

December 5, 2005

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 3701 – Demand Side Management Programs
Pre-Filed Testimony of Carol S. White**

Dear Ms. Massaro:

Enclosed on behalf of The Narragansett Electric Company d/b/a National Grid are ten copies of pre-filed testimony and schedules of Carol S. White in the above-captioned proceeding.

Thank you for your attention to this filing. If you have any questions, please feel free to contact me at (508) 389-2877.

Very truly yours,



Thomas G. Robinson

Enclosures

cc: Docket 3701 Service List

THE NARRAGANSETT ELECTRIC COMPANY

R.I.P.U.C. No. 3701

TESTIMONY OF

Carol S. White

**RHODE ISLAND PUBLIC UTILITIES COMMISSION
DOCKET NO. 3701
THE NARRAGANSETT ELECTRIC COMPANY**

**DIRECT TESTIMONY
OF
CAROL S. WHITE**

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TESTIMONY OF CAROL S. WHITE

1 **Introduction**

2

3 Q. Please state your full name and business address.

4 A. Carol S. White, 55 Bearfoot Road, Northborough, Massachusetts.

5

6 Q. By whom are you employed and in what position?

7 A. I am employed by National Grid USA Service Company (Service Company) as
8 Director of Evaluation and Planning. The Service Company provides engineering,
9 technical and other services to companies affiliated with National Grid USA, one of
10 which is The Narragansett Electric Company d/b/a National Grid (“National Grid” or
11 “Company”) in Rhode Island.

12

13 Q. Please describe your educational background and training.

14 A. In 1980, I graduated from Boston University with a Bachelor of Arts in Economics and
15 Mathematics and a Master of Arts in Economics. In 1988, I received a Masters in
16 Business Administration from Northeastern University.

17

18 I have twenty-five years of experience in the utility business. From June 1980 until
19 May 2000, I held several positions with the EUA Service Corporation. My
20 responsibilities with the EUA Service Corporation included load research, rate design,
21 load forecasting, integrated resource planning, and demand-side management (DSM).

1 From December 1988 through June 1995, I held the position of Supervisor, DSM
2 Planning & Evaluation. In that capacity, I was responsible for DSM program design,
3 tracking and reporting of results, and for program evaluation. In June 1995, I assumed
4 the position of Manager of Conservation and Load Management Services, responsible
5 for all aspects of the DSM effort undertaken throughout the EUA System. Effective
6 May 1, 2000, following the merger between Eastern Utilities and National Grid USA, I
7 was appointed Director of Evaluation & Research for the Service Company. My title
8 was later changed to Director of Evaluation & Planning. My current responsibilities
9 include DSM evaluation, DSM planning, and regulatory support.

10
11 Q. Have you ever testified before this or any other regulatory commission?

12 A. Yes, I have. I have testified before the Rhode Island Public Utilities Commission, the
13 Massachusetts Department of Public Utilities (now the Massachusetts Department of
14 Telecommunications and Energy), the Massachusetts Energy Facilities Siting Council,
15 and the New Hampshire Public Utilities Commission.

16
17 Q. What is the purpose of your testimony?

18 A. The primary focus of my testimony is to provide context for the performance based
19 shareholder incentive mechanism proposed in the Settlement. My testimony provides
20 the historical context for shareholder incentives related to the performance of the
21 Company's DSM efforts as well as a discussion about the structure of the incentive

1 mechanism. Finally, I would like to respond to an issue about performance metrics
2 raised by the Commission at the October 28, 2005 technical session.

3
4 **Historical Context for Performance Incentives**

5
6 Q. Please describe the key objectives of National Grid's DSM programs.

7 A. The primary objectives for National Grid's DSM programs include the following: (1)
8 that programs be as cost-effective as possible; (2) that programs serve a large number
9 and broad mix of Rhode Island customers; (3) that programs maximize long-term
10 savings; (4) that programs capture potential lost opportunities for efficiency
11 improvement; (5) that programs promote market transformation; and (6) that programs
12 support long-term electricity supply and reliability objectives. In addition to these
13 goals, the Parties to the 2006 settlement have included an increased emphasis on
14 services for low and moderate income residential consumers as a means of helping
15 these consumers deal with high fuel prices.

16
17 Q. Please describe the structure of National Grid's DSM programs.

18 A. National Grid, in consultation with the other participants in the Collaborative, has
19 developed a wide range of energy efficiency services for its customers. Program
20 services are offered to a broad mix of customers across three defined sectors:
21 residential, small business, and large business. The programs that have been offered in
22 the past and that are proposed to be offered in 2006 are designed to eliminate the

1 barriers that prevent consumers from investing in energy efficiency on their own.
2 Programs include education about opportunities, technologies, and practices, financial
3 incentives to eliminate the barrier presented by higher first costs, and the development
4 of alliances with retailers, distributors, and other key trade allies to ensure that energy
5 efficient products are available in the market place. National Grid's programs address
6 energy efficiency opportunities in existing homes and facilities as well as at the time of
7 new construction. The programs have been designed to effectively address cost-
8 effective energy efficiency opportunities for all customer sectors, all subject to the
9 budget constraint imposed by the funding that is provided by the legislatively mandated
10 system benefits charge (SBC) of \$0.002 per kWh.

11
12 Q. When did the Company begin to offer DSM program services to its customers?

13 A. The Company first offered DSM program services to its customers in 1987. Over the
14 years, the Company has built on the successes of its earlier efforts. Program services
15 have evolved to include new program services and to address evolving energy
16 efficiency technologies and practices.

17
18 Q. Has the Commission been involved in DSM since 1987?

19 A. Yes, the Commission has reviewed and approved National Grid's programs from the
20 beginning. Until 1997, the Commission set the appropriate DSM charge every year.
21 Then, in 1996, the General Assembly passed legislation establishing a system benefit

1 charge for DSM, effective in 1997. From that point forward, with the statute in place,
2 the charge has been fixed¹.

3
4 Q. Please describe the benefits that Rhode Island consumers are realizing as a result of
5 National Grid's energy efficiency program efforts.

6 A. National Grid's energy efficiency program efforts have resulted in significant long-term
7 benefits to consumers in Rhode Island. Schedule CSW-1 provides a summary of the
8 annual and lifetime kWh and kW savings that Rhode Island consumers are realizing as
9 a result of the Company's energy efficiency program efforts in 1998 – 2004, and
10 projected savings for the years 2005 and 2006 based on the goals established for our
11 efforts in these years. This schedule also summarizes the value of the savings created
12 through program efforts. As shown on Schedule CSW-1, participants in the Company's
13 DSM programs in the years 1998 through 2006 are expected to collectively realize
14 445,708 MWh in annual energy savings. This is enough electricity to power the city of
15 Pawtucket for more than one year. It should be noted that the value created by program
16 efforts far exceeds the costs of providing those efforts to consumers. As noted in the
17 Settlement, proposed program efforts for 2006 are expected to have a benefit-cost ratio
18 of 3.75. That means that we expect to create \$3.75 worth of benefits for each dollar
19 invested in the proposed programs. This is clearly an excellent investment.

20

¹ The current statute establishes a minimum Systems Benefits Charge (SBC) of \$0.0023/kWh. The SBC funds both the DSM efforts that are undertaken by the Company (\$0.002/kWh) and the renewable energy efforts undertaken by the State Energy Office (\$0.0003/kWh). The Commission has the authority to approve a higher SBC if it determines that doing so is appropriate.

1 The Company's DSM efforts provide program participants with an improved ability to
2 manage energy costs in their homes and businesses. They are an important tool for
3 helping customers to cope with the high cost of energy that is burdening consumers this
4 year. In addition the DSM efforts help to provide businesses the ability to compete
5 more effectively in their business environments.

6
7 The Company's DSM efforts provide benefits beyond those realized by program
8 participants. Energy and demand savings achieved through program efforts contribute
9 to the reliability of the electric system in New England. Program efforts provide
10 environmental benefits by reducing emissions from power plants. These benefits
11 include reduced carbon dioxide, nitrogen oxides, sulfur dioxide, methane, carbon
12 monoxide, suspended particulates, and volatile organic compounds. This contributes to
13 improved health and welfare for residents in our communities.

14
15 A study performed by Ian Goodman of The Goodman Group, Ltd. in 2001
16 ("Narragansett Electric's Energy Efficiency Programs: Benefits for Rhode Island's
17 Economic Development and Environment," by Ian Goodman, August 14, 2001)
18 documented how the Company's DSM efforts in 1990 – 2000 impacted the state's
19 economy and environment. This study identified avoided emissions as well as jobs
20 created as a result of program efforts. It also documented a net gain in both earnings
21 (the compensation associated with the employment created from DSM activities in the

1 state as well as property income) and value-added in the state (the value that is added
2 by the application of capital and labor in converting intermediate inputs to finished
3 products including earnings, interest, and profits). The study noted that in an average
4 program year, the equivalent of 280 full time jobs, \$8 million in earnings, and \$11
5 million in value-added are created.

6
7 Energy efficiency efforts in Rhode Island have helped businesses in the state operate
8 more efficiently, thus improving their competitive positions. The Company's efforts in
9 working with schools have contributed to better learning environments for students
10 while at the same time making it less burdensome for communities to fund education.
11 The Company's efforts to educate consumers about energy efficient practices have
12 helped them to understand the choices they can make to use energy more efficiently.

13
14 Q. Has the Company quantified the lost base revenues it expects to realize if it achieves
15 the savings goals proposed in the Settlement?

16 A. Yes, it has. Schedule CSW-2 provides an estimate of the annual lost base revenues that
17 the Company estimates it will realize if it achieves the savings goals outlined in the
18 Settlement. This exhibit shows that the Company expects to see \$1.1 million in lost
19 base revenues based on just one full year of savings from proposed program efforts.
20 Savings are expected to persist well over one year, however. That means that the
21 Company will realize these lost revenues every year over the life of the measures
22 installed through the programs or until its distribution rates are reset to take into

1 account these lower kWh sales². Although the proposed shareholder incentive does not
2 fully offset the effect of these lost base revenues, it does help to mitigate the effect.
3

4 Q. Have the Company's DSM programs been recognized nationally?

5 A. Yes, National Grid's programs have been recognized nationally as being among the
6 best energy efficiency program efforts in the country. Schedule CSW-3 provides a
7 summary of National Grid awards for energy efficiency programs.
8

9 Q. When did the Commission first approve a performance based shareholder incentive
10 related to DSM efforts for the Company?

11 A. The Commission has authorized some form of a performance based shareholder
12 incentive mechanism since 1990, with the exception of 1997 when the Commission
13 authorized the recovery of lost base revenues in place of a performance based
14 shareholder incentive mechanism.
15

16 Q. Has the Commission previously reviewed the Company's DSM shareholder incentive?

17 A. Yes. In addition to its annual review of the overall DSM settlement proposal, including
18 the DSM shareholder incentive, the Commission studies the incentive in great detail
19 from time to time. For example, in 2002, the Commission hired Richard Sedano from
20 the Regulatory Assistance Project to help them to review the Settlement about 2003
21 DSM plans, including the DSM shareholder incentive. Most recently, the Commission

² The Company has committed to a rate freeze through 2009.

1 studied the performance based shareholder incentive mechanism for the 2005 program
2 in docket number 3635. The discussions held by the Commission with the Company
3 and the other parties to the settlement in that docket at a July 7, 2004 technical
4 conference and a November 29, 2004 hearing informed the design of the shareholder
5 incentive mechanism that was proposed for 2005 in docket number 3635 and approved
6 by the Commission by a bench decision on November 29, 2004, with a written order
7 issued February 17, 2005. The incentive mechanism proposed for 2006 is modeled
8 after the incentive mechanism approved by the Commission in 2004.

9
10 Q. What is the purpose of a performance based shareholder incentive mechanism?

11 A. A performance based shareholder incentive mechanism serves many purposes. As I
12 noted above, while the Company's programs have provided tremendous value to
13 customers, by selling less electricity the Company loses revenue. Thus, by providing
14 the Company with a financial incentive to get customers to use less electricity, the
15 shareholder incentive aligns utility business objectives with Rhode Island energy
16 efficiency policy objectives. It can be used in many ways: to motivate excellence in
17 program design, to motivate excellence in program delivery, and to direct the
18 Company's focus toward specific policy goals. Over the years, the Commission has
19 done all three with National Grid's shareholder incentive, to great effect.

20
21 Q. Please describe some of the recent configurations of the incentive mechanism in Rhode
22 Island.

- 1 A. The configuration of the incentive mechanism has evolved over time.
- 2 • In 1995 through 1996, the incentive was tied to quantified value by program type,
3 retrofit versus lost opportunity programs. (As noted above, in 1997 the Company
4 recovered lost base revenues in place of having a performance-based shareholder
5 incentive mechanism.)
- 6 • In 1998 though 1999, the incentive was based on program-specific kWh energy
7 savings with the incentive proportional to program budgets.
- 8 • In 2000 through 2002, the incentive was based on savings by sector with an
9 equivalent incentive rate per sector.
- 10 • In 2003, the incentive was based on achieved savings by sector with different
11 incentive rates applicable to each sector.
- 12 • In 2004, the incentive mechanism was based on savings by sector and performance
13 metrics were added. The same incentive rate was applicable to savings in each
14 sector and the Company was given the opportunity to earn \$15,000 for each
15 achieved performance metric.
- 16 • In 2005, the incentive mechanism was modified to provide an incentive to the
17 Company to exceed its savings goals and to provide an award to the Company for
18 varying levels of performance for each of the approved performance metrics.
- 19
- 20 Q. Please describe additional modifications to the incentive mechanism adopted in 2005.
- 21 A. The structure of the incentive mechanism approved by the Commission for 2005
22 reflected efforts by the Company and other members of the Collaborative to enhance

1 the structure of the incentive mechanism. The 2005 enhancements included increasing
 2 the threshold performance that must be achieved before being able to earn an incentive
 3 on sector level energy savings from 45% of the annual savings goal for the sector to
 4 60%, adding an incentive for the Company to improve the efficiency of its program
 5 efforts, and recognizing that there is value to incentivizing the company to continue to
 6 focus on performance metrics objectives even if the Company determines that the target
 7 level of performance is not achievable in the year by defining interim performance
 8 levels that result in a reward for the Company.

9
 10 Q. Has the Company always been successful in earning the full target incentive?

11 A. No, it has not. The following table provides a comparison of the target and earned
 12 incentive in the years 2000 through 2004. This table shows that the Company has
 13 earned between 77% and 100% of the target incentive in any given year.

Target Versus Earned Shareholder Incentives			
Year	Target Incentive	Earned Incentive	% of Target Incentive Earned
2000	\$660,809	\$596,322	90%
2001	\$726,050	\$726,050	100%
2002	\$692,139	\$692,139	100%
2003	\$712,557	\$712,557	100%
2004	\$781,959	\$604,876	77%
Total	\$3,573,514	\$3,331,944	93%

14
 15 It is by no means a sure thing that the Company will earn the target shareholder
 16 incentive.

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Q. How does the incentive rate in Rhode Island compare to the incentive rates that have been authorized in other jurisdictions in New England?

A. The following table provides a comparison of the incentive rates authorized in Massachusetts, New Hampshire, and Connecticut to the incentive rate that has been approved by the Commission in Rhode Island. The 4.40% incentive rate authorized by the Commission in prior years and proposed to be applicable to 2006 DSM efforts is the lowest incentive rate authorized in the region.

Sample of DSM Incentive Rates by State			
State	Incentive Rate (Pre-Tax)	Cap	Source
MA	8.2%	9.0%	Massachusetts DTE
NH	8.0%	12.0%	NH PUC
CT	5.0%	8.0%	Northeast Utilities
RI	4.4%	5.4%	Settlement of the Parties, Docket No. 3635

Q. Please describe the incentive mechanism proposed for 2006.

A. The incentive mechanism for 2006 is modeled after the approved incentive mechanism applicable to the 2005 program year. It includes two components: a component that provides the Company with a reward for achieving challenging annual kWh savings targets by sector and a component that rewards the Company for achieving other objectives beyond savings through four performance metrics. The proposed incentive mechanism, like the one approved for 2005, provides the Company with the opportunity to earn above the target incentive for kWh savings if the Company is able

1 to exceed its annual kWh savings goal for the respective sector. The Company has the
2 opportunity to earn up to an additional 25% of the portion of the incentive related to
3 savings by exceeding its savings goal for the sector. The overall incentive rate proposed
4 for 2006 is equal to the incentive rate approved by the Commission in program years
5 2004 and 2005. It is equal to 4.40% of the approved spending budget.

6
7 Q. How does the proposed incentive mechanism achieve the objectives you described
8 earlier?

9 A. The proposed incentive mechanism for 2006:

- 10 • helps to align the Company's business interests with those of the state's energy
11 efficiency policy objectives by providing it with an opportunity to mitigate the
12 effects of lost base revenues realized as a result of taking proactive actions to
13 reduce its sales. The Commission has recognized over the past years that providing
14 the Company with an incentive helps to build support for energy efficiency program
15 efforts throughout the organization and contributes to superior results.
- 16 • encourages excellence in both program design and in program delivery through
17 both components of the incentive mechanism. Rewarding the Company for
18 achieving savings goals provides a clear message to all involved in the effort that
19 the primary objective of program efforts is to achieve energy savings.
- 20 • encourages efforts to improve the overall efficiency of program delivery efforts and
21 overall program designs by rewarding the Company for exceeding energy savings
22 goals. The value of the additional savings that might be achieved above the target

1 level of savings provides consumer value well in excess of the value of the
2 additional incentive that the Company might earn. The projected present value
3 lifetime benefit of the 2006 program to Rhode Island consumers is \$64.6 million. If
4 the Company exceeds savings goals by 25% and qualifies for the maximum
5 additional incentive under the proposed structure, customers would realize an extra
6 \$16 million (present value) in benefit, while the Company would increase its
7 incentive by \$168,000, or just over 1% of the additional consumer benefit.

8
9 In addition, the proposed performance metrics provide an added focus on other issues
10 of importance as identified by the Collaborative and the Commission. These include a
11 focus on providing program services to non-low income residential customers who are
12 at risk for being shut off; a focus on a new service to commercial and industrial
13 customers, C&I benchmarking; a focus on higher performance schools; and a focus on
14 comprehensiveness in small business installations.

15
16 Q. Is there general support in the industry for a shareholder incentive for energy
17 efficiency?

18 A. Yes. As noted above, Massachusetts, New Hampshire, and Connecticut all authorize
19 the utilities in their states to earn a shareholder incentive subject to achieving certain
20 objectives. Environmental advocates like the Natural Resources Defense Council have
21 noted, "...mechanisms such as performance-based incentives to deliver cost-effective
22 savings, and distribution enhancements, will be needed to align shareholder and

1 customer interests.”³ Here in Rhode Island, the Parties to the Settlement, representing a
2 broad range of interests, all support the proposed performance based shareholder
3 incentive mechanism.

4
5 Q. In your opinion, has a performance based shareholder incentive mechanism contributed
6 to superior program services for Rhode Island consumers?

7 A. Yes, it has.

8
9 **Issue Raised by the Commission at the October 28, 2005 Technical Session –**
10 **Performance Metrics**

11
12 Q. Please summarize and comment on the issue about performance metrics raised by the
13 Commission at the October 28, 2005 technical session.

14 A. The Settlement includes four performance metrics with the amount of potential
15 incentive to National Grid for achieving each performance metric set at \$15,000. This
16 is equal to the amount per performance metric approved for 2005. The magnitude of
17 the total potential incentive related to performance metrics as proposed for 2006 has
18 dropped from \$75,000 in 2005 where there are five performance metrics to \$60,000 in
19 2006. The Commission expressed concern about the proposal to reduce the number of
20 performance metrics from five to four and the subsequent reduction in the potential

³ “Breaking the Consumption Habit - Ratemaking for Efficient Resource Decisions” by Sheryl Carter, NRDC, The Electricity Journal, December 2001.

1 financial incentive for performance metrics that resulted. As explained at the October
2 technical session, the Collaborative as a whole explored several potential performance
3 metrics in an attempt to retain five performance metrics for 2006. The collective
4 recommendation following that effort was that it is appropriate to have only four
5 performance metrics in 2006, although a different number of metrics may be
6 appropriate in future years. Consistent with the negotiations with the Collaborative, the
7 Company is not proposing a fifth performance metric to the Commission.

8
9 National Grid is willing, however, to increase the amount of incentive related to
10 performance metrics and to reduce the amount of incentive related to kWh savings in
11 response to the Commission's apparent desire to have a larger portion of the
12 Company's potential incentive related to performance metrics. Schedule CSW-4
13 provides an alternative view of Attachment 9, page 2 of 2 in the Settlement for the
14 Commission's consideration. This schedule shows how the incentive related to kWh
15 savings changes if we allocate \$20,000 to each of the four performance metrics instead
16 of the \$15,000 per performance metric currently recommended. With this change, the
17 total target incentive continues to equal \$733,932. The target incentive related to
18 annual energy savings decreases from \$673,932 to \$653,932 and the target incentive for
19 performance metrics increases from \$60,000 to \$80,000. The incentive cap for the
20 portion of the incentive related to energy savings drops from \$842,415 to \$817,415. I
21 am authorized to state the Collaborative does not oppose this alternative.

1 Q. Does this conclude your pre-filed testimony?

2 A. Yes, it does.

1 **NATIONAL GRID**

2 **R.I.P.U.C. Docket No. 3701**

3 **SCHEDULES OF CAROL S. WHITE**

4

5

6 **CSW-1 Annual and Lifetime Electric Savings from National Grid Program Efforts in**

7 **1998 – 2006**

8 **CSW-2 Estimated 2006 Annual Lost Distribution Revenue**

9 **CSW-3 National Grid Awards for Energy Efficiency Programs**

10 **CSW-4 Alternative Attachment 9, Page 2 of 2**

SCHEDULE CSW-1

**Annual and Lifetime Electric Savings from National Grid Program Efforts in
1998 - 2006**

Annual and Lifetime Electric Savings from National Grid Program Efforts in 1998 - 2006

	1998	1999	2000	2001	2002	2003 Year- End	2004 Year End	2005 True-Up	2006 Proposed	Total (1998 - 2006)
Annual Energy Savings (MWh)	32,625	42,019	47,192	61,455	50,231	54,378	51,397	53,751	52,660	445,708
Lifetime Energy Savings (MWh)	505,908	644,477	699,636	819,462	7,000,108	713,948	664,594	682,241	679,380	12,409,754
Summer Demand Savings (kW)	5,878	6,626	6,946	8,889	8,500	8,907	8,215	9,837	9,010	72,808
Lifetime Demand Savings (kW-yr)	96,672	107,433	113,632	137,571	127,731	134,189	122,285	140,601	127,363	1,107,477
Value Created (\$000)	\$21,123	\$26,695	\$34,188	\$40,619	\$43,371	\$51,709	\$42,283	\$49,866	\$64,579	\$374,433

SCHEDULE CSW-2

Estimated 2006 Annual Lost Distribution Revenue

Estimated 2006 Annual Lost Distribution Revenue

	Projected 2006 kWh <u>Savings</u> (a)	Average Distribution Rate (b)	Estimated Lost Distribution Revenue (c)	Estimated Lost Distribution Revenue			
				A-16	A-60	C-06/G-02	G-32
Large Commercial/Industrial							
Design 2000plus	8,765,735	\$0.01416	\$124,123				\$124,123
Energy Initiative	<u>19,133,016</u>	\$0.01416	<u>\$270,924</u>				<u>\$270,924</u>
SUBTOTAL	27,898,751		\$395,046				\$395,046
Small Commercial/Industrial							
Small Business Services	<u>8,110,623</u>	\$0.02196	<u>\$178,109</u>			<u>\$178,109</u>	
SUBTOTAL	8,110,623		\$178,109			\$178,109	
Residential Programs							
IN-HOME							
Single Family Low Income Services	988,030	\$0.02085	\$20,600		\$20,600		
EnergyWise	<u>2,570,458</u>	\$0.03379	<u>\$86,856</u>	<u>\$86,856</u>			
SUBTOTAL	3,558,488		\$107,456	\$86,856	\$20,600		
PRODUCTS							
ENERGY STAR® Appliances	923,620	\$0.03379	\$31,209	\$31,209			
ENERGY STAR® Lighting	11,050,742	\$0.03379	\$373,405	\$373,405			
ENERGY STAR® Heating Program	9,600	\$0.03379	\$324	\$324			
ENERGY STAR® Central Air Conditioning Program	<u>54,356</u>	\$0.03379	<u>1,837</u>	<u>1,837</u>			
SUBTOTAL	12,038,318		\$406,775	\$406,775			
NEW CONSTRUCTION - ENERGY STAR® Homes	<u>773,672</u>	\$0.03379	<u>\$26,142</u>	<u>\$26,142</u>			
SUBTOTAL	16,370,479		\$540,373	\$519,773	\$20,600		
TOTAL	52,379,852		\$1,113,529	\$519,773	\$20,600	\$178,109	\$395,046

- (a) Per Docket No. 3701 Demand-Side Management Programs for 2006, Settlement of the Parties, October 14, 2005
- (b) Average distribution rate for variable portion of distribution charges (does not reflect fixed customer charge). Rate G-32 used for Large C&I. A weighted average of Rates C-06 and G-02 used for Small C&I. Rate A-16 used for all Residential Programs except the Low Income Program, which reflects Rate A-60.
- (c) Column (a) x Column (b)

SCHEDULE CSW-3

National Grid Awards for Energy Efficiency Programs

Schedule CSW-3

NATIONAL GRID AWARDS FOR ENERGY EFFICIENCY PROGRAMS

National

US Environmental Protection Agency (US EPA) and US Department of Energy

- ENERGY STAR® Excellence in Energy Efficiency and Environmental Education awards for the ENERGY STAR® Homes program *and* the Appliance and Lighting program - March 2005; 6th consecutive award for the Appliance and Lighting
- ENERGY STAR® Small Business Special Award presented to National Grid for its Small Business Services Program - 2003

American Council for an Energy-Efficient Economy - named eight energy-efficiency programs offered by National Grid's New England electricity distribution companies among the nation's best for their effectiveness and innovation in helping customers achieve greater levels of energy efficiency in their homes, businesses, and facilities. The eight National Grid programs were among 31 to receive top honors - April 2003

Solar Now, Inc. Legacy Award for contributions in the promotion of Renewable Energy - October 2000

Renew America Certificates of Environmental Achievement - 1994-1999

American's Corporate Conscience Award for Environmental Stewardship – 1995

U.S. President's Environmental and Conservation Challenge Award - 1992

Regional

US EPA Region 1 (New England office)

- Environmental Merit Award - April 2004, May 2005
- Environmental Merit Award in honor of Earth Day (one out of only three corporations selected for all of New England) - May 2003
- Environmental Merit Award - May 2002

State/Local

Rhode Island State Energy Office Certificate of Appreciation for invaluable services and cooperation - July 2005

Office of the Governor of the State of Rhode Island

- Recognition for support of Weatherization Assistance Program - October 2003
- Commitment and Dedication to the Conservation of Energy and the Environment - June 2001

SCHEDULE CSW-4

Alternative Attachment 9, Page 2 of 2

THE NARRAGANSETT ELECTRIC COMPANY
Target 2006 Shareholder Incentive

Incentive Rate: 4.40%

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
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	Total Incentive Cap
Residential	\$6,156,265		\$261,350	\$20,000	\$241,350	16,370,479	9,822,287	\$0.015	\$301,688	\$321,688
Small Commercial & Industrial	\$3,838,284		\$170,476	\$20,000	\$150,476	8,110,623	4,866,374	\$0.019	\$188,095	\$208,095
Large Commercial & Industrial	\$6,685,720		\$302,106	\$40,000	\$262,106	27,898,751	16,739,251	\$0.009	\$327,632	\$367,632
Total	\$16,680,268	4.40%	\$733,932	\$80,000	\$653,932	52,379,852	31,427,912		\$817,415	\$897,415

Notes:

- (1) Sector budget net of projected commitments and copays.
- (2) 4.40% of the sector spending budget.
- (3) Column (2) x Column (1).
- (4) \$20,000 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).
- (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.
- (10) Column (4) + Column (9).

Certificate of Service

I hereby certify that a copy of the cover letter and accompanying material(s) have been hand-delivered or sent via U.S. mail to the parties listed below.



Joanne M. Scanlon
National Grid

December 5, 2005
Date

Narragansett Electric Co. – 2006 Demand Side Management – Dkt. 3701
Service list as of 10/28/05

Name/Address	E-mail Distribution List	Phone/FAX
Laura Olton, Esq. Amy Rabinowitz, Esq. 280 Melrose St. PO Box 1438 Providence RI 02901-1438	Laura.olton@us.ngrid.com	401-784-7667
	Amy.rabinowitz@us.ngrid.com	401-784-4321
	Thomas.robinson@us.ngrid.com	
	David.jacobson@us.ngrid.com	
	Joanne.scanlon@us.ngrid.com	
William Lueker, Esq. Dept. of Attorney General 150 South Main St. Providence RI 02903	Wlueker@riag.state.ri.us	401-222-2424
	David.stearns@ripuc.state.ri.us	ext. 2299
	Al.contente@ripuc.state.ri.us	401-222-3016
John Farley, Executive Director The Energy Council of RI One Richmond Square Suite 340D Providence, RI 02906	jfarley316@hotmail.com	401-621-2240 401-621-2260
Janice McClanaghan Dept. of Administration - Energy Office One Capitol Hill Providence RI 02908	JaniceM@gw.doa.state.ri.us	401-222-3370 ext. 109
Erich Stephens, Executive Director People's Power & Light LLC 17 Gordon Avenue #201A Providence RI 02905	erich@ripower.org	401-861-6111 401-861-6115
Tim Woolf, Vice President Synapse Energy Economics 22 Pearl Street Cambridge, MA 02139	twoolf@synapse-energy.com	617-661-3248 617-661-0599
Original & nine (9) copies file w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd.	Lmassaro@puc.state.ri.us	401-941-4500
	Cwilson@puc.state.ri.us	401-941-1691
	Dhartley@puc.state.ri.us	