvin
Co.	Co.
Dept.	Phone #
Fax #: 784-4321	Fax #

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VISION OF PUBLIC UTILITIES AND  
CARRIERS

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By its Attorney Date  
William K. Lueker, Special Assistant Attorney General

THE ENERGY COUNCIL OF RHODE ISLAND

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William Martin Date

RHODE ISLAND STATE ENERGY OFFICE

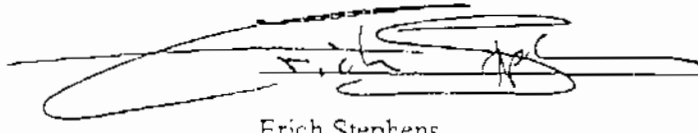
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Janice McClanaghan Date

THE COALITION FOR CONSUMER JUSTICE

*Arline Bolvin* 9/30/04  
Arline Bolvin Date

PEOPLE'S POWER & LIGHT

 27 Sep 04

Erich Stephens

Date



## **2005 RESIDENTIAL PROGRAMS**

The Company proposes a comprehensive set of residential energy efficiency programs for implementation in 2005. Proposed program changes for 2005 include:

- Increased participation and lower rebates in the ENERGY STAR® Appliances and Lighting programs
- Doubling of the goal for the ENERGY STAR Air Conditioning Program
- Participation of all of Rhode Island's vocational schools in the ENERGY STAR Homes training program
- Closing of the Home Energy Management program

The residential programs are described below:

- (1) *EnergyWise*
- (2) Appliance Management Program
- (3) ENERGY STAR Appliances
- (4) ENERGY STAR Heating Program
- (5) ENERGY STAR Central Air Conditioning Program
- (6) ENERGY STAR Lighting
- (7) Energy Efficiency Educational Programs
- (8) ENERGY STAR® Homes
- (9) Home Energy Management Program

## **1. EnergyWise Program**

### **Overview**

First offered in 1998, this program is open to existing multifamily and single-family homes. It offers customers free home energy audits of their homes and information on their actual electric usage. Participants in this program receive financial incentives for cost effective measures to replace inefficient lighting fixtures, appliances, thermostats, insulation levels and windows with models that are more energy efficient.

### **Eligible Population**

All residential customers in 1-4 unit buildings are eligible to participate. Multifamily facilities of five or more units are eligible if they have not previously participated in the program in the past ten years. The Company proposes to serve 3,699 customers (dwelling units) through the EnergyWise program in 2005.

### **Program Design**

The program is certified by the Environmental Protection Agency as a “Home Performance with ENERGY STAR” program. This allows the program to use the ENERGY STAR name for marketing purposes, and ensures that the program meets high health and safety standards. The energy audit looks at the house as a “system” to ensure that all energy efficiency measures as well as occupant health and safety are considered.

The program is marketed through direct contact with interested customers and owners, property owner’s associations, bill inserts, customer newsletters, the Narragansett Electric website and other methods. There is often a waiting list for multifamily program

services, though the program is usually able to serve customers within the year the participation request is made.

Eligible customers and/or building managers or associations receive a comprehensive energy audit, energy education, and the installation of low cost efficiency measures (e.g. hot water measures, air sealing for electrically heated buildings, compact fluorescent lightbulbs) at no direct cost. The contractor puts major measures out to competitive bid in facilities that have greater than twenty units. Major measures include lighting upgrades, electric heat thermostats, replacement of inefficient refrigerators, heat pump testing and upgrades, duct sealing and insulation for electrically heated buildings. The Company will pay 75% of the cost of any needed insulation in electrically heated homes. The Company will provide rebates of \$100 to \$450 to replace inefficient refrigerators where the size of the rebate is determined by the size of the refrigerator replaced. The Company will help subsidize the installation of efficient lighting fixtures, thermostats and electric water saving measures. The Company does not require a co-payment for lighting installed in the living units of multifamily buildings in order to avoid lost opportunities.

The program also offers low interest loans for customers who live in one to two unit facilities to install additional weatherization, including insulation, and ENERGY STAR windows and doors. These loans are available to customers with homes heated by electricity, oil, propane, and wood, regardless of their level of electric use.

The Company will make an up-front payment to write down the interest on an unsecured loan. It will plan to provide funds to lower the interest rate to approximately two percent. The Company may adjust the loan rate during the year to respond to market conditions and customer demand. The participating bank will determine loan approval.

Low Income customers living in 1-4 unit buildings will be served by the Appliance Management program, described next. The *EnergyWise* program also services Public Housing Authority properties and other low income multifamily buildings. Depending on income eligibility of the tenants, co-payments may be reduced or waived for these larger facilities. If the facility is 50% or more low income, co-payments are waived on all measures except refrigerators. There is no copayment required on any measure for Public Housing Authorities or other low income state and federally funded facilities. Elderly Housing projects are eligible to participate through the *EnergyWise* program and many have participated. Over the last three years, Narragansett Electric has served over 6,700 elderly housing units through the *EnergyWise* program.

## **2. Appliance Management Program**

### **Overview**

Electric and heating bills are typically a big burden to low income customers, who often pay a high percentage of their income to cover these bills. Customers who are unable to pay are at great risk for shut-off of services. All customers bear these costs through paying for collection and shut-off visits and the write off of bad debt. Efforts to lower energy bills for low income customers benefit them directly and all ratepayers indirectly.

### **Eligible Population**

Customers who are eligible for the Low Income Heating Assistance Program (LIHEAP)<sup>1</sup>, also known as fuel assistance, and live in 1-4 unit buildings, are eligible for this program.

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<sup>1</sup>The federal government has set an income level, tied to the median income of each state, which defines the uppermost income boundary for LIHEAP participation. Individual states have some flexibility in

There is no co-payment requirement. . The Company proposes to serve 592 customers (dwelling units) in 2005.

The Collaborative and Company want to ensure that customers who have difficulty paying their electric bills receive assistance from the Energy Efficiency programs. While the average savings of \$100 per year through the AMP program may not be enough to help these customers avoid shut-off, it will certainly provide some assistance and increased control of electric usage. The Collaborative and the Company believe the targeted approach described below is the best way to reach troubled customers.

In 2005, the Company will work with the SEO to offer AMP services to low income customer addresses where shut-offs have occurred. The Company has identified about 1400 addresses where shut-offs have occurred and electric usage is at least 10 kWh per day in the non-heating months. The Company will provide this list to the SEO and the SEO will direct local agencies to offer services to these customers, keeping strict confidentiality of any customer billing issues. From previous targeted services, the SEO is aware that there may be barriers to serving these customers due to high tenant turn over, language barriers, and lack of interest on the part of customers. The Company will track participation of these customers in the program and report back to the Collaborative.

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defining income eligibility as long as it is not set above the federally defined maximum. Eligibility in this program will track the eligibility for LIHEAP set by the State of Rhode Island.



## **Program Design**

The Company contracts with the Rhode Island State Energy Office (SEO) and local weatherization agencies for the delivery of energy efficiency services to eligible customers.

The Appliance Management Program (AMP) provides a comprehensive review of the customer's electric bill, existing appliances, and electric use patterns. The program provides for the installation of ENERGY STAR refrigerators and lighting, and cost-effective custom measures to replace inefficient equipment and help lower customers' electric bills. In addition, the Company installs electric water heating energy efficiency measures at no cost for participating customers. The Company also funds weatherization work for these customers in one to four unit homes where the primary heating fuel is electricity, oil, propane or wood. This funding supplements federal dollars received by the State Energy Office for weatherization work. The Company proposes to continue to work with local Community Action Agencies and the SEO to provide no-cost services to income eligible customers in 1-4 unit facilities.

The program is marketed through direct contact with eligible customers. One marketing efforts consists of contacting, by mail and/or telephone, customers subscribing to Narragansett Electric's low income rates who have not previously received AMP services. Another important marketing focus is direct marketing by the SEO and local CAP agencies to customers it serves through state, federal, or local low income programs. The demand for program services is greater than the program budget, so marketing is targeted to avoid over subscription.

### **3. ENERGY STAR® Appliances:**

#### **Overview**

ENERGY STAR is the national program sponsored by the United States Department of Energy and the Environmental Protection Agency to promote energy efficient products to help reduce energy use and prevent air pollution. Energy efficient choices can save families about a third on their energy bill with similar savings of greenhouse gas emissions, without sacrificing features, style or comfort.

This program is part of a regional joint effort by utilities and energy efficiency organizations to encourage the purchase of ENERGY STAR rated major appliances. These appliances include clothes washers, dishwashers, refrigerators, dehumidifiers, and room air conditioners (RAC). Manufacturers build their products to meet or exceed energy efficiency performance specifications established by ENERGY STAR. Together with manufacturers, local retailers, the DOE, and EPA, the Company works to help identify and promote the purchase of these high efficiency appliances to its customers.

#### **Eligible Population**

All residential customers are eligible to participate. The Company proposes to serve about 4,900 customers in 2005.

#### **Program design**

The program provides retailer support, training, advertising, consumer education, codes and standards review and advocacy, and manufacturer labeling. For 2005 the Company proposes to continue to provide consumer education on these products and continue to offer rebates for ENERGY STAR clothes washers and room air conditioners. The Company proposes to lower the year round clothes washer rebate from the \$50 offered in 2004 to \$35 in 2005. The Company proposes to lower the room air conditioner rebate

offered in the spring from \$25 offered in 2004 to \$20 in 2005. The Company also plans to discontinue direct incentives to salespeople for ENERGY STAR appliance sales. Company efforts to encourage customers to purchase ENERGY STAR appliances over the past few years have been successful, so the rebate amounts can be lowered. These rebates may be adjusted to ensure coordination with regional and national program efforts and to reflect changing Rhode Island market conditions. The Company will coordinate with the regional Northeast Energy Efficiency Partnerships (NEEP) efforts to work directly with manufacturers and retailers to provide additional matching rebates, cooperative advertising and other program enhancements.

An important part of the program is educating customers about ENERGY STAR. The Company sponsors media advertising that promotes ENERGY STAR and specific ENERGY STAR promotions. The Company typically advertises ENERGY STAR on radio stations WCTK-FM, WPRO/WWLI, and WSNE/WWBB and in the Providence Journal during the spring and fall months. The Company also develops media stories and public relations opportunities about ENERGY STAR. More and more, the Company develops Negotiated Cooperative Promotions with local retailers and manufacturers to promote products locally.

A nationwide study of consumers' awareness of ENERGY STAR labeling is conducted annually. The most recent study, conducted in 2003, indicates that the existence of utility sponsored programs increases the awareness of ENERGY STAR products. National recognition of the ENERGY STAR label in high-publicity areas (areas with an active local ENERGY STAR program sponsored by a utility, state agency, or other organization for two or more continuous years) was 50% compared to 21% in low-publicity areas. When the ENERGY STAR label is shown, the aided recognition in high-publicity areas rises to 67% and in low-publicity areas the value increases to 51%. Overall, there was an

increase in both unaided (5%) and aided (15%) recognition of the ENERGY STAR label compared to 2002 survey results. The Company will inform the Collaborative about future awareness study results.

New for 2005, the Company also plans to work with a retailer to coordinate a turn-in event for room air conditioners and dehumidifiers. At this event, customers would turn-in their old, working room air conditioners and dehumidifiers to receive a rebate for a new ENERGY STAR qualifying unit. The turn-in will allow customers to ensure that their old equipment is properly recycled, and provide a convenient one-stop shopping experience for the customer. It will also provide Narragansett Electric with some information about the current condition and efficiency of existing customer equipment.

The Company will continue to work with the Rhode Island Greenhouse Gas Stakeholder Group on two of its initiatives to reduce residential electric use and thereby reduce greenhouse gases. The first initiative is to promote the use of the smallest reasonable appliance for residences. The Company will continue to provide educational information on correct appliance sizing to customers through our bill inserts and program materials. The second initiative is to encourage Rhode Island to set minimum efficiency standards for specific appliances. The Company has been very active in encouraging minimum efficiency standards legislation in cooperation with the Northeast Energy Efficiency Partnerships.

#### **4. ENERGY STAR® Heating Program**

##### **Overview**

A typical residential customer spends approximately 44% of their energy budget on heating and cooling. Two programs address these measures directly. The first program, the ENERGY STAR Heating Program, provides funding to the Rhode Island State Energy Office to offer ENERGY STAR heating system rebates. The second initiative, the High Efficiency Central Air Conditioning Program, is described below.

##### **Eligible Population**

Residential customers who purchase ENERGY STAR Heating Systems that burn oil in their existing home are eligible to participate in this program. The Company proposes to serve about 609 customers in 2005.

##### **Program Design**

The Company will continue to provide funding to the Rhode Island State Energy Office to offer incentives to customers who purchase ENERGY STAR Heating Systems that burn oil. The SEO markets the program through newspaper articles, contact with heating equipment contractors, and word of mouth. Most contractors install heating equipment with an Annual Fuel Utilization Efficiency (AFUE) of 80% or less. In order to encourage higher efficiency and positively reinforce market changes, the Company will continue to offer a \$300 rebate for ENERGY STAR heating systems.

## **5. ENERGY STAR® Central Air Conditioning Program**

### **Overview**

In 2002, the Company participated in a joint study of HVAC market conditions and efficiency potential in Rhode Island, Connecticut, and Massachusetts. The study identified several key target markets including residential customers who are in the market to purchase central air conditioning (AC) or heat pump systems and HVAC technicians responsible for installing this equipment. The market research estimates that approximately 4,200 Rhode Island customers are purchasing replacement or new central air conditioners each year. The market research also documented that energy savings opportunities exist due to the improper design and installation practices of residential AC contractors. Inadequacies documented include over-sizing of systems overall, undersizing of the air distribution system, failure to obtain proper refrigerant charge and inadequate duct sealing.

### **Eligible customers**

Any residential customer installing or replacing a central air conditioning or heat pump system in an existing home is eligible to participate. Incentives for ENERGY STAR heating and cooling are included in the ENERGY STAR Homes program for new construction. The Company plans to increase funding and program participation in 2005 and proposes to serve 210 customers.

### **Program design**

The Company provides rebates of \$370 and \$550 to customers for properly installed ENERGY STAR central air conditioning systems in existing homes. The Company began the program in the fall of 2002 with start-up activities and continued into 2003 and 2004, focusing on outreach and program participation. Specifically, the Company has

focused its efforts on both customer education and outreach via bill inserts, fact sheets, and targeted mailings to high users in summer months; contractors' education and outreach via phone calls, mailings, one-on-one meetings, trainings on technical issues, usage of sizing software, and up-selling to high efficiency equipment; and working closely with contractors to encourage participation in the program and installing the air conditioning systems properly.

While ensuring that new air conditioning equipment is properly sized and operating is critical to the energy efficiency of the equipment, it has not been the standard practice of HVAC technicians to perform all the needed calculations and tests. The Company has assisted technicians by providing free copies of the Right J software, an air conditioning system sizing software tool, and also providing a payment to the contractor of \$100 per completed application as they learn new techniques.

The quality installation component of the program was expanded in 2004. Effective June 1, 2004, the program initiated the use of a third party remote quality installation verification tool for all installations called Check-Me™. The program trained 17 HVAC technicians to use digital thermometers and standard pressure gauges to obtain the necessary data when installing equipment, and to call in the results. Contractors then receive immediate feedback and information to make adjustments so the equipment will conform to manufacturer's specifications. As of June 1<sup>st</sup>, the installation must pass Check-Me or an alternate "weigh-in" method when the outdoor temperature is too cold. Customers also receive a certificate with the Check-Me results and educational materials. In 2005, the Company proposes to continue these same activities to educate customers and contractors and promote installation quality.

## **6. ENERGY STAR® Lighting**

### **Overview**

This program is designed to support the development, introduction, sales, promotion, and use of ENERGY STAR residential lighting products. The Company has provided rebates and actively promoted energy efficient residential lighting since 1991. In 1998, Narragansett Electric joined with other electric utilities in the region through the Northeast Energy Efficiency Partnerships (NEEP) to offer a common residential lighting program to its customers.

### **Eligible Customers**

All residential customers are eligible to participate in this program. The Company proposes to serve approximately 59,254 customers.

### **Program Design**

For 2005, the Company proposes to continue offering its residential lighting program as part of the regional joint efforts. The program offers customers the opportunity to purchase compact fluorescent bulbs (CFL) and fixtures at substantial discounts. Customers have several options for program participation including redeeming instant rebate coupons for qualifying products purchased in participating retail stores, purchasing reduced price products at retailers where the manufacturer has received a rebate from the Company and passed on the discount directly to retailers and consumers, using the mail order catalog, and making website purchases.



The Company will continue to work with manufacturers and retailers to offer a good mix of standard, innovative, and specialized CFL product. CFL rebates will be offered in the \$1 - \$4 range, depending on the style and technology of the bulb (standard, dimmable, 3-way, etc.). In 2004, the rebates offered were in the \$2- \$4 range. Increased purchases by customers and increased participation by retailers allows the program to lower rebates. As described above for ENERGY STAR appliances, the Company will work with NEEP to solicit proposals from manufacturers and retailers for short term promotions including special events, new product launches, and cooperative advertising.

The Company has found that the “Negotiated Cooperative Promotions” through NEEP are an excellent way to lower rebate costs and encourage retailers and manufacturers to pay for marketing and promotion through their regular channels. Active promotions in 2004 have included retailers: Ocean State Job Lot, Rocky’s, Brooks Pharmacy, McQuade’s Ace Hardware, Ann & Hope Dollar Store, and J&K Electric. Manufacturers who have participated in Negotiated Cooperative Promotions include General Electric, Westinghouse, TCP, Maxlite, Feit, and Harmony.

The Company will work with a local retailer to coordinate a turn-in event for halogen torchieres. Halogen torchieres burn extremely hot and have caused tragic fires around the country. In contrast, an ENERGY STAR torchiere uses compact fluorescent technology to provide safe operation and energy efficiency. The event will be held in conjunction with an air conditioner and dehumidifier turn-in (described in more detail in the ENERGY STAR Appliances section). Customers will receive rebates for the purchase of ENERGY STAR torchieres after turning in their working halogen torchieres.

The Company proposes to continue rebates for ENERGY STAR fixtures and torchieres. Rebates will be \$10 for exterior fixtures and \$15 for interior fixtures, table lamps, torchieres, and floor lamps. The rebates proposed are the same as 2004, with the exception that the Company proposes to drop the rebates on the torchieres from \$20 to \$15. Rebates on fixtures and bulbs may be adjusted to ensure coordination with regional and national program efforts and to reflect changing RI market conditions. The Company will also continue to work directly with lighting showrooms to encourage the promotion of high efficiency, high fashion residential CFL fixtures. The Company will continue to support local retailers with promotional materials (signs, coupons, displays) training, and regular sales visits

## **7. Energy Efficiency Educational programs**

### **Overview**

All the residential energy efficiency programs include customer education as a primary part of the program design. In addition, the Company also sponsors educational programs for children and young adults who are Rhode Island's future ratepayers, builders, and contractors. The budget for educational programs in 2005 is slightly lower than in 2004 due to a reduction in funding for the National Education Development (NEED) program. This program is maturing and level funding is not requested so that other residential program needs can be addressed.

### **Eligible Population**

Elementary, secondary and vocational schools are eligible to participate in the energy efficiency educational programs.

## **Program Design**

Each of the three programs is described in detail below.

### **a) National Energy Education Development (NEED) Project**

The National Energy Education Development (NEED) Project is a nonprofit education association that works with thousands of schools nationwide to promote an energy conscious education. NEED is a strategic partner of Rebuild America and **EnergySmart Schools**, programs of the U.S. Department of Energy. NEED creates networks of students, educators, and business, government and community leaders to design and implement objective energy education programs. The Rhode Island EnergySmart Schools program includes educational materials for kindergarten to twelfth grade which provide comprehensive, objective information about energy production and consumption, the major energy sources, and their impact on the environment, economy, and society. Services offered include kits and curriculum for students from kindergarten through high school, student/teacher training programs, workshops, and conferences, a summer camp program, scholarships to national energy educational conferences, and youth awards.

### **b) ENERGY STAR Homes Vocational Schools Initiative**

The Company currently works with all nine Rhode Island Career and Technical schools: Chariho, Coventry, Cranston, Davies, East Providence, Hanley, Newport, Warwick, and Woonsocket. on this initiative. It provides training to vocational school students on building ENERGY STAR homes. These homes are then sold at below market rates to increase the stock of affordable housing.

Originally, only Woonsocket and Warwick were participating in the program. In the past year, the other schools were encouraged to participate in cooperation with the Skill USA

national competition for vocational schools. Working with the Woonsocket Area Career and Technical Center, the Community College of Rhode Island, and the Rhode Island Builders Association, the Company sponsored a Rhode Island Energy Efficient Building Competition to help students improve performance in the national competition. In preparation, on-site training was provided at all schools on energy efficient building practices. The Company will continue this outreach effort because it will improve Rhode Island's energy efficiency for years to come.

**c) “Kids for Conservation” Program with Radio Disney**

The Company proposes to continue to sponsor educational workshops with Radio Disney to provide family education on conservation in a fun and entertaining way. For each event, Radio Disney visits 4th and 5th graders at 3-4 schools at assembly time to introduce conservation and the Kids for Conservation program. Children can enter a poster contest on energy conservation to win four tickets (for them and their family) to see a show at the IMAX theatre along with games and a skit on energy conservation. Parents receive information on energy conservation and a free CFL bulb. The Company proposes to hold two Kids for Conservation events in 2005.

**8. ENERGY STAR® Homes:**

**Overview**

The ENERGY STAR Homes Program is part of the national energy efficiency campaign developed in 1998 by the Environmental Protection Agency (EPA) and United States Department of Energy (DOE). Rhode Island was one of the first states to adopt this program. It helps builders and buyers design and construct homes that are fifteen percent more efficient than required by Rhode Island's current Model Energy Code. The

homes are designed, site inspected, and performance-tested to achieve a home energy rating which helps consumers differentiate between efficient homes and standard homes.

### **Eligible Population**

Anyone building a home in Rhode Island can participate, regardless of type of heating fuel. The Company plans to serve 350 customers through this program in 2005.

### **Program Design**

For 2005, the Company proposes to make a change to the rebate structure to encourage higher Home Energy Rating Scores (HERS)<sup>2</sup>, leading to increased energy savings per home. Builders will no longer receive an incentive for reaching the minimum HERS scores for ENERGY STAR Homes, although technical assistance will still be available. Higher rebate levels will be available for more efficient homes. The additional rebate amounts are designed to cover the incremental cost of achieving the higher HERS rating. Based on the program's experience in the past year, we find that changing the rebate structure will encourage builders to build better. There will be no change in the overall budget of the program to facilitate this change. Here is the comparison of 2004 rebates and proposed 2005 rebates:

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<sup>2</sup> The Home Energy Rating Score or HERS is a standard nationally recognized measurement of energy efficiency on a scale from one to one hundred. A home must achieve a HERS score of at least 86 in order to be qualified as an ENERGY STAR Home. In the Narragansett Electric program, the energy savings values of ENERGY STAR lighting and appliances are also included in the HERS score.

HERS Score	2004 Incentive	Proposed 2005 Incentive
86	\$500	\$0
87	\$500	\$0
88	\$700	\$1,000
89	\$900	\$1,200
90	\$1,100	\$1,400
91	\$1,100	\$1,600
92	\$1,100	\$1,800

Additionally, the Company will offer an incentive to first time ENERGY STAR Homes builders, to encourage additional builders to participate in the program at any HERS level. This incentive will be developed in cooperation with other utilities participating in this regional program for a limited number of homes, around the \$500 level.

**9. The Home Energy Management Program (HEM)**

The HEM program has provided direct control of residential water heaters for load management purposes since 1988. Customers whose water heaters are controlled by the HEM program receive service under Narragansett Electric’s Residential Water Heater Control rate. This rate was closed to new customers in 1998, and is proposed to be eliminated in the Rate filing currently before the Rhode Island Public Utilities

Commission. The Company and the Collaborative recommend ending the HEM program as close to year end 2004 as possible.

The Narragansett Electric DSM program has traditionally paid for the program costs of the Home Energy Management program, including any needed repairs to the existing system and the costs of broadcasting the control signal via radio. The typical program budget has been approximately \$150,000 per year. The program is currently offered by three National Grid companies: Narragansett Electric, Massachusetts Electric, and Granite State Electric. Many of the program costs are shared between the three companies, with Narragansett Electric paying about 22% of shared expenses.

The program was developed during the late 1980s when Narragansett Electric owned generating facilities and had a winter energy peak as well as a summer energy peak. Since that time, the Company has sold its generation and the region is much more concerned about the summer energy peak. Controlling electric hot water heaters provides a larger decrease of demand in the winter than the summer. The Company estimated that in 2004, the HEM program could provide 1.3 MW of demand reduction.

The computer that sends the HEM signals to the radio station and the program data base are of 1980s vintage and currently not supported by their manufacturers. Our Information Technology department believes that the computer could crash at any time and be unrepairable. The Company determined that a \$300,000 investment would be necessary to invest in new equipment and software to continue the program. Narragansett Electric's share would be approximately \$66,000. Given that customers are dropping off the program since the rate is closed to new customers, and that ISO New England has other programs in place to address summer peak load, the Company determined that it would

not be a prudent investment and recommends that the program be ended. A small budget is included for 2005 for shut-down costs that cannot be completed in 2004.





**2005 SMALL BUSINESS SERVICES PROGRAM**

**Overview**

For almost ten years, this program has provided direct retrofit installation of energy efficient lighting, refrigeration, and other energy efficient measures to small commercial and industrial customers.

**Eligible Population**

In 2005, the Company proposes to increase the eligibility of Customers to include an average monthly demand of less than 200 kW, or annual energy usage of less than 300,000 kWh. In order to accommodate increased potential participation from expanding the eligible population in 2005, the proposed Small Business Services program budget is increased about \$311,000 compared to the 2004 True-up.

**Program Design**

The Small Business Services Program offers incentives for the installation of energy efficient fluorescent ballasts, lamps, and fixtures; hard-wired and screw-in compact fluorescent systems; high intensity discharge systems; occupancy sensors; programmable thermostats; hot water tank insulation wraps; hot water pump time clocks; and refrigeration measures such as evaporator fan controls, efficient evaporator fan motors, automatic door closers and door heater control devices for walk-in coolers. The Company arranges the equipment purchase through a material vendor and installation with an administrative contractor. In 2004 the Small Business Program was expanded to create broader program depth and appeal to customers by offering the potential to deliver more comprehensive energy efficiency opportunities. This expansion provided customers the benefit to build on their potential energy savings by examining a broader array of energy efficient opportunities outside the current available measures.

The Rhode Island State Energy Office funds a fossil fuel system efficiency service that is provided by the Company's labor vendor and is "piggy backed" with the delivery of the Small Business Services Program. Similarly, the Company will consider coordinating referrals with the local gas distribution companies if they are offering any additional efficiency services.

The SEO is also offering an Energy Services Company (ESCO) initiative to encourage efficiency improvements in Rhode Island's commercial facilities. The company intends to support the delivery of this service by coordinating its Energy Initiative program services with the ESCOs as they develop technical assessments for these customers. Where there is an overlap in services provided by the Small Business Services Program (among 100 to 200kW customers), the Company will coordinate through its vendor(s) to avoid duplicate marketing efforts. Customers in the 100 kW to 200 kW range who participate in the ESCO program and receive Energy Initiative rebates will be counted as Energy Initiative participants.

Most rebates cover 75% of both labor and material costs. Customers may finance the remainder for up to 24 months interest-free through their electric bill. If customers pay their portion up front, they receive a 15% discount off the amount due.

In 2005, Small Business Services program will continue to offer a broad selection of comprehensive measures. While potential for significant energy savings in small business rests on improving lighting energy use, the proposed improvements to the program support more comprehensiveness in customers' facilities and builds on the experience gained from delivering these services in 2004. These additional energy

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**Attachment 2**

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efficiency measures will include but not be limited to non-prescriptive lighting measures, motor and drive power improvements and other custom energy efficiency opportunities.



## 2005 LARGE BUSINESS SERVICES PROGRAMS

### 1. Design 2000*plus*

#### Overview

Offered to commercial and industrial customers since 1988, Design 2000*plus* encourages energy efficiency in new construction, renovations, remodeling, and replacement of failed equipment through financial incentives and technical assistance to developers, customers and design professionals. Financial incentives reduce the cost barrier to investing in efficiency. Technical assistance reduces barriers to more efficient design by providing education to participants in the use of energy-efficient engineering practices.

Design 2000*plus* has a large market transformation component. By familiarizing the large commercial and industrial segment with higher energy efficiency standards, Design 2000*plus* creates new efficiency standards for construction. The Company actively supports regional and national market transformation programs designed to transform markets for a broad range of energy efficient equipment and services.

#### Eligible Population

Design 2000*plus* is available to all non-residential customers, but is generally appropriate for customers with more than 100 kW in demand<sup>1</sup>. It is available for new construction and remodeling projects such as a new building, expansion or renovation of an existing building, change in the use or function of the building space, new equipment for a new process or expanded operation, replacement of failed equipment, or planned replacement of equipment.

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<sup>1</sup> The increase in the ceiling for Small Business Services program eligibility to 200 kW is not expected to impact the Design2000*plus* program, since this program focuses on lost opportunity measures, rather than retrofit measures.

## **Program Design**

Design 2000*plus* provides technical consulting and incentives for the installation of many different kinds of energy efficient equipment and systems. Energy efficiency measures which are eligible for incentives include premium efficiency lighting, motors, variable speed drives, heating, ventilating and air conditioning systems (HVAC), refrigeration, industrial process, compressed air, and process cooling.

There are three specific types of incentives. (1) Prescriptive incentives are fixed and address a single electric efficiency improvement in operations such as lighting, motors and HVAC. High efficiency alternative equipment and systems are offered to customers on a per unit basis. (2) Custom incentives are based on the unique energy savings criteria of a project. (3) Comprehensive incentives are based upon evaluation of the whole building and the benefits that come from examining an integrated engineering approach. In general, incentives are designed either to cover 60 to 75% of the incremental cost between standard and premium efficiency equipment and systems or to buy down the cost of equipment to the customer to a one and a half year payback, whichever is less. For Comprehensive Design Approach and Comprehensive Chiller projects, incentives cover 90% of the incremental cost or buy the cost of the equipment and systems down to a one year payback, whichever is less.

The Company markets Design 2000*plus* through extensive personal communication by account managers with customers, vendors, contractors, design professionals and, seminars, training sessions and other direct marketing approaches. In all cases, the earlier in the design process the Company becomes involved, the more comprehensive a solution is possible. For example, if the customer begins participation in Design 2000*plus* before making final design decisions, there is the advantage that comes from

investigating reduced cooling requirements through improved lighting systems. Moreover this improvement may lead to selecting smaller HVAC equipment and contribute to greater efficiency and lower costs of operations in the building. Once the Company identifies an appropriate Design 2000*plus* project at a customer site, the Company offers technical assistance services.

These technical assistance services include engineering evaluations that support best practices in building design and consider energy efficient measure identification, equipment metering or monitoring, improved technical design solutions, customer presentations, and design and construction assistance. Technical assistance provides customers with detailed engineering studies that identify alternative energy systems that support lower operating costs in the buildings and the operational benefits that come from this selection. The costs of these energy efficiency studies are usually cost shared at 50% with customers.

To ensure that energy savings features are installed and operated as designed, the Company provides a commissioning service. This service is an independent third party verification that complex building systems, such as HVAC projects involving energy management systems or other controls, are operating as designed.

For customers who wish to use their own design team, Design 2000*plus* offers a Comprehensive Design Approach. This service provides outside expert technical support for the customer's own design team or reimburses the customer the incremental cost to have its design team analyze all cost-effective efficiency options.

The Company is advancing the Advanced Building Design Guidelines (ABDG), developed by the New Buildings Institute (NBI) in cooperation with US EPA, ASHRAE,



the US Green Buildings Council and BOMA. A key element of the ABDG is “Benchmark” which is an all inclusive set of standards for building efficiency and “sustainable” design. The “Benchmark” tool complements Comprehensive Design Approach and with special emphasis on smaller buildings. The ABDG also serves to advance design practices such that advancements in the Rhode Island building code can be implemented at an accelerated rate. The Company has played a lead role nationally in the development and refinement of ABDG along with others. For 2005, the Company will continue to participate in the development of support materials targeted at practitioners and building owners. Also, the Company will sponsor trainings in partnership with other system benefits administrators.

Design 2000*plus* also assists customers in optimizing their building operating systems at the time of their federally mandated replacement or conversion of CFC (R-11, R-12 refrigerant) chillers. Customers may either optimize the performance of their existing older building systems or receive technical guidance and recommendations regarding the proper size and efficiency for a replacement chiller plant. This program component, called the Comprehensive Chiller initiative, also helps to reduce peak summer generation demand.

Financing for the customer portion of the Design 2000*plus* project is available to customers. Financing is generally arranged with Citicorp Vendor Financing, and includes no application or documentation fees, a limited up-front cash requirement of no more than the first month’s lease payment, flexible repayment terms of two to seven years; and a simple application process. The amounts available range from \$5,000 to \$4,000,000. This arrangement benefits not only the specific customer in need of financing, but also more generally is introducing energy efficiency lending to the financial community, which considers this type of loan unconventional.

Design 2000*plus* provides free ballast recycling to customers installing energy efficient lighting under Design 2000*plus*. The purpose of this service is to ensure that all ballasts (some of which contain polychlorinated biphenyls or PCBs) are disposed of in an environmentally sound manner.

The Company offers the Project Expediter service, which uses pre-qualified contractors to audit customers' facilities and arranges for the purchase and installation of energy efficient equipment. As with most of the other services listed here, Project Expediter is available for both Design 2000*plus* and Energy Initiative, described below. Usually, these installations are retrofits, however, and therefore qualify under Energy Initiative.

Design 2000*plus* offers a significant opportunity for economic development in Rhode Island by helping businesses save on their electric costs while at the same time supporting them in their investments in new energy efficient equipment and system improvements to their facilities. To this end, for 2005 the Company intends to work closely with various economic development groups in the state, including the Rhode Island Economic Development Corporation, to seek ways the Company may provide focused efficiency services. This effort may lead to position new companies to be more favorable to doing business in Rhode Island

The changes to the Design 2000*plus* program for 2005 are shown in Attachment 4.

## **2. Energy Initiative**

### **Overview**

Offered since 1988, Energy Initiative encourages the replacement of existing equipment and systems with energy efficient alternatives. Its structure is very similar to Design

2000*plus*, offering financial incentives, technical assistance, and other ancillary services such as commissioning, comprehensive chiller assistance, financing, and ballast disposal.

### **Eligible Population**

Energy Initiative is available to all non-residential customers, although customers with demand below 200 kW are also eligible to participate in the Small Business Services program.

### **Program Design**

Energy Initiative provides incentives for the installation of many different types of energy efficient equipment, including lighting, motors, energy management systems, programmable thermostats, variable speed drives, refrigeration, industrial process, compressed air, and process cooling. The Company's delivery of Energy Initiative is similar to its delivery of Design 2000*plus*. Energy Initiative offers two types of incentives, prescriptive and custom. Prescriptive incentives are fixed and offered on a per unit basis. Custom incentives are based on the unique energy savings criteria of projects. Both are based on average at 40% of the total installed cost (including labor and equipment) or at a level that buys the equipment down to a two-year payback to the customer, whichever is less.

For 2005, the Company is initiating a whole-building Commercial ENERGY STAR pilot through its Project Expediter Program. This turnkey service will offer customers a list of different options to improve the energy efficiency of their buildings. The ENERGY STAR Energy Performance rating system will be utilized as a first step in helping customers assess their building's efficiency opportunities. This will provide the Project Expediter with the opportunity to market technical services and incentives through Energy Initiative to implement improvements. The pilot will target 4 to 5 large business

customers. The pilot will be done through one of the vendors currently serving Project Expediter. If successful, the Company will consider making this a regular offering through Energy Initiative and use the rating system as a platform to encourage more commercial customers to take advantage of the Company's efficiency services.

Energy Initiative offer a significant opportunity for economic development in Rhode Island by helping businesses save on their electric costs while at the same time supporting them in their investments in new energy efficient equipment and system improvements to their facilities. To this end, for 2005 the Company intends to work closely with various economic development groups in the state including the Rhode Island Economic Development Corporation in an attempt to provide focused efficiency services. This effort may lead to fostering a more favorable business climate in Rhode Island to retain businesses in the state.

The changes to Energy Initiative for 2005 are shown in Attachment 4.

### **3. Distribution Load Response Program**

#### **Overview**

In any local electrical distribution system, the utility equipment has historically been sized for a few hundred hours of peak loading conditions, and is routinely under-loaded for the bulk of the year. Peak load reduction is only needed for the few hours per year of high supply prices, and/or high loading conditions on the local distribution system. Managing this peak load may result in more stable delivery costs when upgrades to the distribution system can be deferred. On a regional basis, managing peak loads can help to moderate supply costs as the need to construct additional capacity to meet higher demand is dampened. Deferring supply additions should lead to lower generation costs over time.

The proposal for 2005 is a continuation of the Company's Demand Response Initiative funded in its 2004 energy efficiency program. In 2004, funding of \$25,600 was allocated to conduct load shed audits to identify electric measures to reduce customer demand. In 2004, the Company successfully completed load shed audits at 16 customer facilities in Rhode Island.

Funding of \$27,400 is requested for 2005. The funds will be used for providing demand response information to customers.

### **Eligible Population**

The Company will identify areas throughout Rhode Island where past and anticipated load growth has the potential to outpace infrastructure improvements, resulting in an accelerated need for infrastructure improvements over original estimates. Active management of the loads on the system could be a useful tool for future planning.

The Distribution Demand Response Program targets large customers on highly loaded distribution system components. These could be customers with newer buildings (office buildings, retail establishments, schools, etc.), which currently have building management systems (BMS) in the facility to monitor life safety conditions (smoke, fire alarms), security, and HVAC systems. Buildings with building management systems are typically less than 15 years old. Industrial process customers with potentially controllable or variable production loads are also potential candidates.

In addition, load shed audit services will be available to any Rhode Island customer who requests them, even those outside a targeted distribution area, to facilitate their

participation in ISO-New England's demand response programs. ISO-New England's programs require a minimum load reduction commitment 100 kW, so large customers are the likely population to request audit services.

It is anticipated that the proposed funding will support 10 to 20 "load shed" technical assistance studies. The Company's demand response initiative program manager and the Company's account managers will market this initiative to customers on a one-to-one basis. Several TA contractors will be used to identify demand response options and coordinate their implementation. Economies may be achieved if these focused studies are performed simultaneously with broader energy efficiency TA studies.

### **Program Design**

The load shed audits may be conducted as part of energy efficiency surveys or as independent studies. The findings of the audit will be presented to each customer in a report that will develop a load profile for the facility, followed by set of site-specific load reduction measures for each customer, along with steps the customer should take to develop a load reduction plan to optimize their performance during a demand response event.

Preliminarily, the list of measures to be considered includes:

- Lighting retrofits, including dimmable electronic ballasts for lighting;
- Cooling system upgrades, including chiller efficiency improvements and CO<sub>2</sub> sensors to regulate air distribution;
- Building management system control changes, including temperature setbacks for HVAC systems;
- Scheduling of industrial processes, such as rearranging shift operations;

- Compressed air system modifications.

No demand response incentives will be paid through the energy efficiency programs, and no impacts are projected. Providing customers access to the payment streams from the ISO-NE demand response programs, and more importantly, the tools to allow participation, will provide added incentives for customers. The Internet enabled gateway also has potential to provide real-time demand data allowing customers to experiment within their facility to modify their load curves and further reduce the overall electric bill.

Demand-reducing measures that also save energy will be run through the Custom Measure approach under Energy Initiative and Design 2000*plus* to determine cost-effectiveness and rebate eligibility under standard energy efficiency protocols. Implementation of measures that solely reduce peak load would not be funded through the energy efficiency programs.

#### **4. Market Transformation Activities**

Market transformation initiatives under Energy Initiative and Design 2000*plus* are described as follows:

##### **a. Regional Energy Efficient Motors and Unitary HVAC initiatives**

As a feature of the Design 2000*plus* Program, the Company supports the MotorUp premium efficiency motor initiative. This regional market transformation initiative promotes motor management of high efficiency motors and quality repair of motors to maintain high efficiency. MotorUp was developed with utilities throughout New York, New Jersey, Connecticut, Massachusetts, Vermont, Rhode Island and New Hampshire through the Northeast Energy Efficiency Partnerships (NEEP). Sponsoring utilities have joined together to design and implement a uniform regional program that features

consistent equipment efficiency requirements for qualifying “NEMA Premium” motors, rebates, application forms and marketing materials. The sponsoring utilities together with a contractor identify, recruit, and train trade allies to support program efforts. This contractor disseminates program information to trade allies, provides technical assistance to vendors and distributors, processes rebate applications, produces marketing materials, and tracks program activities and results. Since 2003, the regional initiative began providing instant rebates at motor dealer sites. The Company expects to continue with this approach in 2005.

The Company also supports Cool Choice, a regional program that focuses on promoting the installation of energy efficient unitary HVAC equipment through Design 2000*plus*. This initiative, like the MotorUp initiative described above, has been developed with essentially the same group of utilities through NEEP. Its features are similar to those described above for the MotorUp program, with the exception of the instant rebate process.

The budget for these initiatives is \$60,700 to pay contractors for delivering the program.

**b. Compressed Air Challenge**

The Company will continue its active sponsorship of the national Compressed Air Challenge (CAC). The CAC is a broad based collaborative of government agencies, compressed air specialists, equipment manufacturers, end-use consumers and utilities whose objective is to promote the substantial energy savings improvements available by means of a comprehensive, systems approach to compressed air system design and operation. The CAC educational and technical materials being disseminated by the Company are intended to increase customer awareness of, and demand for, products and services that encompass a comprehensive, “systems optimization” approach. Coupled



with this increased demand for enhanced services from customers, regional compressed air equipment and service vendors will be exposed in depth to the technical approaches promoted by the CAC.

Over the past few years the Company has been actively coordinating local workshops that have been developed by the CAC. These workshops reflect consensus approaches to a variety of technical issues associated with the comprehensive system approach to compressed air quality, reliability, and efficiency. The first workshop, entitled "Fundamental of Compressed Air Systems," has been very well received by industrial customers and vendors who have attended to date. The second is a more advanced two-day workshop entitled "Advanced Management of Compressed Air Systems". This complementary workshop is primarily targeted at larger, more sophisticated customers as well as regional vendors and engineering consultants. The Company anticipates that these workshops will result in an increased number of applications under the Company's programs that address more comprehensive solutions to system efficiency

In addition to promoting the two levels of CAC training currently available, the Company will also be providing comprehensive compressed air system evaluations for large industrial compressed air users.

The budget for this initiative is \$5,100.

**c. DesignLights™ Consortium**

The DesignLights™ Consortium (DLC) is a regional collaborative of utilities and other organizations whose purpose is to influence lighting design toward quality, comfort and energy efficiency during remodeling, renovation and new construction activities in

commercial buildings. The DLC's stated mission is to foster the adoption of improved design practices in all parts of the lighting market. Moreover, the DLC's intent is to develop, promote and apply useful tools for practitioners to use in the selection and installation of lighting systems.

This initiative consists of two interrelated components. Since 1999 Narragansett has pursued seven demonstration sites that employ state of the art lighting design practices. Second, the Company has contributed toward the development of design guidelines. Over this period seven guides have been developed which provide guidance for the design of quality lighting in office, small retail, school and industrial spaces. In addition, guides have been developed for skylighting in retail and warehouse spaces. These guidelines referred to as the knowhow™ series have been well received by lighting designers through training seminars offered in Rhode Island and throughout the northeast.

For 2005, the Company will continue to use the knowhow™ guides to promote high quality energy efficient lighting design through Design 2000*plus* to the lighting design community, including electrical contractors and is looking to revise the retail and office lighting guides to keep them current with existing best practices. The Company will continue to offer a schools initiative that will incorporate the knowhow™ guides as a key element. This initiative is discussed below. The Company will also continue an effort initiated in 2005 to provide a service to area lighting distributors. Called the DLC Partners Initiative, area distributors are provided education, technical assistance and marketing assistance to help them "up-sell" the benefits of high quality energy efficiency.

The budget for this initiative will be \$25,300.

**d. Schools Initiative**

The Company proposes to continue offering a special initiative targeted to public schools through Design 2000*plus*. While Design 2000*plus* has been effective in reaching public schools, a majority of schools have not participated due to a broad range of market barriers including limited funding and competitive bidding requirements. This program's intent is to help schools minimize the hurdles posed by these market barriers during a time when Rhode Island is seeing an unprecedented level of investment in new and renovated schools.

The Company proposes to fund the full incremental cost for new construction or renovation under Design 2000*plus*. All cost-effective electric energy saving measures would be addressed. It is anticipated that most projects will involve lighting. A key requirement for this initiative is that lighting must follow the DesignLights™ Consortium guidelines for schools as outlined in "Classroom Lighting knowhow™" guide published by the DesignLights™ Consortium.

The Company will also continue to participate in the Rhode Island High Performance Schools working group. This group first met in January 2004. Its mission is to promote “green” schools design elements to districts considering new schools and to the design community that serves Rhode Island.

Funding for this initiative is included in the overall Design2000*plus* program budget.

**e. Building Codes and Standards**

The Parties agree to support work at national and local levels to develop codes and standards that continue to upgrade building energy efficiency. Continually refining these

codes and standards, which complement existing programs such as Design 2000*plus* and Energy Initiative, has a significant impact on institutionalizing progress made through utility programs. Therefore, this initiative focuses on (1) working with national code development organizations such as ASHRAE to upgrade building efficiency codes and (2) working at the local level with Rhode Island and other states in the development of state efficiency codes and standards. We will offer our support to this effort which will be coordinated primarily through the New Buildings Institute (NBI), an organization with the goal of assisting states and others with the development of codes and standards that are practical and enforceable. For instance, Rhode Island has recently upgraded its state energy code to the “2000 International Energy Conservation Code” (IECC-2000) with amendments drafted by NBI. We will continue to pursue additional upgrades to the present code through NBI. Part of this effort includes facilitating and supporting the training and education efforts for code enforcers, designers and builders.

The 2005 budget is \$5,100.

**f. Federal Standards**

Ultimately, markets are transformed towards higher efficiency when newer efficient equipment supplants older inefficient equipment to an extent that the latter is either no longer produced, becomes unattractive to end users or is excluded from the marketplace as the result of various standard-setting processes. Some of these standard setting processes are industry-driven and voluntary; others produce mandatory codes or standards promulgated by federal or state governments.

The Company agrees to actively track and participate in DOE’s standard setting process. DOE’s standard setting process involves multiple stakeholder workshops and a public hearing for each standard. These workshops typically seek input on all aspects of the

standard setting process. By participating in these workshops and using our experience with energy efficient equipment, the Company feels it will be able to most effectively communicate its support for appropriate standards.

As Federal standards are raised, participation requirements for Design 2000*plus* and Energy Initiative will be elevated accordingly, pulling the market toward successively higher efficiency strata. The Company believes that active participation in the elevation of energy efficiency standards is an integral part of any transition strategy in respect to ratepayer funded market transformation initiatives.

Associated costs for this initiative are included in the Design2000*plus* program budget.

**g. Building Operator Training and Certification (BOTC):**

The Building Operator Training and Certification (BOTC) is a collaborative effort among gas and electric utilities in the region and is administered by the Northeast Energy Efficiency Partnerships. Through this effort a training and certification program is administered and conducted by a third party and offered to commercial and industrial customers. The Company has offered Level 1 of the BOTC initiative for the past five years. The Company will build on this initiative in 2005 by offering Level 2, a more comprehensive curriculum that supports advanced practices in building operations. The Company may also offer Level 1 of BOTC.

The BOTC's objectives include:

- Increasing O&M personnel knowledge and skills in operating and maintaining commercial and industrial buildings for efficiency, comfort, and safety.
- Expanding market awareness of the benefits of improved building performance.

- Building market demand for resource-efficient O&M services.
- Distinguishing resource-efficient practices, service providers, and knowledgeable building operators in the marketplace.
- Establishing a Training and Certification program that will become financially self-sustaining in the future.

In 2004 30 people who work in various facilities in RI successfully completed the program. As a result of attending the BOTC seminars, these people gained new skills and were introduced to different strategies that can help them operate their facility optimally. Twenty eight of those trained completed a Level I training that was co-sponsored by the Rhode Island State Energy Office. Additionally, 2 people from Rhode Island completed a BOTC Level II training held on Cape Cod. As noted above the Company intends to sponsor Level II training in Rhode Island in 2005.

The budget for the BOTC initiative in 2005 will be \$10,100 for training and customizing training materials for this region.



**PRELIMINARY SUMMARY OF PROPOSED CHANGES TO THE  
 LARGE BUSINESS SERVICES AND SMALL BUSINESS SERVICES  
 PROGRAMS FOR 2005**

Category	Considerations
Lighting	<ul style="list-style-type: none"> <li>• <b>For Energy Initiative, reduce incentives for select measures from 40%-&gt;35% of total costs.</b></li> <li>• <b>Offer a Custom Lighting measure option for Design 2000plus based on lighting power density (watts per sq. ft.)</b></li> <li>• <b>Explore opportunities for LED retrofits on State-owned traffic signals</b></li> </ul>
HVAC Chillers (Design 2000plus)	<ul style="list-style-type: none"> <li>• <b>Reduce incentives on 150-300 ton water cooled chillers.</b> The Company has created a new category for reciprocating screw type water cooled chillers. This distinguishes the differences in efficiency between this type and centrifugal water cooled chillers. <i>The Company is proposing to lower the incentives for all water cooled chillers by approximately 30% in this size range. .</i></li> <li>• <b>Increase the incentives for large 300-1,000 ton water cooled chillers.</b> <i>Incentives will be increased by approximately 4% due to higher incremental costs.</i></li> </ul>
Variable Speed Drives (EI & D2)	<ul style="list-style-type: none"> <li>• <b>Expand the list of variable speed drive measures that are eligible for prescriptive incentives.</b> <i>This expanded list will go beyond the current limited fan and pump applications to include most heating and cooling pumps, as well as many industrial processes such as hydraulic pumps or water pumping systems. The Company proposes no incentive change for 2005.</i></li> </ul>
Custom	<ul style="list-style-type: none"> <li>• <b>For Energy Initiative, reduce incentives from 45%-&gt;40% of total costs.</b></li> <li>• <b>Integrate Advanced Building Design Guidelines ( ABDG) (High Performance Building Practices) into current programs.</b> <i>This will target and encourage more comprehensive treatment for medium size new construction buildings. Provide training to the local architectural and engineering community as part of a national recognized training program. NBI and the US Green Building Council are working on a LEED Guide, connecting ABDG with the popular LEED Rating System for sustainable building design. The Company will promote the ENERGY STAR Commercial Building rating system as part of our Advanced Building Design Guidelines Training.</i></li> </ul>



**THE NARRAGANSETT ELECTRIC COMPANY**

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**Attachment 4**

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<b>Category</b>	<b>Considerations</b>
Other Services (EI & D2)	<ul style="list-style-type: none"><li>• <b>The Company will pilot a stand alone ENERGY STAR surveys for 3 to 4 buildings to determine the value of providing these services to our customers to help in identifying and implementing efficiency measures through Energy Initiative.</b></li><li>• <b>Proactive dissemination of emerging technology information by industry sectors to customers</b></li></ul>
Small Business Services	<ul style="list-style-type: none"><li>• <b>Raise small customer eligibility threshold from 100 kW to 200 kW</b></li></ul>



**NARRAGANSETT ELECTRIC COMPANY  
2005 Proposed Budget**

	PAYROLL (\$000)	EXPENSE(2) (\$000)	ADVERTISING (\$000)	TOTAL (\$000)
<b>RESIDENTIAL PROGRAMS</b>				
<b>IN-HOME SERVICES</b>				
EnergyWise	\$53.2	\$1,751.6	\$30.0	\$1,834.7
Appliance Management Program	\$21.3	\$1,040.9	\$5.3	\$1,067.5
Home Energy Management (3)	\$4.1	\$20.9	\$0.0	\$25.0
<b>ENERGY EFFICIENT PRODUCTS</b>				
ENERGY STAR Appliances	\$17.7	\$288.4	\$183.2	\$489.3
ENERGY STAR Heating System	\$6.8	\$192.5	\$2.5	\$201.8
ENERGY STAR Air Conditioning	\$15.0	\$219.6	\$17.4	\$252.0
Residential Lighting	\$21.4	\$853.0	\$225.0	\$1,099.4
<b>INFORMATION &amp; EDUCATION</b>				
Energy Efficiency Educational Programs	\$6.8	\$90.4	\$0.0	\$97.2
<b>NEW CONSTRUCTION</b>				
ENERGY STAR New Construction	\$11.3	\$653.5	\$20.0	\$684.8
<b>Subtotal Residential</b>	<b>\$157.5</b>	<b>\$5,110.8</b>	<b>\$483.4</b>	<b>\$5,751.6</b>
<b>C&amp;I PROGRAMS</b>				
<b>LARGE C&amp;I PROGRAMS (1)</b>				
Design 2000plus	\$383.2	\$4,343.8	\$16.1	\$4,743.1
Energy Initiative	\$379.7	\$6,688.3	\$9.5	\$7,077.5
<b>Subtotal Large C&amp;I</b>	<b>\$762.9</b>	<b>\$11,032.1</b>	<b>\$25.6</b>	<b>\$11,820.6</b>
<b>SMALL C&amp;I PROGRAMS</b>				
Small Business	\$13.8	\$3,100.7	\$50.0	\$3,164.5
<b>Subtotal Small C&amp;I</b>	<b>\$13.8</b>	<b>\$3,100.7</b>	<b>\$50.0</b>	<b>\$3,164.5</b>
<b>Total Residential and C&amp;I Programs</b>	<b>\$934.1</b>	<b>\$19,243.6</b>	<b>\$558.9</b>	<b>\$20,736.7</b>
<b>OTHER DSM EXPENSE ITEMS</b>				
Company Incentive	\$0.0	\$673.5	\$0.0	\$673.5
Load Response Program	\$0.0	\$27.4	\$0.0	\$27.4
Program Design, Evaluation	\$119.3	\$180.7	\$0.0	\$300.0
<b>Subtotal Other Items</b>	<b>\$119.3</b>	<b>\$881.6</b>	<b>\$0.0</b>	<b>\$1,000.9</b>
<b>TOTAL DSM BUDGET</b>	<b>\$1,053.4</b>	<b>\$20,125.2</b>	<b>\$558.9</b>	<b>\$21,737.6</b>

1) Includes commitments for Design 2000plus and Energy Initiative of \$1,888,000 and \$3,213,500, respectively.

2) Examples of "Expense" include customer rebates and contractor services.

3) The HEM Program will be discontinued by year-end 2004. The 2005 budget includes program decommissioning expenses.

## NARRAGANSETT ELECTRIC COMPANY

### 2005 Proposed Budget Vs. 2004 True-Up Budget

	Proposed 2005 Budget (\$000)	2004 True- Up (\$000)	Difference (\$000)
<b>RESIDENTIAL PROGRAMS</b>			
<b>IN-HOME SERVICES</b>			
EnergyWise	\$1,834.7	\$1,993.8	(\$159.1)
Appliance Management Program	\$1,067.5	\$950.3	\$117.2
Home Energy Management (1)	\$25.0	\$152.5	(\$127.4)
<b>ENERGY EFFICIENT PRODUCTS</b>			
ENERGY STAR Appliances	\$489.3	\$442.1	\$47.2
ENERGY STAR Heating System	\$201.8	\$200.2	\$1.5
ENERGY STAR Air Conditioning	\$252.0	\$168.6	\$83.4
Residential Lighting	\$1,099.4	\$1,155.9	(\$56.5)
<b>INFORMATION &amp; EDUCATION</b>			
Energy Efficiency Educational Programs	\$97.2	\$106.7	(\$9.5)
<b>NEW CONSTRUCTION</b>			
ENERGY STAR New Construction	\$684.8	\$690.1	(\$5.3)
<b>Subtotal Residential</b>	<b>\$5,751.6</b>	<b>\$5,860.2</b>	<b>(\$108.5)</b>
<b>C&amp;I PROGRAMS</b>			
<b>LARGE C&amp;I PROGRAMS</b>			
Design 2000plus	\$4,743.1	\$5,295.8	(\$552.7)
Energy Initiative	\$7,077.5	\$7,444.9	(\$367.4)
<b>Subtotal Large C&amp;I</b>	<b>\$11,820.6</b>	<b>\$12,740.7</b>	<b>(\$920.1)</b>
<b>SMALL C&amp;I PROGRAMS</b>			
Small Business	\$3,164.5	\$2,853.2	\$311.3
<b>Subtotal Small C&amp;I</b>	<b>\$3,164.5</b>	<b>\$2,853.2</b>	<b>\$311.3</b>
<b>Total Residential and C&amp;I Programs</b>	<b>\$20,736.7</b>	<b>\$21,454.1</b>	<b>(\$717.4)</b>
<b>OTHER DSM EXPENSE ITEMS</b>			
Company Incentive	\$673.5	\$695.6	(\$22.1)
Load Response Program	\$27.4	\$25.6	\$1.9
Program Design, Evaluation	\$300.0	\$376.0	(\$76.0)
<b>Subtotal Other Items</b>	<b>\$1,000.9</b>	<b>\$1,097.1</b>	<b>(\$96.2)</b>
<b>TOTAL DSM BUDGET</b>	<b>\$21,737.6</b>	<b>\$22,551.2</b>	<b>(\$813.6)</b>

1) The HEM Program will be discontinued by year-end 2004. The 2005 budget includes program decommissioning expenses.



**THE NARRAGANSETT ELECTRIC COMPANY**  
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**Attachment 6**  
**The Narragansett Electric company**  
**DSM Funding Sources in 2005 by Sector**

**Projected kWh Sales:**

Residential	2,925,681,000
Small Commercial & Industrial	1,975,489,480
Large Commercial & Industrial <sup>1</sup>	<u>2,937,339,290</u>
Total	7,838,509,770

**DSM Revenue per kWh** \$0.002

**Projected DSM Revenues (\$000)**

Residential	\$5,900.0
Small Commercial & Industrial	\$4,000.0
Large Commercial & Industrial	<u>\$5,900.0</u>
Total	\$15,800.0

**Other Sources of DSM Revenues (\$000):**

Projected DSM Fund Balance Interest in 2005

Residential	
Small Commercial & Industrial	\$73.9
Large Commercial & Industrial	<u>\$109.9</u>
Total	\$183.8

Projected Co-Payments by Customers in 2005:

Residential	\$0.0
Small Commercial & Industrial	\$569.9
Large Commercial & Industrial	<u>\$61.4</u>
Total	\$631.3

Projected DSM Commitments in 2004:

Residential	\$0.0
Small Commercial & Industrial	\$0.0
Large Commercial & Industrial	<u>\$5,301.5</u>
Total	\$5,301.5

Projected 2004 Fund Balance:

Residential	(\$106.2)
Small Commercial & Industrial	(\$42.7)
Large Commercial & Industrial	<u>(\$139.6)</u>
Total	(\$288.5)

Subtotal - Other Sources of DSM Revenues:

Residential	-\$106.2
Small Commercial & Industrial	\$601.1
Large Commercial & Industrial	<u>\$5,333.2</u>
Total	\$5,828.1

**Projected Total Funding Available in 2005:**

Residential	\$5,793.8
Small Commercial & Industrial	\$4,601.1
Large Commercial & Industrial	<u>\$11,233.2</u>
Total	\$21,628.1

**Notes:**

<sup>1</sup> Includes projected kWh by large C&I customers as well as projected streetlighting sales.



## 2005 PERFORMANCE METRICS

### **Introduction**

In 2004, incentivized performance metrics were established for five initiatives offered in Rhode Island. Four of these metrics were for “market transformation” initiatives and one (Comprehensiveness in Small Business Services) was for a significant improvement in program offerings. In all cases, the metrics were designed to be straightforward measures of progress for initiatives believed worthy of a special targeted focus.

The Company once again proposes performance metrics for five initiatives in 2005. The major structure and delivery for four of the initiatives is not changing from the metrics established in 2004. This reflects the fact that, for many of these initiatives, progress is achieved over time and that it is worthwhile to maintain the focus of program implementation on the policy objective defined by the metric over more than one year. The exception is the creation of a new performance target focusing on the delivery of *EnergyWise* services to special segments of the Residential sector.

The Company proposes the following performance targets for each proposed 2005 metric.<sup>1</sup> The proposed targets reflect current market conditions and will require significant Company effort to achieve desired results. The Parties agree that partial credit will be awarded for performance that does not meet the specific numeric target, in recognition of the Company’s effort and in recognition that Rhode Island consumers benefit from even partial progress toward the metric’s objective. No extra incentive will be awarded for exceeding the numeric target.

The performance level at which partial achievement will be credited is the “threshold”. For those metrics that existed in 2004, the threshold will be equal to final 2004

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<sup>1</sup> This proposal contains provisional numeric targets for each performance metric based on currently available data to illustrate the metric and performance levels required for the Company to achieve an incentive. The Parties propose to file final performance targets for these metrics, informed by additional data that will be available by year-end 2004, no later than March 31, 2005.



performance. This provides continuity in the structure of the metric at the same time as creating a clear standard for the Company from which it must improve in order to receive an incentive. For those metrics that did not exist in 2004, the threshold is developed based on available program data.

The performance level at which the full incentive will be credited is the “target.” The incentive for most metrics will be scaled between the threshold and the target. For the schools metric that does not allow for scaling, the incentive will be credited for incremental levels of performance.

**Residential Metric 1: ENERGY STAR® Homes**

Metric: In 2005, the Company will conduct plans analyses and home ratings and sign ENERGY STAR® builders agreements with new homes built in Rhode Island. It will increase the penetration of signed builders agreements in 2005 by 3 percentage points compared to the penetration achieved in 2004.

Objective: The metric supports market transformation in the construction of new homes by giving an incentive for an increase in market penetration.

Discussion: The chart below provides statistics for ENERGY STAR® homes for RHODE ISLAND in 2001 through 2003.

ENERGY STAR® HOMES			
Year	Permits	Signed	Percent
2001	2346	156	6.6%
2002	2804	233	8.3%
2003	2347	323	13.8%

Signing up builders and home buyers to the ENERGY STAR® homes program requires builders to agree to a significant change in their building practices. As seen in the chart, market transformation continues to be slow and steady.

Final data for 2004 will not be available until the US Census Department releases information about permits pulled in all states in early 2005.

For 2005, we propose an increase of 3 percentage points over the penetration achieved in 2004. This realistically continues the trend of about a 3 percentage point increase per year we have seen over the past few years. If we assume the Company will achieve its target penetration in 2004 of 15%, then the target penetration rate for 2005 will be 3 percentage points higher, or 18%. See the illustrative example below:

ENERGY STAR® HOMES EXAMPLE			
Year	Permits	Signed	Percent
2004 (target)	2500	375	15%
2005 (projected)	2500	450	18%

Partial Performance: The following is proposed for partial achievement toward the target of a 3 percentage point increase in penetration. The incentive for performance between the threshold and the target will be scaled proportionately.

ENERGY STAR® HOMES			
	Penetration %	Incentive	% of Incentive
Threshold	Equal to 2004	\$10,000	67%
Target	3 percentage points above 2004	\$15,000	100%

**Residential Metric 2: EnergyWise Targeting.**

Metric: The Company will actively target the 2,550 customers currently receiving the benefit due to the HEM program that have not previously been served through EnergyWise. The Company will also actively offer EnergyWise services to the approximately 10,200 customers who (a) are not low income, (b) who have previously been shut-off for non-payment over the past three years, and (c) have not previously

participated in the *EnergyWise* program. The Company will serve a total of 100 customers from these two groups.

Objective: This metric supports outreach and delivery of services to segments of the residential customer who have not previously participated in the program and whose economic circumstances—either the loss of the HEM credit or their past shut-off history—warrant special attention. These customers will benefit from the long term value provided by the *EnergyWise* program.

Discussion: The key issue with this metric is defining the target market and the likely response.

The HEM market is targeted because the Company is proposing to end the HEM program, and 4,000 customers will no longer receive a benefit through the controlled water heating rate. HEM customers are high use customers and have been marketed to in the past, and about 1,500 of them have received *EnergyWise* services. However, with the rate credit going away, prior non-participants may be receptive to receiving *EnergyWise* services.

Non low income customers with a history of shut-offs are targeted because the shut-off history indicates some economic hardship. When this history is linked together with a tailored marketing effort, prior non-participants may be receptive to receiving *EnergyWise* services. However, the customer response may be influenced by other factors that outweigh the value of the energy benefits.

Because of the uncertainty in the responsiveness of at-risk customers, and because the Company has already served a good portion of HEM, the Parties agreed to set the target at 100 customers for this metric.

Low income customers (whether or not on HEM) are served by the AMP program instead of *EnergyWise* and therefore not covered by this metric. However, the Company and the

SEO will investigate, and if appropriate, implement targeting the AMP program similar to the manner described here by the Company for *EnergyWise*.

Partial Performance: The following is proposed for partial achievement toward the target of 100 customers. The incentive for performance between the threshold and the target will be scaled proportionately.

ENERGYWISE TARGETING			
	Participants	Incentive	% of Incentive
Threshold	60	\$9,000	60%
Target	100	\$15,000	100%

**C& I Metric 1: Building Operator Training and Certification (BOTC)**

Metric: In 2005, the Company will enroll 25 Rhode Island facility building engineers, technicians, contractors, or operators in the Northeast Energy Efficiency Partnerships - Level 2- O&M training and certification course.

Objective: The metric tracks the BOTC Level 2 training and certification program for building operators to develop skills to maintain building systems and optimize system performance to create safe, healthy, and efficient work environments. It increases customer education and supports market transformation.

Discussion: In 2004, a similar metric targeted the participation of 25 facility professionals working in Rhode Island in Level I BOTC training. With the attainment of this metric, a total of approximately 105 Rhode Island building operations professionals had completed the Level 1 class in the period 2000 through 2004. This critical mass of trained professionals provides the platform to now focus on Level 2 BOTC training. Rhode Island operators have participated in Level 2 training before but it has not been the target of recruitment efforts. Level 2 builds on the training of Level 1 and focuses on maintenance and operation practices to optimize system performance.

Facility professionals who participate in the Level 2 training make a commitment to participate in training given in 8 full day sessions over a protracted period, a significant commitment for a business to make during this current economic climate where staffing levels have been reduced. The Company expects that it will be challenging to recruit the target number of professional building operators to attend these classes.

The target is on the number of Rhode Island participants. The Company will attempt to offer the training in Rhode Island for the convenience of local building operators, but if Rhode Island operators elect to attend the same course offered in Massachusetts, their participation will still count toward the performance metric.

Partial Performance: Based on the size of the pool of potential participants in BOTC training, the following is proposed for partial achievement toward the target of 25 participants.

BOTC TRAINING LEVEL 2			
	Participants	Incentive	% of Incentive
Threshold	20	\$12,000	80%
Target	25	\$15,000	100%

The incentive for performance between the threshold and the target will be scaled proportionately.

### **C&I Metric 2: High Performance Schools**

Metric: The Company will contract with new public or private school projects through Design 2000*plus* to provide full incremental cost for high performance design and construction practices with a special focus on high quality energy efficient lighting. It shall contract with 2 schools more than it contracted with in 2004.

Objective: This market capitalizes on the window of opportunity available when school facilities are being built or renovated to increase program participation and energy savings. It assists a portion of the municipal sector that faces continuing funding challenges.

Discussion: Schools present unique opportunities to not only adopt energy efficiency but to enhance student learning through better classroom design. This metric provides technical and financial support from the very beginning of school construction projects, emphasizes thermal, acoustic, and visual comfort, especially in lighting design, and helps cities and towns construct new schools that are high quality, environmentally sensitive, and cost less to operate.

According to documents from the Department of Education, on average, funding is approved for approximately 15 public school projects per year. In the period 2001 through 2003, 9 schools, or 20% (of 45 schools), have participated in the Schools Initiative.<sup>2</sup>

Performance to date in 2004 suggests that the Company will place under contract 1 or 2 schools, indicating the difficulty in recruiting customers to this initiative considering the small number of new schools built each year, the long project development schedules, and the current economic climate, particularly for municipalities. In this context, the Company's proposal to increase this amount by 2 projects in 2005 is a reasonable challenge.

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<sup>2</sup> Some of the approved public school projects may be for projects that may not be suitable for the Schools Initiative, in other words, projects that do not involve construction of an entirely new school building. These may be for partial facility construction, renovations, or equipment replacement at the end of its useful life. Many of these have received rebates through the Design 2000*plus* program. In fact, 35 schools, or about 78% of the funded public school projects received Design2000*plus* rebates in this period.

For 2005, the Company will continue to work with the Rhode Island Department of Elementary and Secondary Education to help identify additional participants. The Company has not been able to identify a single source of data that tracks funding of private school construction. Nevertheless, the Company will use the same level of effort to offer the program to private schools as to public schools and include contracts with private schools in the performance metric for 2005.

Partial Performance: Based on historic performance, the small size of the eligible market and the uncertainty about the potential in the private school sector, the following is proposed for partial achievement toward the target increase of 2 schools.

SCHOOLS INITIATIVE			
Performance	Participants	Incentive	% of Incentive
Threshold	2004 level	\$10,000	67%
Intermediate	2004 +1	\$12,500	83%
Target	2004 +2	\$15,000	100%

Because of the integer nature of school buildings, the incentive for performance between the threshold and the target will be not scaled proportionately, but will be awarded as shown above.

**C&I Metric 3: Comprehensiveness in Small Business Installations**

Metric: The Company will achieve 2 percentage points greater comprehensiveness in Small Business Services in 2005 than it achieved in 2004. The percentage will be calculated as the number of completed non prescriptive lighting or other custom energy efficiency measures (excluding custom walk-in cooler measures) divided by the total number of participant locations (excluding walk-in cooler only participants) in 2005.

Objective: This metric continues to encourage the Company to add other electrical efficiency opportunities beyond lighting retrofits to the Small Business Services program.

These improvements to program design support more comprehensiveness in customers' facilities and expand the depth and appeal of the program.

Discussion: In 2004, the Parties established a metric target of 5% comprehensiveness, based on the inaugural offering of comprehensive services in 2003. The Company currently projects that it will not achieve this goal in 2004. The key factors influencing the delivery of comprehensive services were education of implementation staff to identify non-lighting measures and establishment of effective delivery channels.

The Company proposes to set the target at 2 percentage points greater comprehensiveness in 2005 compared to 2004. The Company believes that good progress has been made in small business comprehensive implementation, but that more progress remains to be made. Although the metric structure is the same as 2004, there are a number of new factors that will affect performance, and will make the 2 percentage point increase a challenge:

- Implementation in 2005 may be affected by the new vendor contracts that are scheduled to take effect on January 1, 2005.
- The increase in the program eligibility ceiling to 200 kW may offer more comprehensive opportunities among the larger, more diverse customers in the 100 kW to 200 kW size range.
- The Company will need to manage the offering of comprehensive services to these larger customers, as larger comprehensive projects will increase pressure on the budget for this sector.
- The Company will exclude from this metric and assessment of its performance toward the target customers in the 100 kW to 200 kW range who participate in the SEO's ESCO program.



As in 2004, the metric specifies completed projects to put the tracking of comprehensiveness on equal footing with other results that are tracked throughout the years, and to eliminate the potential for counting a comprehensive project in two years.

Walk-in cooler have been excluded from the metric because they are delivered by a different vendor from the rest of the services and because comprehensive measures are just beginning to be developed and offered for the small business refrigeration end use.

Partial Performance: Based on historic performance, the following is proposed for partial achievement toward the target.

SBS COMPREHENSIVENESS			
Performance	Comprehensiveness %	Incentive	% of Incentive
Threshold	Equal to 2004	\$9,000	60%
Target	2 percentage points above 2004	\$15,000	100%

The incentive for performance between the threshold and the target will be scaled proportionately.



NARRAGANSETT ELECTRIC COMPANY  
Derivation of the 2005 Spending Budget for Shareholder Incentive Calculation

	(1) TOTAL (\$000)	(2) COMMITMENTS AND COPAYS (\$000)	(3) EXCLUDED PROGRAMS (\$000)	(4) ALLOCATED OTHER EXPENSES (\$000)	(5) ELIGIBLE SECTOR SPENDING BUDGET (\$000)
<b>RESIDENTIAL PROGRAMS</b>					
<b>IN-HOME SERVICES</b>					
EnergyWise	\$1,834.7				
Appliance Management Program	\$1,067.5				
Home Energy Management	\$25.0		\$25.0		
<b>ENERGY EFFICIENT PRODUCTS</b>					
ENERGY STAR Appliances	\$489.3				
ENERGY STAR Heating System	\$201.8				
ENERGY STAR Air Conditioning	\$252.0				
Residential Lighting	\$1,099.4				
<b>INFORMATION &amp; EDUCATION</b>					
Energy Efficiency Educational Programs	\$97.2				
<b>NEW CONSTRUCTION</b>					
ENERGY STAR New Construction	\$684.8				
<b>Subtotal Residential</b>	<b>\$5,751.6</b>	<b>\$0.0</b>	<b>\$25.0</b>	<b>\$90.3</b>	<b>\$5,816.9</b>
<b>C&amp;I PROGRAMS</b>					
<b>LARGE C&amp;I PROGRAMS</b>					
Design 2000plus	\$4,743.1				
Energy Initiative	\$7,077.5				
<b>Subtotal Large C&amp;I</b>	<b>\$11,820.6</b>	<b>\$5,162.9</b>		<b>\$222.0</b>	<b>\$6,879.7</b>
<b>SMALL C&amp;I PROGRAMS</b>					
Small Business	\$3,164.5	\$569.9			
<b>Subtotal Small C&amp;I</b>	<b>\$3,164.5</b>	<b>\$569.9</b>		<b>\$15.1</b>	<b>\$2,609.7</b>
<b>Total Residential and C&amp;I Programs</b>					
<b>OTHER DSM EXPENSE ITEMS</b>					
Company Incentive	\$673.5		\$673.5		
Load Response Program	\$27.4			(\$27.4)	
Program Design, Evaluation	\$300.0			(\$300.0)	
<b>Subtotal Other Items</b>	<b>\$1,000.9</b>	<b>\$0.0</b>	<b>\$673.5</b>	<b>(\$327.4)</b>	<b>\$0.0</b>
<b>TOTAL</b>	<b>\$21,737.6</b>				<b>\$15,306.3</b>

Notes:

- (1) See Attachment 5.
- (2) Includes Large C&I commitments, technical assistance copays, and Small Business copays.
- (3) The HEM Program and Company Incentive are excluded from the incentive calculation.
- (4) Program Design, Evaluation expenses are allocated to the sectors where they likely will occur. Expenses related to the Load Response Program are allocated to the Large C&I sector.
- (5) The sector level spending budget used in the incentive calculation is equal to column (1) - column (2) - column (3) + column (4).

**THE NARRAGANSETT ELECTRIC COMPANY**  
**Target 2005 Shareholder Incentive**

Incentive Rate: 4.40%

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sector	Spending Budget	Incentive Rate	Target Incentive	Target Incentive for Performance Metrics	Target Incentive - Annual kWh Savings	Annual kWh Savings Goal	Threshold kWh Savings	Target Incentive Per kWh	Incentive Cap Annual kWh Savings
Residential	\$5,816,915	4.40%		\$30,000	\$227,442	14,947,178	8,968,307	\$0.015	\$284,303
Small Commercial & Industrial	\$2,609,655	4.40%		\$15,000	\$102,038	6,201,613	3,720,968	\$0.016	\$127,548
Large Commercial & Industrial	\$6,879,706	4.40%		\$30,000	\$268,996	27,700,755	16,620,453	\$0.010	\$336,245
Total	\$15,306,276		\$673,476	\$75,000	\$598,476	48,849,546	29,309,728		\$748,095

Notes:

- (1) Sector budget net of projected commitments, copays, and the HEM budget.
- (2) 4.40% of the sector spending budget.
- (3) Column (2) x Column (1).
- (4) \$15,000 per proposed performance metric.
- (5) Column (3) - Column (4) allocated to sectors based on the relative size of the spending budget in the sector.
- (6) Goal for annual kWh savings by sector.
- (7) 60% of Column (5). The threshold level of performance has been increased from 45% to 60% in 2005. No incentive is earned on annual kWh savings in the sector unless the Company achieves at least this threshold level of performance.
- (8) Column (5)/Column (6). Applicable to all annual kWh savings up to 125% of target savings if at least 60% of target savings have been achieved.
- (9) Column (5) x 1.25. See page 11 of the Settlement.



**2005 RHODE ISLAND BENEFIT COST TEST**

Summary of Benefit, Expenses, Evaluation Costs (\$000)  
The Narragansett Electric Company

	Rhode Island Benefit/ Cost (2)	Total Benefit	Program Implementation Expenses	Evaluation Cost	Shareholder Incentive (3)
<b>Large Commercial &amp; Industrial</b>					
Design 2000plus	3.17	\$9,398.9	\$2,855.1	\$107.5	NA
Energy Initiative	4.66	18,326.5	3,864.0	70.5	NA
<b>SUBTOTAL</b>	<b>3.88</b>	<b>\$27,725.4</b>	<b>\$6,719.1</b>	<b>\$178.0</b>	<b>\$255.9</b>
<b>Small Commercial &amp; Industrial</b>					
Small Business (1)	1.98	\$4,964.6	\$2,492.9	\$15.1	NA
<b>SUBTOTAL</b>	<b>1.89</b>	<b>\$4,964.6</b>	<b>\$2,492.9</b>	<b>\$15.1</b>	<b>\$114.8</b>
<b>Residential Programs</b>					
<b>IN-HOME SERVICES</b>	<b>1.36</b>	<b>\$4,069.3</b>	<b>\$2,902.2</b>	<b>\$83.1</b>	<b>NA</b>
EnergyWise Program	1.49	2,836.4	1,834.7	66.5	NA
Appliance Management Program	1.14	1,233.0	1,067.5	16.6	NA
<b>PRODUCTS &amp; SERVICES</b>	<b>4.65</b>	<b>9,502.0</b>	<b>2,042.4</b>	<b>0.0</b>	<b>NA</b>
Energy Star Products	4.32	2,114.1	489.3	0.0	NA
Energy Star Heating System	2.88	582.1	201.8	0.0	NA
Energy Star Air Conditioning	2.89	728.2	252.0	0.0	NA
Residential Lighting	5.53	6,077.7	1,099.4	0.0	NA
<b>NEW CONSTRUCTION</b>	<b>2.16</b>	<b>1,479.1</b>	<b>684.8</b>	<b>0.0</b>	<b>NA</b>
<b>SUBTOTAL</b>	<b>2.50</b>	<b>\$15,050.4</b>	<b>\$5,629.4</b>	<b>\$83.1</b>	<b>\$302.7</b>
<b>Other</b>					
HEM(6)	NA	NA	25.0	NA	NA
Energy Efficiency Educational Programs	NA	NA	97.2	NA	NA
Load Response	NA	NA	27.4	NA	NA
Other Program Design, Evaluation and Planning	NA	NA	NA	23.8	NA
<b>SUBTOTAL</b>	<b>NA</b>	<b>NA</b>	<b>\$149.6</b>	<b>\$23.8</b>	<b>NA</b>
<b>TOTAL</b>	<b>2.99</b>	<b>\$47,740.5</b>	<b>\$14,991.0</b>	<b>\$300.0</b>	<b>\$673.5</b>

## Notes:

- 1) Small Business program expenses are net of the projected customer co-pay for 2005 installations (\$671,616).
- 2) RI B/C Test = (Energy + Capacity + Participant Resource Benefits) / (Program Implementation + Evaluation Costs + Shareholder Incentive)
- 3) See Attachment 4. The shareholder incentive is included in the assessment of sector level cost-effectiveness but not individual program cost-effectiveness.
- 4) B/C ratio excluding the Small C&I sector shareholder incentive.
- 5) B/C ratio including the Small C&I sector shareholder incentive.
- 6) The HEM Program will be discontinued by year-end 2004. The 2005 budget includes program decommissioning expenses.

**2005 RHODE ISLAND BENEFIT COST TEST**  
Summary of Expenses, Benefit, kW, and kWh by Program

The Narragansett Electric Company

Program Implementation	Benefits (000's)										Load Reduction in kW				MWh Saved		
	Expenses (000's)	Total	Capacity				Energy				Participant Resource	Maximum Annual	Summer	Winter	Lifetime	Maximum Annual	Lifetime
			Generation		Trans	MDC	Winter		Summer								
			Summer	Winter			Peak	Off Peak	Peak	Off Peak							
<b>Large Commercial &amp; Industrial</b>																	
Design 2000plus	\$2,855	\$9,399	1,783	\$6	\$930	\$1,707	\$2,045	\$1,210	\$1,120	\$599	\$0	2,232	2,232	1,633	34,405	8,708	134,575
Energy Initiative	3,864	18,327	2,961	10	1,541	2,841	4,563	2,614	2,503	1,294	0	3,462	3,462	2,733	58,517	18,993	308,199
<b>SUBTOTAL</b>	<b>\$6,719</b>	<b>\$27,725</b>	<b>\$4,744</b>	<b>\$17</b>	<b>\$2,471</b>	<b>\$4,548</b>	<b>\$6,607</b>	<b>\$3,824</b>	<b>\$3,623</b>	<b>\$1,892</b>	<b>\$0</b>	<b>5,694</b>	<b>5,694</b>	<b>4,366</b>	<b>92,923</b>	<b>27,701</b>	<b>442,774</b>
<b>Small Commercial &amp; Industrial</b>																	
Small Business(1)	\$2,493	\$4,965	\$921	\$2	\$482	\$851	\$1,235	\$535	\$673	\$264	\$0	1,676	1,676	946	19,883	6,202	73,554
<b>SUBTOTAL</b>	<b>\$2,493</b>	<b>\$4,965</b>	<b>\$921</b>	<b>\$2</b>	<b>\$482</b>	<b>\$851</b>	<b>\$1,235</b>	<b>\$535</b>	<b>\$673</b>	<b>\$264</b>	<b>\$0</b>	<b>1,676</b>	<b>1,676</b>	<b>946</b>	<b>19,883</b>	<b>6,202</b>	<b>73,554</b>
<b>Residential Programs</b>																	
<b>IN-HOME SERVICES</b>	<b>\$2,902</b>	<b>\$4,069</b>	<b>\$465</b>	<b>\$2</b>	<b>\$294</b>	<b>\$819</b>	<b>\$543</b>	<b>\$627</b>	<b>\$318</b>	<b>\$301</b>	<b>\$700</b>	<b>792</b>	<b>792</b>	<b>851</b>	<b>9,074</b>	<b>4,130</b>	<b>48,247</b>
EnergyWise Program	1,835	2,836	393	2	241	662	399	462	233	222	222	696	696	685	7,716	3,216	35,342
Appliance Management Program	1,067	1,233	73	1	53	157	144	165	84	80	478	96	96	167	1,358	914	12,905
<b>PRODUCTS &amp; SERVICES</b>	<b>2,042</b>	<b>9,502</b>	<b>793</b>	<b>8</b>	<b>693</b>	<b>2,167</b>	<b>1,230</b>	<b>1,438</b>	<b>675</b>	<b>706</b>	<b>1,792</b>	<b>1,162</b>	<b>1,162</b>	<b>3,426</b>	<b>15,094</b>	<b>10,329</b>	<b>108,985</b>
Energy Star Appliances	489	2,114	241	0	105	243	92	105	54	51	1,222	373	373	76	4,628	605	8,223
Energy Star Heating System	202	582	0	0	1	4	2	2	1	1	570	0	0	6	1	12	183
Energy Star Air Conditioning	252	728	304	0	109	231	26	29	15	14	0	307	307	0	5,519	131	2,349
Residential Lighting	1,099	6,078	248	8	477	1,689	1,111	1,300	605	640	0	482	482	3,344	4,947	9,582	98,230
NEW CONSTRUCTION	685	1,479	107	0	59	164	71	82	40	40	915	91	91	158	1,958	488	6,389
<b>SUBTOTAL</b>	<b>\$5,629</b>	<b>\$15,050</b>	<b>\$1,365</b>	<b>\$11</b>	<b>\$1,046</b>	<b>\$3,149</b>	<b>\$1,844</b>	<b>\$2,147</b>	<b>\$1,033</b>	<b>\$1,047</b>	<b>\$3,408</b>	<b>2,044</b>	<b>2,044</b>	<b>4,435</b>	<b>26,126</b>	<b>14,947</b>	<b>163,620</b>
<b>TOTAL</b>	<b>\$14,841</b>	<b>\$47,740</b>	<b>\$7,030</b>	<b>\$30</b>	<b>\$4,000</b>	<b>\$8,549</b>	<b>\$9,686</b>	<b>\$6,506</b>	<b>\$5,328</b>	<b>\$3,203</b>	<b>\$3,408</b>	<b>9,415</b>	<b>9,415</b>	<b>9,746</b>	<b>138,932</b>	<b>48,850</b>	<b>679,947</b>

Notes:

- 1) Small Business program expenses are net of the projected customer co-pay for 2005 installations (\$671,616).

THE NARRAGANSETT ELECTRIC COMPANY

R.I.P.U.C Docket No. 3635

Attachment 9

Page 3 of 3

Calculation of 2005 Program Year Cost-Effectiveness and Goals

Program	Proposed 2005		2004 True-Up		Difference	
	Annual Energy Savings (MWh)	Participants	Annual Energy Savings (MWh)	Participants	Annual Energy Savings (MWh)	Participants
<b>Program</b>						
<b>Large Commercial &amp; Industrial</b>						
Design 2000 <i>plus</i>	8,708	251	10,451	293	(1,744)	(42)
Energy Initiative	18,993	306	16,766	304	2,226	2
<b>SUBTOTAL</b>	<b>27,701</b>	<b>557</b>	<b>27,218</b>	<b>597</b>	<b>483</b>	<b>(40)</b>
<b>Small Commercial &amp; Industrial</b>						
Small Business	6,202	672	4,598	623	1,604	49
<b>SUBTOTAL</b>	<b>6,202</b>	<b>672</b>	<b>4,598</b>	<b>623</b>	<b>1,604</b>	<b>49</b>
<b>Residential Programs</b>						
<b>IN-HOME SERVICES</b>						
EnergyWise Program	3,216	3,699	2,948	4,100	268	(401)
Appliance Management Program	914	592	898	530	16	62
<b>PRODUCTS &amp; SERVICES</b>						
ENERGY STAR Appliances	605	4,900	507	2,800	97	2,100
ENERGY STAR Heating System	12	609	12	600	0	9
ENERGY STAR Air Conditioning	131	210	30	100	101	110
Residential Lighting	9,582	59,254	7,864	46,000	1,718	13,254
<b>NEW CONSTRUCTION</b>						
<b>SUBTOTAL</b>	<b>14,947</b>	<b>69,614</b>	<b>12,488</b>	<b>54,480</b>	<b>2,459</b>	<b>15,134</b>
<b>TOTAL</b>	<b>48,850</b>	<b>70,843</b>	<b>44,304</b>	<b>55,700</b>	<b>4,546</b>	<b>15,143</b>



## Certificate of Service

I hereby certify on the *30<sup>th</sup> of September 2004*, that a copy of the cover letter, a copy of the Narragansett Electric Company's Demand-Side Management Programs for 2005 – Settlement of the Parties accompanying this certificate has been mailed or hand-delivered to the parties listed below.



\_\_\_\_\_  
Joanne M. Scanlon  
The Narragansett Electric Company

### Narragansett Electric Co. – Demand Side Management – Dkt. 3463 Service list as of 07/29/04

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