

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

IN RE: THE NARRAGANSETT ELECTRIC COMPANY, d/b/a NATIONAL GRID DEMAND-SIDE MANAGEMENT PROGRAMS FOR 2007 :
: **DOCKET NO. 3779**
:
:

REPORT AND ORDER

I. Introduction

Since 1989, the Public Utilities Commission (“Commission”) has annually reviewed the design and implementation for Narragansett Electric Company, d/b/a National Grid’s (“NGrid” or “Company”) proposed Demand Side Management (“DSM”) programs which are funded through a required assessment of an adjustment factor. The Utility Restructuring Act of 1996 (“URA”), R.I.G.L. §39-2-1.2(b), authorizes a charge of 2.0 mills per kilowatt-hour for the 2007 programs, unless the Commission approves a higher factor. 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. R.I.G.L. §39-2-1.2.

II. Settlement of the Parties

On November 1, 2006, NGrid filed a Settlement of the Parties (“2007 Settlement”)¹, entered into by the Rhode Island Division of Public Utilities and Carriers (“Division”), The Energy Council of Rhode Island (“TEC-RI”), the Rhode Island Office of Energy Resources (“RIOER”), Energy Consumers Alliance of New England, d/b/a

¹ The 2007 Settlement is attached hereto as Appendix A.

People's Power & Light ("PP&L"), and NGrid (collectively referred to as "the Parties" or "the Collaborative").²

The Settlement set forth the criteria established through prior stipulations and settlements for NGrid's DSM programs, namely, (1) cost-effectiveness, (2) ability to serve a large number and broad mix of Rhode Island 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. The 2007 Settlement noted, as did its 2006 predecessor, that in addition to these six criteria, the Parties had identified a need for and had increased emphasis on services for low and moderate income residential consumers in light of higher energy prices.³

NGrid's 2007 DSM programs continue offering energy efficient opportunities to all of its customers with a focus on assisting low to moderate income residential customers reduce their monthly bills. At the time the Settlement Agreement was filed, the Company projected a negative DSM fund balance for 2006⁴ due to lower than expected sales. To satisfy the previous commitments and spending, these expenses will be funded by the 2007 DSM collections.⁵ The Company will file its December 31, 2006 Year-End Report no later than May 1, 2007.⁶

²In Docket No. 3706, on August 7, 2006, NGrid proposed changes to the DSM filing process. NGrid requested that its September 15, 2006 filing date be moved to November 30, 2006. Also, NGrid requested that in the event of a new settlement, the new settlement would take effect on January 1, 2007 even without prior Commission approval. At an open meeting on August 29, 2006, the Commission ruled that NGrid file its DSM programs by November 1, 2006 and that status quo would remain until the Commission approved a new settlement.

³Settlement of Parties, Docket No. 3779, November 1, 2006, p.3.

⁴The projected negative balance is \$168,100. See Settlement of Parties, Docket No. 3779, November 1, 2006, pp.4 fnt 2, 7, 71.

⁵Settlement of Parties, Docket No. 3779, November 1, 2006, p.4, 71.

⁶*Id.* at 4.

The Parties agreed that the portfolio of programs and services for 2007 have an overall projected budget of \$22,527,800, consisting of \$6,438,300 allocated to Residential programs, \$10,674,600 allocated to Large Commercial and Industrial (“C&I”) programs, \$4,342,000 allocated to Small C&I programs, \$723,000 allocated to the Company Incentive, and \$350,000 allocated to program design and evaluation.⁷ The parties agreed to monitor the programs in order to assess performance and, in the event necessary, to transfer funds among the programs to insure the most effective use of funds. Prior Commission approval is required to transfer funds if such transfer would result in a greater than 20% reduction in a sector budget. The transfer of funds within a sector from one program to another or the transfer of funds that reduce the approved budget of a sector by 20% or less requires prior Division approval. The Company will not be permitted to adjust its incentive target calculations for any transfers between sector budgets except where such budget levels change as a result of the May 2007 True-up filing.⁸

The Parties agreed to continue the eight 2006 residential programs, namely, the *EnergyWise* Program, Single Family Low Income Services Program, f/k/a Appliance Management Program, ENERGY STAR Heating Program, ENERGY STAR® Central Air Conditioning Program, ENERGY STAR® Lighting, ENERGY STAR® Appliances Program, ENERGY STAR® Homes, and Energy Efficiency Educational Programs.⁹

The *EnergyWise* program, which provides financial incentives for single family and multi family home customers to conduct efficiency improvements, is being modified from last year’s program. The modification will allow the company to adjust the loan

⁷ *Id.* at 9, 72.

⁸ *Id.* at 9-10.

⁹ *Id.* at 5.

rate during the year to respond to market conditions and customer demand and to eliminate windows and doors from the loan program.¹⁰ The justification given by the Company for the elimination of windows and doors from the loan program was that the amount of money the Company was spending on this one element of the program was “taking away from” other efficiency improvements like insulation.¹¹

Another modification in the Residential program is to the ENERGY STAR® Appliances program. The Parties agreed to increase the rebate requirement to the 2007 ENERGY STAR® standard from a 1.42 Modified Energy Factor (“MEF”) to a 1.72 or greater MEF and a Water Factor of less than or equal to 8.0.¹² The ENERGY STAR® Heating Program is also being modified to require ECM motors for oil heating systems, to add a \$200 rebate for ECM motors on gas systems, and to decrease the efficiency requirements from 90% Annual Fuel Use Efficiency Rating (“AFUE”) to 85% AFUE to make it comparable to the latest ENERGY STAR specification.¹³

The changes to the ENERGY STAR® Central Air Conditioning Program will include increased promotions to customers and contractors, inclusion of the ductless mini-split system into rebate eligible systems, and shifting \$25 of the customer credit on digital check-ups to make the contractor’s share \$75 and the customer’s share \$100 in an effort to increase contractor participation.¹⁴ In the ENERGY STAR® Lighting Program

¹⁰ Id. at 22-23, 42.

¹¹ Transcript of Technical Session (“T.”) at 107.

¹² Settlement of Parties, Docket No. 3779, November 1, 2006, p. 28, 42.

¹³ Id. at 30-31, 42; T. at 117-118.

¹⁴ Settlement of Parties, Docket No. 3779, November 1, 2006, p.33, 42. In the 2006 DSM program, of the total \$175 received by the contractor, \$125 was an instant credit to the customer on the contractor’s bill and the remaining \$50 was an incentive to the contractor.

the torchiere rebate is being increased from \$15 to \$20 to encourage replacement of halogen torchieres.¹⁵

Because the national standards were increased last year, the ENERGY STAR Homes criteria are more stringent than in previous years. In response to this, the Company increased the incentives up to \$2,000 and provides code plus incentives for appliances, thermal measures and HVAC, because it is now more difficult for a builder to meet these standards. The Company will provide assistance to builders to help them meet the new standards.¹⁶ Finally, the Company will continue to include customer education as part of its DSM program design by sponsoring educational programs for children, builders, contractors and its customers.¹⁷

The Small Business Services Programs offered in 2006 with continued emphasis on greater comprehensiveness and custom treatment for non-prescriptive lighting measure installations in the program will continue in 2007. Additionally, the Company will continue to coordinate with the Office of Energy Resource's initiative by supporting delivery of those services.¹⁸

The Parties agreed to changes to the Large Business Services Programs in the areas of Lighting (under Energy Initiative and Design 2000*plus*), Motors (under Energy Initiative), HVAC (under Energy Initiative and Design 2000*plus*), Compressed Air (under Energy Initiative and Design 2000*plus*), Dry Type Transformers (under Design 2000*plus*), and Other Initiatives (under Energy Initiative).

¹⁵ Id. at 36, 43; T. at 121-122.

¹⁶ Id. at 37-38, 43.

¹⁷ Id. at 39-40.

¹⁸ Id. at 6, 44-45. The Office of Energy Resources ("OER") offers rebates to replace and/or retrofit gas, oil and propane fired heating systems and controls and domestic hot water heaters with high efficiency equipment and upgrades. OER coordinates this with the Company's Small Business Services program.

Changes made to the Lighting Programs will include reductions to rebate levels to recognize market transformation, both on the manufacturing and consumer sides. The reductions will allow more customers the opportunity to participate in the program. Due to minimal response, the Prescriptive Motors Worksheet will be eliminated from Energy Initiative. The HVAC programs will be modified by adding incentives for both Energy Initiative and Design 2000*plus* and incentives will be kept for the Design 2000*plus* program. The Compressed Air incentives will be reduced in both programs. Since the efficiency levels promoted by the worksheet became law effective January 1, 2007, the dry type transformers worksheet will be dropped in the Design 2000*plus* program. Finally, a key component of the Energy Initiative program for Compressed Air O & M will be continued education on improved system monitoring and long term management of equipment. The Company will conduct surveys to identify leaks or other operational problems in the compressed air systems in order to increase efficiency.¹⁹

The Parties agreed that if certain goals are met, the Company will be entitled to earn a shareholder incentive thus enabling it to continue providing an incentive to shareholders for their support of programs designed to reduce the Company'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 \$20,000. 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 Company has agreed to file with the Commission the final goals for each metric as part of the May 2007 True-up Filing.²⁰

¹⁹ Id. at 70

²⁰ Id. at 13.

Residential Metric One relates to ENERGY STAR® Homes. In order to meet this metric, the Company must achieve a 3% increase in the penetration of signed builders agreements in 2007 as compared to penetration achieved in 2006. The Company had an identical metric in 2004 and 2005, but discontinued the metric in 2006 due to the redesign of the national program to increase efficiency. Because the redesigned program has been in place for almost one year, the Parties agreed to a metric for this program. The Company proposed the baseline of 11% penetration and the target of 13% penetration. The Company can earn the full \$20,000 if it achieves the target of 13% penetration or a proportional amount for penetration between the threshold and the target.²¹

Residential Metric Two allows the Company to earn \$20,000 if it achieves the target of MWh savings from programs other than Residential Lighting. This metric encourages the Company to focus its efforts equally on all of its residential programs as opposed to predominantly on the Residential Lighting program. This metric has no threshold, and in order to earn the incentive, the Company must establish an annual MWh savings of 6,529 MWh.²²

C&I Metric One relates to savings other than prescriptive lighting savings in the Energy Initiative Program. Although the percentage of savings from prescriptive lighting has increased in recent years, and as a result, the Company has achieved savings goals, NGrid recognizes that diversity is necessary and thus proposed this performance metric on other subprogram savings. The target of 4,490 MWh must be achieved to receive the

²¹ Id. at 77-78. After three quarters of the 2006 year, penetration was 10%. The baseline was agreed to, based on this historical performance.

²² Id. at 79-80. Unlike Residential Metric One, there is no proportional incentive available based on a partial success.

incentive of \$20,000. There is no threshold for this program. The metric relies on a target for savings which will provide a clearer target rather than a percentage of program savings, because the prescriptive lighting savings would affect a program savings measure.²³

C&I Metric Two relates to High Performance Schools where through Design 2000*plus* NGrid will provide full incremental cost for high performance design and construction practices with a focus on high quality energy efficient lighting. In order to meet the target and receive the \$20,000 incentive, the Company must contract with two more schools than the number contracted with in 2006 through Design 2000*plus*. The Company can earn 50%, or \$10,000, if it contracts with the same number of schools in 2007 as in 2006, or 75%, or \$15,000, if it contracts with one additional school.²⁴

C&I Metric Three is related to Comprehensiveness in Small Business Installations. In order to earn the full incentive, the Company must achieve 6 percentage points greater comprehensiveness in Small Business Services in 2007 than the percentage it achieved in 2006. In order to avoid the inclusion of free riders, 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 State's Office of Energy Resources Small Business program. The Company can earn 50% or \$10,000 of the incentive if the comprehensiveness percentage is equal to 2006 performance or a proportional increase for percentages between the threshold and target.²⁵

The target incentive rate for the kWh savings goal is 4.40% of the eligible spending budget. The target incentive amount is \$722,958 in 2007, \$100,000 of which is

²³ Id. at 80-81.

²⁴ Id. at 81-83.

²⁵ Id. at 83-85.

set aside for the performance based metrics. The Company must attain 60% of the annual savings goal, the threshold performance level for energy savings by sector, in order to earn an incentive related to achieved energy savings in each sector. Once threshold savings are achieved for each sector, the Company will have the ability to earn an incentive for each kWh saved up to 125% of target savings.²⁶ The total maximum incentive that can be earned for kWh savings is \$778,698. This amount, combined with potential incentives of \$100,000, tied to metrics results in a total possible incentive of \$878,698.²⁷ The threshold, calculated cap, and incentive for a particular sector would require recalculation under two circumstances: 1) if budgets required adjustment as a result of the May 2007 True-up filing or 2) if the assumptions used to develop savings goals change as a result of completed evaluation studies. Neither will result in the target incentive dollars associated with the performance metrics being affected.²⁸

The cost-effectiveness of the 2007 programs projected by the Company, using the benefit/cost test in place in 2006, is 3.62 to 1.00, meaning that for every dollar spent, benefits valued at \$3.62 are expected to be generated. With regard to reporting requirements, the Company will file its 2006 Year-End Report no later than May 1, 2007. The final goals filing for each Performance Based metric or a recommended goals filing will be made simultaneously.²⁹

III. Technical Session

On December 8, 2006, the Commission conducted a Technical Session during which NGrid and the other Parties were invited to present the programs for 2007. The

²⁶ Id. at 11-12.

²⁷ Id. at 75.

²⁸ Id. at 12-13.

²⁹ Id. at 14-15, 86.

Company made a well-prepared, thorough and informative power point presentation. Members of the Collaborative were available to answer questions from the Commission.

IV. Commission Findings

The Commission recognizes the Company's continued efforts and diligence in designing and implementing the DSM programs and recognizes the Company's commitment to energy conservation. NGrid's efforts to provide services in an efficient manner are evident by its thorough and complete review of existing programs, its modifications to those programs to reflect customer need, and its creation of new programs. The 2007 filing contains new ideas, such as adding a high efficiency gas furnace incentive, providing Code Plus incentives, adding incentives for HVAC equipment and adjustments to continuing programs that should spark new and continued ratepayer interest.

At an Open Meeting held on December 19, 2006, the Commission voted unanimously to approve the Settlement as filed with regard to the 2007 Programs and associated budget, finding them to be in the best interest of the NGrid's ratepayers. The Commission endorsed the 2007 DSM Programs, noting that they were similar to the 2006 DSM Programs. The Commission asked the Company to explore additional means of advertising, possibly through the Public Broadcast System, to promote the DSM Programs so that ratepayers would be aware of and be able to take advantage of the programs.

Accordingly, it is hereby

(18858) ORDERED:

1. The Settlement filed by NGrid on behalf of the Parties to this docket dated November 1, 2006, is hereby approved.
2. NGrid shall explore additional means of advertisement through the Public Broadcast Service to promote its DSM Programs.
3. 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, 2007 through December 31, 2007. NGrid shall apply \$0.0020 per kilowatt-hour to its demand side management programs and shall submit an amount equal to \$0.0003 per kilowatt-hour to the State Office of Energy Resources Renewables Programs.
4. NGrid shall file its proposed 2008 programs and budget no later than October 15, 2007, or the parties shall file a Settlement no later than November 1, 2007 regarding proposed 2007 programs and budget. In the event of a direct non-settled filing by NGrid, responsive pleadings shall be made no later than November 1, 2007.
5. 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 OPEN MEETING DECISIONS ON AUGUST 29, 2006, DECEMBER 19, 2006 AND FEBRUARY 1, 2007. WRITTEN ORDER ISSUED FEBRUARY 5, 2007.

PUBLIC UTILITIES COMMISSION



Elia Germani

Elia Germani, Chairman

Robert B. Holbrook

Robert B. Holbrook, Commissioner

Mary E. Bray

Mary E. Bray, Commissioner

Appendix A¹⁷

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION

In Re: The Narragansett Electric Company d/b/a)
National Grid)
Demand-Side Management Programs for 2007)

Docket No. 3779

SETTLEMENT OF THE PARTIES

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1. 2007 Residential Programs
2. Summary of Proposed Changes to Residential Programs for 2007
3. 2007 Small Business Services Program
4. 2007 Large Business Services Programs
5. Summary of Proposed Changes to the Large Business Services and Small Business Services Programs for 2007
6. DSM Funding Sources in 2007 by Sector
7. 2007 Proposed Budget and 2007 Proposed Budget vs. 2006 True-Up Budget
8. Derivation of the 2007 Spending Budget for Shareholder Incentive Calculation and Target 2007 Shareholder Incentive
9. 2007 Performance Metrics
10. Calculation of 2007 Program Year Cost-Effectiveness and Goals

1 **I. Introduction**

2 This Stipulation and Settlement (“Settlement”) is jointly submitted and entered into by
3 the Rhode Island Division of Public Utilities and Carriers (“Division”), The Energy
4 Council of Rhode Island (“TEC-RI”), the Rhode Island Office of Energy Resources
5 (“RIOER”), Energy Consumers Alliance of New England d/b/a People’s Power and Light
6 (“PP&L”) and The Narragansett Electric Company, d/b/a National Grid (“National Grid”
7 or “Company”) (together, the “Parties”), and addresses all issues raised by members of
8 the DSM Collaborative¹ concerning the Company’s Demand-Side Management (“DSM”)
9 Programs for the year 2007.

10

11 A DSM collaborative group has been meeting regularly since 1991 to analyze and inform
12 the Company’s DSM programs. Since 1997, the Company has been offering its
13 programs pursuant to statute, R.I.G.L. 39-2.1-2(b).

14

15 Prior stipulations and settlements have set forth the criteria for the Company’s DSM
16 programs, including that the DSM programs: (1) be as cost-effective as possible; (2)
17 serve a large number and broad mix of Rhode Island customers; (3) maximize long-term
18 savings; (4) capture potential lost opportunities for efficiency improvement; (5) promote
19 market transformation; and (6) support long-term electricity supply and reliability
20 objectives. In addition to these goals, the Parties have included an increased emphasis on
21 services for low and moderate income residential consumers as a means of helping these
22 consumers deal with high fuel prices.

23

24 Over time, in response to customer feedback obtained through public forums and
25 elsewhere, the DSM Collaborative has worked to enhance programs for customers by
26 improving the efficiency and quality of energy-efficient products, expanding services to

¹ Members of the Collaborative presently include the Company, the Division, the RIOER (formerly, the State Energy Office), TEC-RI, and PP&L. The constitution of the Collaborative has varied since 1991, as some organizations have withdrawn and others have joined.

1 customers, and becoming more involved in statewide and regional initiatives. Demand
2 for energy efficiency program services continues to be strong across all sectors.

3

4 **II. 2006 Program Status**

5 The Company has been working throughout 2006 to implement approved energy
6 efficiency programs for all customer segments subject to the budget included in the
7 Company's True-up filing which was submitted to the Commission on May 31, 2006.
8 The Company expects to achieve the goals outlined in the True-up filing while not
9 exceeding approved budgets.

10

11 While spending and commitments approximate budgeted amounts, they are expected to
12 exceed available funding in the year, due to lower than expected sales in 2006, which will
13 result in a negative fund balance by year-end 2006². As a result, some of the expenses
14 and commitments in 2006 are expected to be funded by DSM collections in 2007.

15

16 The Company will file its Year-End Report regarding the 2006 programs no later than
17 May 1, 2007.

18

19 **III. 2007 DSM Programs**

20 The DSM programs for 2007 build on the momentum and success of prior DSM
21 programs and services, offering energy efficiency opportunities to all customer segments,
22 with a focus on providing needed services to low and moderate income residential
23 consumers as a means of reducing bills. The Parties agree to the Company's 2007 DSM
24 Programs described below³:

25

² As shown in Attachment 6, the Company currently projects that the fund balance at year end 2006 will be (\$168,100). This negative fund balance indicates that funding sources in 2006 are expected to be somewhat below levels projected when the True-up Filing was prepared.

³ 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.

1 A. **Residential Programs**

2 In 2007, the Parties agree to continue the residential programs offered in 2006.
3 These programs include the *EnergyWise* Program, the Single Family Low Income
4 Services Program (formerly known as the Appliance Management Program),
5 ENERGY STAR Heating Program, ENERGY STAR® Central Air Conditioning
6 Program, ENERGY STAR® Lighting, ENERGY STAR® Appliances, ENERGY
7 STAR® Homes, and Energy Efficiency Educational Programs. Descriptions of
8 these programs are provided in Attachment 1. A summary of the proposed
9 changes from 2006 are provided in Attachment 2.

10

11 In order to ensure that residential customers are aware of the Company's energy
12 efficiency program, Company staff will continue to participate in consumer
13 education seminars sponsored by the Office of Energy Resources and/or the
14 Community Colleges of Rhode Island (CCRI) as it has done in 2006.

15

16 The Collaborative wants customers who have difficulty paying their electric bills
17 to participate in the Company's energy efficiency programs, especially in these
18 times of escalating energy prices. Several of the Company's proposed programs
19 provide these customers with services that are designed to help reduce their
20 electric bills, including the Single Family Low Income Services Program, the
21 *EnergyWise* Program, and the ENERGY STAR Homes Program. The Single
22 Family Low Income Services Program provides qualifying low-income customers
23 in 1-4 unit dwellings with energy efficiency services. Both low-income and non
24 low-income residential customers receive services through the *EnergyWise*
25 Program and the ENERGY STAR Homes Program. Additional detail about the
26 services offered to economically disadvantaged customers is set forth in
27 Attachment 1.

28

1 **B. Small Business Services Program**

2 The Parties agree to continue the Small Business Services Program in 2007 with
3 continued emphasis on increasing the penetration of non-prescriptive lighting
4 measure installations in the program. A description of the Small Business
5 Services Program, including expected changes from 2006, is provided in
6 Attachment 3.

7

8 **C. Large Business Services Programs**

9 The Parties agree to continue the Energy Initiative and Design 2000*plus* Programs
10 in 2007. In 2007, the Company intends to build on its experience promoting
11 better energy performance in commercial facilities through a number of
12 programmatic changes. The Company will provide surveys of customers'
13 compressed air systems to identify leaks and other operational improvements to
14 increase system efficiency. Key component of the program will be to educate
15 customers on the benefits of improved system monitoring and long term
16 management of their equipment. The Company also plans to reduce the incentives
17 provided to participants for selected measures installed through the programs.
18 This will allow the Company to provide program services to more customers than
19 it might have been able to if rebates were unchanged. There are proposed
20 administrative changes to the Motors offerings in both the retrofit and new
21 construction programs. More details about these changes, as well as continuing
22 program efforts, are available in Attachment 4.

23

24 A summary of proposed changes and process improvements to these programs is
25 provided in Attachment 5.

1 **IV. Budgets and Funding Sources**

2

3 **A. 2007 DSM Program Funding Sources⁴**

4 The sources of funding for the 2007 DSM Programs are shown in Attachment 6.
5 The Parties agree that the 2007 budget should continue to be funded from the
6 following sources: (1) the statutory-based DSM charge of \$0.002 per kWh; (2)
7 interest accrued on the fund balance during the year due to timing differences for
8 collections compared to expenditures; (3) funds received from Small Business
9 Program co-payments⁵ and from large Commercial and Industrial technical
10 assistance co-payments⁶ in 2007; (4) Large C&I commitments from 2006⁷; (5)
11 carryover of the 2006 fund balance, if any, and (6) revenue generated by
12 programs' demand savings from ISO-New England's transitional capacity market,
13 as explained below. The projected funding amounts are also shown in
14 Attachment 6.

15

16 As shown in Attachment 6, the Company currently projects that the fund balance
17 at year end 2006 will be (\$168,100). This negative fund balance indicates that
18 funding sources in 2006 are expected to be somewhat below levels projected
19 when the 2006 True-up filing was prepared.

20

⁴ In 2006, the Rhode Island General Assembly enacted several initiatives which could result in additional funding for energy efficiency. It is not clear at this point what, if any, impact these initiatives will have on the DSM programs in 2007 and future years. The Collaborative will continue to monitor these initiatives and respond accordingly.

⁵ The Company provides Small Business customers with the opportunity to finance their share of project costs. The Small Business co-pays identified on Attachment 6 refer to the projected amount of funds customers are expected to repay to the Company in calendar year 2007.

⁶ The Company typically pays the full cost of technical assistance studies for Large Commercial and Industrial program participants and then bills the customer for their share of the technical assistance study cost. The Large Commercial and Industrial co-pays shown on Attachment 6 reflect the projected amount of technical assistance study funds expected to be repaid by customers in 2007.

⁷ As directed by the Commission, the Company encumbers current funding to cover the expected cost of projects it has agreed to fund although those projects will be completed after the current program year.

1 Effective June 16, 2006, the Federal Energy Regulatory Commission (FERC)
2 approved a Settlement Agreement that addresses the future capacity needs of New
3 England. As part of that Settlement, the Independent System Operator (ISO-NE)
4 is leading an effort: (1) to develop rules that will govern a new Forward Capacity
5 Market (FCM) that will begin operation June 1, 2010, and (2) develop rules which
6 will govern the Transition Period leading up to the start of the FCM. Under the
7 terms of these rules, energy efficiency measures installed after June 16, 2006, and
8 which can be demonstrated to be operational during hours of peak electrical
9 usage, will be eligible to receive capacity payments.

10
11 National Grid and the Parties recommend that kW demand savings achieved via
12 these energy efficiency programs be reported by National Grid to ISO-NE as
13 Other Demand Resources (ODR) through 2007. Customers who participate in
14 these energy efficiency programs must agree to forego any associated ISO-NE
15 qualifying capacity payments and allow National Grid to report kW savings and
16 collect the payments. All ISO-NE capacity payments received will be used to
17 supplement the energy efficiency program budgets.

18
19 The projected 2007 budget for DSM programs is dependent on a number of
20 projections that inform the amount of funding, including projections of
21 kilowatthour sales of electricity, year-end 2006 large commercial and industrial
22 program commitments, payments from ISO-NE for submitted demand savings,
23 and a projection of year-end 2006 spending. With a November 2006 filing date
24 for this Settlement, the Company believes it has a good understanding of expected
25 year-end spending and commitments as it develops a projection of available
26 funding for the coming year and, unlike prior years, a filing will not be necessary
27 to true up each of the components of the budget calculation that are currently
28 projected with actual year-end numbers.⁸

⁸ The Rhode Island Public Utilities Commission accepted the procedural changes regarding the true-up filing at its Open Meeting of August 29, 2006.

1 However, if the actual 2006 year-end fund balance causes available funding to
2 vary by more than 20% compared to the projected funding included in this
3 Settlement, the Company will prepare a true up filing by May 31, 2007. This true
4 up filing, if necessary, would require Commission approval. If the year-end fund
5 balance does not cause the projection of available funding to vary by more than
6 20%, no action by the Company will be required and the goals established in this
7 Settlement filing will be in place for all of 2007. If there is a true up filing, the
8 Company will be permitted to adjust the projected spending budgets and savings
9 goals in the shareholder incentive calculation in accordance with the funding
10 adjustments.

11
12 **B. Budgets**

13 The Parties agree that the portfolio of DSM programs and services for 2007 will
14 have an overall projected budget of approximately \$22,527,800. The Parties
15 agree to segment the budget into three sectors: residential, small commercial and
16 industrial, and large commercial and industrial. Proposed sector and program
17 budgets are provided in Attachment 7. A comparison of these proposed budgets
18 to the 2006 budget filed with the Commission on May 31, 2006 in the Company's
19 "True-up" filing is also provided in Attachment 7.

20
21 The Parties agree that the Company should make every attempt to spend or
22 commit all the funds available for DSM in the year, including any increases in the
23 fund balance due to increased sales or other factors. The Parties also agree to
24 review the status of program budgets regularly to assess whether they are likely to
25 come to a successful completion. If not, the Parties agree to review the
26 advisability of transferring funds to other programs where the money could be
27 more effectively used.

1 **C. Transferring of Funds**

2 The Parties will regularly review the amount of funds needed and available for
3 each program (as well as any changes to the overall fund balance, as discussed in
4 Section IV.A above) and will transfer monies as needed. The Parties propose to
5 use the same methodology that has been used since 2001 for the transfer of funds
6 from one program to another, or from one sector to another. Transfers during the
7 program year may occur as follows:

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

16

17 For transfers requiring Division, but not Commission, approval, the Parties will
18 inform the Commission about all the transfers, both between sectors and within
19 sectors, in a timely fashion. The Company will not be permitted to adjust its goals
20 or incentive target calculations for any transfers between sector budgets except as
21 described in Section IV.A above.

22

23 **V. Continuation of the Collaborative**

24 The Parties agree that the Collaborative shall meet no less than six times in 2007 to
25 review the status and performance of the Company's 2007 DSM programs and to review
26 proposed 2008 DSM programs and performance metrics. The Parties agree that it is
27 desirable to reach an agreement on the Company's 2008 DSM programs and performance
28 metrics, in order to make a timely filing to the Commission by November 15, 2007, for
29 its review and approval. If the Parties are unable to agree on all or part of the Company's

1 2008 DSM programs or performance metrics, the Company will be free to unilaterally
2 file all or part of its 2008 DSM program proposal for approval by the Commission on or
3 before November 15, 2007. If the Commission does not have an opportunity to review a
4 2008 program filing by December 31, 2007, whether a settlement or a unilateral filing,
5 the Company will continue to offer the 2007 programs until Commission review has
6 occurred.

7

8 **VI. Incentive**

9 The shareholder incentive mechanism applicable to Company DSM efforts in 2007
10 follows the incentive mechanism applicable to the 2006 program year, which was
11 approved by the Commission in its Order No. 18156 issued January 26, 2006. The
12 shareholder incentive mechanism will continue to include two components: (1) kWh
13 savings targets by sector and (2) performance-based metrics.

14

15 **A. kWh Savings**

16 The Parties have agreed to retain a target incentive rate of 4.40% in 2007 applied
17 to the eligible spending budget for 2007. The projected spending budget for 2007
18 is approximately \$16.4 million (see Attachment 8, page 1 of 2). Therefore, the
19 total target incentive for 2007 is 4.40% of \$16.4 million, or \$722,958, as shown in
20 Attachment 8, page 2 of 2. Of this total, \$100,000 will be the target incentive for
21 the performance-based metrics and the remainder will be for the kWh savings
22 target.

23

24 The threshold performance level for energy savings by sector will remain at 60%
25 of the annual energy savings goal for the sector. The Company must attain at
26 least this threshold level of savings in the sector before it can earn an incentive
27 related to achieved energy savings in the sector. The Company will have the
28 ability to earn an incentive for each kWh saved, once threshold savings for the

1 sector are achieved, up to 125% of target savings. The incentive per kWh saved
2 by sector is provided in Attachment 8 page 2 of 2.

3
4 The incentive cap on energy savings will be equal to 125% of the target incentive
5 amount for energy savings. If the Company achieves this level of exemplary
6 performance, Rhode Island consumers will realize additional savings. Given
7 budget control requirements, this will provide the Company with an incentive to
8 improve the efficiency of its program implementation efforts while providing
9 Rhode Island consumers with value in excess of the incremental incentive that
10 may be earned by the Company.

11
12 Attachment 8, page 1 of 2, provides the derivation of the eligible spending budget
13 that is used to determine the amount of the incentive that the Company may earn
14 if it is successful in achieving its goals for both energy savings and performance
15 metrics. Attachment 8, page 2 of 2, provides a summary of the incentive related
16 to performance metrics and the incentive related to annual energy savings goals
17 by sector. Energy savings goals by sector reflect the expected cost of savings in
18 each sector informed by evaluation studies and have been adjusted to take into
19 account changing rebate policies and the changing market being served. These
20 goals have been carefully reviewed by the Collaborative to ensure that they
21 represent reasonable and challenging goals for the year.

22
23 There are two circumstances that would necessitate the recalculation of the
24 threshold, calculated cap, and incentive for a particular sector. First, if budgets
25 are adjusted as a consequence of a true up filing in May 2007 (only under the
26 condition that the actual 2006 year end fund balance deviates from projections by
27 more than 20%, as described above, and only then with Commission approval),
28 the threshold and incentive for the affected sectors will be adjusted as will each
29 sector's incentive caps. Second, if the assumptions used to develop savings goals

1 change as a result of completed evaluation studies, the Company will recalculate
2 savings goals to account for those evaluation findings and will report actual
3 savings on the same basis. None of these changes will affect the target incentive
4 dollars associated with performance metrics. The Company will report program
5 results compared to these revised budgets and goals in its Year-End Report
6 regarding 2007 DSM Program efforts.

7
8 **B. Performance Metrics**

9 The Parties have agreed to the inclusion of five performance-based metrics for
10 2007. These metrics include two that relate to the Residential sector, one that
11 relates to the Small Commercial and Industrial sector, and two that relate to the
12 Large Commercial and Industrial sector. Each of the proposed performance-
13 based metrics is provided in Attachment 9. The Parties agree that the Company
14 will have the ability to earn \$20,000 for each performance metric it successfully
15 achieves in 2007 with an opportunity to earn a portion of the incentive for
16 partially achieving goals as shown in Attachment 9. The total potential incentive
17 for performance metrics is capped at \$100,000.

18
19 Attachment 9 includes a framework for establishing the goals for the proposed
20 metrics based on currently available information. The Company, with agreement
21 of the Parties, will file with the Commission as part of the Year-End Report a
22 supplement to this Settlement that provides final goals for each metric. Finalizing
23 the numeric performance targets at a later date will have no impact on the
24 shareholder incentives established for these performance-based metrics. If the
25 Parties are unable to reach agreement about the specific performance goals, the
26 Company reserves the right to file recommended goals with the Commission for
27 its approval by May 1, 2007.

1 **VII. Miscellaneous**

2 **A. Cost-Effectiveness**

3 The Company has projected cost-effectiveness for the proposed 2007 programs
4 using the benefit/cost test in place during 2006. Attachment 10 provides the
5 calculation of 2007 program year cost-effectiveness and goals based on the
6 proposed budgets. Attachment 10 shows that the proposed portfolio of programs
7 is expected to have a benefit/cost ratio of 3.62 which means that \$3.62 in benefits
8 is expected to be created for each \$1 invested in the programs.

9

10 The cost-effectiveness analyses of the proposed programs use updated avoided
11 energy supply costs. These updated values were developed by ICF Consulting as
12 part of a 2005 study that was sponsored by all electric DSM program
13 administrators in New England and some gas program administrators as well.
14 The avoided energy supply costs from the study have been updated to reflect
15 forecasted inflation. Company-specific transmission and distribution capacity
16 values have also been updated to reflect recent data on costs and peak loads.

17

18 **B. Reporting Requirements**

- 19 1. The Company will provide quarterly reports to the Division and the
20 Commission on the most currently available program performance.
21 These reports will include a comparison of budgets and goals by
22 program to actual expenses and savings on a year-to-date basis.
- 23 2. The Company will provide to the Parties and file with the
24 Commission its 2006 Year-End Report no later than May 1, 2007.
- 25 3. The Company will provide to the Parties a summary of evaluation
26 results together with a memorandum summarizing the impact of
27 those results on the Company's 2006 programs no later than
28 September 2007.

1 4. The Company will report on 2007 metric results, achieved energy
2 savings in 2007, and earned incentives in its Year-End Report for
3 2007, to be filed no later than May 1, 2008.

4

5 **C. Other Miscellaneous Provisions**

6 1. Other than as expressly stated herein, this Settlement establishes no
7 principles and shall not be deemed to foreclose any Party from
8 making any contention in future proceeding or investigation.

9 2. This Settlement is the product of settlement negotiations. The
10 content of those negotiations is privileged and all offers of settlement
11 shall be without prejudice to the position of any Party.

12 3. This Settlement is submitted on the condition that it be approved in
13 full by the Commission, and on further condition that if the
14 Commission does not approve the Settlement in its entirety, the
15 Settlement shall be deemed withdrawn and shall not constitute a part
16 of the record in any proceeding or used for any purpose.

17 4. Other than as expressly stated herein, the approval of this Settlement
18 by the Commission shall not in any respect constitute a
19 determination as to the merits of any issue in any other proceeding.

20

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

23 Respectfully submitted,

24 THE NARRAGANSETT ELECTRIC COMPANY D/B/A
25 NATIONAL GRID

26 *Laura S. Olton*

10/30/2006

27 _____

28 Laura S. Olton, Esq.

Date

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RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

William K. Lueker 10/30/2006

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

THE ENERGY COUNCIL OF RHODE ISLAND

John Farley Date

RHODE ISLAND OFFICE OF ENERGY RESOURCES

Janice McClanaghan Date

ENERGY CONSUMERS ALLIANCE OF NEW ENGLAND
D/B/A PEOPLE'S POWER & LIGHT

Karina Lutz Date

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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

John Farley 10/30/2006

John Farley Date

RHODE ISLAND OFFICE OF ENERGY RESOURCES

Janice McClanaghan Date

ENERGY CONSUMERS ALLIANCE OF NEW ENGLAND D/B/A PEOPLE'S POWER & LIGHT

Karina Lutz 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

John Farley Date

RHODE ISLAND OFFICE OF ENERGY RESOURCES

Janice McClanaghan 10/27/06

Janice McClanaghan Date

ENERGY CONSUMERS ALLIANCE OF NEW ENGLAND
D/B/A PEOPLE'S POWER & LIGHT

Karina Lutz Date

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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

John Farley Date

RHODE ISLAND OFFICE OF ENERGY RESOURCES

Janice McClanaghan Date

ENERGY CONSUMERS ALLIANCE OF NEW ENGLAND
D/B/A PEOPLE'S POWER & LIGHT

Karina Lutz 10/30/06
K. Karina Lutz Date

1

2007 RESIDENTIAL PROGRAMS

2 The Company proposes a comprehensive set of residential energy efficiency programs
3 for implementation in 2007. Proposed program changes for 2007 are summarized in
4 Attachment 2.

5

6 In addition, the Company is monitoring tax credits and other benefits that may be
7 available to consumers in the state through the 2005 Energy Policy Act. The 2005
8 Energy Policy Act and each program proposed to be implemented in 2007 are discussed
9 below:

10

11 **2005 Energy Policy Act**

12 Although final availability will be subject to the regulations released by the Internal
13 Revenue Service, it appears that homeowners may be able to receive a tax credit of ten
14 percent of the cost up to \$500 for the installation in 2007 of insulation and ENERGY
15 STAR windows, air conditioning, heat pumps, furnaces, boilers, and water heaters.
16 Customers who own multifamily buildings may be eligible for tax incentives described in
17 Attachment 4. High efficiency builders may receive an incentive of up to \$2,000 for a
18 single-family home that is 50% better than the International Energy Conservation Code
19 and \$1,000 for ENERGY STAR manufactured homes. The Company will provide
20 information to customers and builders about these tax advantages.

21

22 **Residential Programs**

23 The Company is proposing to implement a broad range of energy efficiency programs for
24 its residential customers. These programs are designed to provide energy efficiency
25 opportunities to the diverse segments of residential customers in the state, including
26 homeowners and renters, low-income and moderate income consumers, and those

1 constructing new homes. These programs all include a component of consumer
2 education to help the customer to better understand how to control and manage energy
3 costs. The Residential programs planned for implementation in 2007 are described
4 below.

5

6 **1. EnergyWise Program**

7 **Overview**

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

14

15 **Eligible Population**

16 All residential customers in 1-4 unit buildings are eligible to participate. Multifamily
17 facilities of five or more units are eligible if they have not previously participated in the
18 program in the past five years. The Company proposes to serve 4,965 customers
19 (dwelling units) through the EnergyWise program in 2007.

20

21 **Program Design**

22 The program is certified by the Environmental Protection Agency as a “Home
23 Performance with ENERGY STAR®” program. This allows the program to use the
24 ENERGY STAR name for marketing purposes, and ensures that the program meets high

1 health and safety standards. The energy audit looks at the house as a system, so that the
2 customer can consider all energy efficiency measures as well as occupant health and
3 safety.

4 The program is marketed through direct contact with interested customers and owners,
5 property owners' associations, bill inserts, customer newsletters, the National Grid
6 website and other methods. There is often a waiting list for multifamily program
7 services, though the program is usually able to serve customers within the year the
8 participation request is made.

9

10 Eligible customers and/or building managers or associations receive a comprehensive
11 energy audit, energy education, and the installation of low cost efficiency measures (e.g.
12 hot water measures, air sealing for electrically heated buildings, compact fluorescent
13 lightbulbs) at no direct cost. The contractor puts major measures out to competitive bid
14 in facilities that have greater than twenty units. Major measures include lighting
15 upgrades, electric heat thermostats, replacement of inefficient refrigerators, heat pump
16 testing and upgrades, duct sealing and insulation for electrically heated buildings. The
17 Company will pay 75% of the cost of any needed insulation in electrically heated homes.
18 The Company will provide incentives of \$200-\$300 to encourage customers to replace
19 inefficient refrigerators. The Company does not require a co-payment for lighting
20 installed in the living units of multifamily buildings in order to avoid lost opportunities.

21

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

26 The Company will make an up-front payment to write down the interest on an unsecured

1 loan. It will plan to provide funds to lower the interest rate to approximately six percent.
2 The Company may adjust the loan rate during the year to respond to market conditions
3 and customer demand. The participating bank will determine loan approval.

4

5 The *EnergyWise* program also services Public Housing Authority properties and other
6 low income multifamily buildings. Depending on income eligibility of the tenants, co-
7 payments may be reduced or waived for these larger facilities. If the facility is 50% or
8 more low income, co-payments are waived on all measures except refrigerators. There is
9 no copayment required on any measure for Public Housing Authorities or other low
10 income state and federally funded facilities. Elderly housing projects are eligible to
11 participate through the *EnergyWise* program and many have participated. Over the last
12 four years, Narragansett Electric has served over 8,000 low income dwelling units
13 through the *EnergyWise* program.

14

15 Low Income customers living in 1-4 unit buildings will be served by the Single Family
16 Low Income Services Program described below.

17

18 **2. Single Family Low Income Services**

19 **Overview**

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

25

26

1 **Eligible Population**

2 Customers who are eligible for the Low Income Heating Assistance Program (LIHEAP)¹,
3 also known as fuel assistance, and live in 1-4 unit buildings, are eligible for this
4 program². There is no co-payment requirement. Over the last four years, Narragansett
5 Electric has served over 3,200 low income dwelling units through single family low
6 income program offerings. The Company proposes to serve 1,180 customers (dwelling
7 units) in 2007.

8

9 The Collaborative and Company want customers who have difficulty paying their electric
10 bills to receive assistance from the energy efficiency programs. While the average
11 savings of \$130 per year through the electric measure component of the program may not
12 be enough to help these customers avoid shut-off, it will certainly provide some
13 assistance and increased control of electric usage. The Collaborative and the Company
14 believe the targeted approach described below is the best way to reach these at risk
15 customers.

16

17 In 2007, the Company will continue to work with the Office of Energy Resources (OER)
18 to offer services to low income customer addresses where shut-offs have occurred. In
19 2005, the Company identified approximately 1,400 addresses where shut-offs have
20 occurred and electric usage was at least 10 kWh per day in the non-heating months. The
21 Company provided electronic mailing lists and labels for outreach to these customers and
22 the local agencies contacted the customers. Depending on the area, about ten to fifteen
23 percent of customers contacted requested services through the program. For 2007, the

¹The 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 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.

² In previous years, this program was known as the Appliance Management Program (AMP).

1 Company will provide an updated list and encourage local agencies to make follow-up
2 outreach phone calls to targeted customers.

3 **Program Design**

4 The Company contracts with the Rhode Island Office of Energy Resources (OER) and
5 local weatherization agencies for the delivery of energy efficiency services to eligible
6 customers.

7

8 The agencies delivering program services focus on both electric energy efficiency
9 opportunities and selected non-electric energy efficiency opportunities. Electric measures
10 are identified through a comprehensive review of the customer's electric bill, existing
11 appliances, and electric use patterns. The Single Family Low Income Services Program
12 provides for the installation of ENERGY STAR refrigerators and lighting, and cost-
13 effective custom measures to replace inefficient equipment and help lower customers'
14 electric bills. In addition, the Company installs electric water heating energy efficiency
15 measures at no cost for participating customers.

16

17 The Company also funds weatherization work for these customers in one to four unit
18 homes where the primary heating fuel is electricity, oil, propane or wood. This funding
19 supplements federal dollars received by the Office of Energy Resources (OER) for
20 weatherization work. In 2005 the Company also began to fund oil heating system
21 replacements through the OER and plans to continue this in 2007.³ The new hot water
22 and air heating systems are required to meet Federal weatherization program guidelines
23 and have an Annual Fuel Use Efficiency (AFUE) of at least 80%. Installed steam systems
24 have a minimum efficiency of 82%. The Company proposes to continue to work with

³ Natural gas-fired systems are not eligible for replacement under this program. There are other programs, including those sponsored by natural gas companies, that cover gas-fired systems.

1 local Community Action Agencies and the OER to provide no-cost services to income
2 eligible customers in 1-4 unit facilities.

3 The program is marketed through direct contact with eligible customers. One marketing
4 effort consists of contacting, by mail and/or telephone, customers subscribing to
5 Narragansett Electric's low income rates who have not previously received program
6 services. Another important marketing focus is direct marketing by the OER and local
7 CAP agencies to customers it serves through state, federal, or local low income programs.

8

9 **Low Income Services through the EnergyWise Program**

10 As noted above the EnergyWise Program also services Public Housing Authority
11 properties and other low income multifamily buildings. Depending on income eligibility
12 of the tenants, co-payments may be reduced or waived for these larger facilities. If the
13 facility is 50% or more low income, co-payments are waived on all measures except
14 refrigerators. There is no co-payment required on any measure for Public Housing
15 Authorities or other low income state and federally funded facilities. Elderly housing
16 projects are eligible to participate through the EnergyWise Program and many have
17 participated. Over the last four years, Narragansett Electric has served over 8,000 low
18 income dwelling units through the EnergyWise Program.

19

20 **Low Income participation in the ENERGY STAR Homes Program**

21 The Company works closely with the Rhode Island Housing and Mortgage Finance
22 Corporation ("Rhode Island Housing")⁴ and developers of affordable housing in Rhode
23 Island to encourage participation in the ENERGY STAR Homes program. Currently
24 Rhode Island Housing encourages developers to build to ENERGY STAR Home

⁴Rhode Island Housing's mission is "to ensure that every person who lives or works in Rhode Island can afford a safe, healthy home that meets their needs." (www.rihousing.com) As such, they have some influence in many of the arenas that are targeted by the Company's low income services programs.

1 standards. About 30% of the homes completed each year through the ENERGY STAR
 2 Homes program are for low income families.

3

4 The table below summarizes the Company’s history in serving low income customers and
 5 proposed low income services for 2007.

6

7 **Projected Low-Income Participation in 2007 Programs and Participation History**

8

| Program | 2007 projected participants | Percentage of Total Participants in 2007 | Number of low income participants 2002-2005 |
|-----------------------------------|-----------------------------|--|---|
| Single Family Low Income Services | 1180 | 100% | 3,289 |
| EnergyWise | 779 | 16% | 8,096 |
| ENERGY STAR Homes | 90 | 40% | 494 |

9

10 **Projected Low-Income Expenditures in 2007 Programs and Expenditure History**

11

| Program | 2007 Proposed Low Income Expenditures | Percentage of Total Budget | Low Income Spending for years 2002-2005 |
|-----------------------------------|---------------------------------------|----------------------------|---|
| Single Family Low Income Services | \$1,953,274 | 100% | \$4,317,246 |
| EnergyWise | \$455,000 | 15% | \$2,841,857 |
| ENERGY STAR Homes | \$286,000 | 40% | \$1,046,608 |

12

13 **3. ENERGY STAR® Appliances**

14 **Overview**

15 ENERGY STAR® is the national program sponsored by the United States Department of
 16 Energy and the Environmental Protection Agency to promote energy efficient products to
 17 help reduce energy use and prevent air pollution. Energy efficient choices can save

1 families about a third on their energy bill with similar savings of greenhouse gas
2 emissions, without sacrificing features, style or comfort.

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

10

11 **Eligible Population**

12 All residential customers are eligible to participate. The Company proposes to serve
13 about 5,800 customers in 2007.

14

15 **Program design**

16 The program provides retailer support, training, advertising, consumer education, codes
17 and standards review and advocacy, and manufacturer labeling. For 2007 the Company
18 proposes to continue to provide consumer education on these products and continue to
19 offer rebates for ENERGY STAR clothes washers and room air conditioners. The
20 Company proposes to continue the clothes washer rebate of \$25, but increase the
21 efficiency requirement to receive that rebate. The efficiency standards for ENERGY
22 STAR clothes washers will increase on January 1, 2007. The new standard requires
23 ENERGY STAR clothes washers to have a Modified Energy Factor (MEF) greater than
24 or equal to 1.72 (current standard is 1.42) and a Water Factor (WF) of less than or equal
25 to 8.0. At this time, about 261 models currently meet the 2006 ENERGY STAR
26 standard. Based on current models available, we estimate that only 175 of those will
27 meet the new ENERGY STAR standard. Manufacturers may also introduce new

1 qualifying models. Continuing the rebate will encourage consumers to choose ENERGY
2 STAR and encourage manufacturers to provide products that meet the new standard.

3
4 The Company proposes to continue the room air conditioner rebate of \$20. These
5 rebates may be adjusted to ensure coordination with regional and national program efforts
6 and to reflect changing Rhode Island market conditions. The Company will coordinate
7 with the regional Northeast Energy Efficiency Partnerships (NEEP) efforts to work
8 directly with manufacturers and retailers to provide additional matching rebates,
9 cooperative advertising and other program enhancements.

10
11 An important part of the program is educating customers about ENERGY STAR. The
12 Company sponsors media advertising that promotes ENERGY STAR and specific
13 ENERGY STAR promotions. Additionally, the retail stores are an integral channel for
14 promoting ENERGY STAR. The Company prints and distributes a wide variety of point-
15 of-purchase materials and signs for display in retail stores. The Company also supports
16 cooperative advertising with retailers in various print and newspaper channels. The
17 Company also develops media stories and public relations opportunities about ENERGY
18 STAR.

19
20 A nationwide study of consumers' awareness of ENERGY STAR labeling is conducted
21 annually. The most recent study, conducted in 2005, indicates that the existence of utility
22 sponsored programs increases the awareness of ENERGY STAR products. National
23 recognition of the ENERGY STAR label in high-publicity areas (areas with an active
24 local ENERGY STAR program sponsored by a utility, state agency, or other organization
25 for two or more continuous years) was 56% compared to 27% in low-publicity areas.
26 When the ENERGY STAR label is shown, the aided recognition in high-publicity areas
27 rises to 71% and in low-publicity areas the value increases to 53%. The Company will
28 inform the Collaborative about future awareness study results.

1 **4. ENERGY STAR® Heating Program**

2 **Overview**

3 A typical residential customer spends approximately 44% of his or her energy budget on
4 heating and cooling. To address heating costs, the ENERGY STAR Heating Program
5 provides funding to the Rhode Island Office of Energy Resources (OER) to offer
6 ENERGY STAR heating system rebates.

7

8 **Eligible Population**

9 Residential customers who purchase ENERGY STAR Heating Systems fueled by oil or
10 high efficiency gas or oil furnaces with high efficiency fans in their existing home are
11 eligible to participate in this program. The Company proposes to serve about 580
12 customers in 2007. About 480 of these customers will receive heating system rebates and
13 about 100 will receive ECM motor rebates.

14

15 **Program Design**

16 The Company will continue to provide funding to the Rhode Island Office of Energy
17 Resources (OER) to offer incentives to customers who purchase ENERGY STAR
18 Heating Systems that are fueled by oil. The OER markets the program through
19 newspaper articles, contact with heating equipment contractors, and word of mouth.
20 Most contractors install heating equipment with an Annual Fuel Utilization Efficiency
21 (AFUE) of 80% or less. In order to encourage higher efficiency and positively reinforce
22 market changes, the Company proposes to continue the rebate in 2007 for ENERGY
23 STAR oil heating systems at \$200 and to continue the \$25 incentive for contractor
24 installed ENERGY STAR setback thermostats on oil heating systems. The efficiency
25 requirements are an Annual Fuel Use Efficiency Rating (AFUE) of at least 85% for
26 forced hot air systems, at least 85% for forced hot water systems, and at least 82% for

1 steam systems. In 2007, oil-fired forced hot air systems are also required to be equipped
2 with an electronically commutated permanent magnet (ECM) motor.

3
4 For 2007 the Company also proposes adding an incentive of \$200 for high efficiency gas
5 furnaces equipped with an advanced ECM motor or equivalent energy saving furnace fan
6 (blower) motor, subject to budget limitations. ECM motors in gas or oil furnaces save
7 about 600 kWh of electricity per year for consumers. New Rhode Island minimum
8 efficiency standards for residential furnaces and boilers may go into effect as early as
9 January 1, 2008. The Collaborative will monitor any developments in this area.

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

12 **Overview**

13 As noted previously, a typical residential customer spends approximately 44% of his or
14 her energy budget on heating and cooling. To address cooling costs, the ENERGY STAR
15 Central Air Conditioning Program provides funding to offer ENERGY STAR central air
16 conditioning system rebates.

17
18 In 2002, the Company participated in a joint study of HVAC market conditions and
19 efficiency potential in Rhode Island, Connecticut, and Massachusetts. The study
20 identified several key target markets including residential customers who are in the
21 market to purchase central air conditioning (AC) or heat pump systems, residential
22 customers with existing air conditioning systems, and HVAC technicians responsible for
23 servicing and installing this equipment. The market research estimates that
24 approximately 4,200 Rhode Island customers are purchasing replacement or new central
25 air conditioners each year. Recent customer surveys by the Company indicate that about
26 23% of Rhode Island residences, or about 95,000 customers, have central air
27 conditioning.

1 The market research documented that energy savings opportunities exist due to the
2 improper design and installation practices of residential AC contractors. Inadequacies
3 documented include over-sizing of systems overall, undersizing of the air distribution
4 system, failure to obtain proper refrigerant charge, and inadequate duct sealing.
5 Significant savings are also available from existing air conditioning systems in
6 customers' homes, where the same conditions of improper refrigerant charge and airflow
7 are common.

8

9 **Eligible customers**

10 Any residential customer installing, servicing or replacing a central air conditioning or
11 heat pump system in an existing home is eligible to participate. Incentives for ENERGY
12 STAR heating and cooling are included in the ENERGY STAR Homes program for new
13 construction. The Company plans to continue equipment rebates at the \$300 level and
14 expand the scope of program measures and proposes to serve 268 customers in 2007.

15

16 The ENERGY STAR specification and the Federal standard for manufacturing central air
17 conditioning systems changed to require 13 Seasonal Energy Efficiency Ratio (SEER) as
18 of January 23, 2006. The previous requirement was 10 SEER.

19

20 **Program design**

21 The Company began the program in the fall of 2002. The Company has provided
22 rebates to customers for properly installed ENERGY STAR central air conditioning and
23 heat pump systems in existing homes in 2003 throughout 2006. In February of 2006 the
24 program merged with the COOL SMART program in Massachusetts in order to reduce
25 administrative and marketing costs. This also provides consistency for HVAC contractors
26 and distributors which operate in both states.

1 In 2007 the Company proposes to continue equipment incentives with an incentive
2 corresponding to the ENERGY STAR specification level of 14 SEER with 11.5 EER and
3 8.2 HSPF for heat pumps. The Company plans to offer rebates that are consistent with
4 those offered throughout the region. These rebate levels were documented to the
5 Commission in the letter dated April 13, 2006. The following is a summary of the
6 Company's proposed tiers and rebate levels for 2007, which are still subject to change:

7

- 8 • \$300 rebate for the purchase and installation of high-efficiency central air
9 conditioning equipment and air source heat pump condensers that meet or exceed
10 the ENERGY STAR minimum standard SEER rating of 14, EER of 11.5, and
11 HSPF of 8.2 (for heat pumps only).
- 12 • Right Sizing - \$50 per ½ ton of down sizing to the contractor and \$50 per ½ ton to
13 the customer for replacement systems. The system must be sized to match
14 ASHRAE manual J sizing or the measured system airflow of the existing
15 ductwork.
- 16 • Third party verification of optimal refrigerant charge and system air flow can be
17 performed for any new equipment installation regardless of SEER. The
18 contractor incentive for this, "system commissioning", is \$175.
- 19 • Customers receive a \$100 instant credit on their bill from the HVAC contractor
20 for the digital check-up when it is part of work done associated with a tune-up or
21 repair of an eligible unit from a participating contractor who must be QIV listed.
- 22 • A contractor incentive of up to \$175 will be provided to cover the \$100 customer
23 instant credit and \$75 to cover contractor cost associated with the digital check-up
24 provided the unit passes or meets exception condition where at least charge with
25 respect to airflow is within acceptable parameters.
- 26 • A contractor incentive of \$1 per CFM of duct leakage reduction. Typically this is
27 expected to average 100 CFM per home that receives this measure.

28

29 The changes in incentives for 2007 are relatively minor; they include:

- 30 ▪ Shifting \$25 of the customer credit on digital check-ups to make the
31 contractor's share \$75 and customer's share \$100. This is intended to increase
32 contractor participation.
- 33 ▪ Including ductless mini-split systems in the types of systems that are eligible
34 for rebates

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

7

8 Although new central air conditioning equipment that is properly sized and operating is
9 critical to the energy efficiency of the equipment, HVAC technicians do not, as a
10 standard practice, perform all the needed calculations and tests. The Company has
11 assisted technicians by providing hands-on training and technical support on third party
12 verification of charge and airflow of systems.

13

14 In 2007, the Company proposes to continue activities to educate customers and
15 contractors, to promote installation quality, and to offer the third party verification of the
16 results for central air conditioning tune-ups, including incentives for customers and
17 contractors.

18

19 **6. ENERGY STAR® Lighting**

20 **Overview**

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

1 **Eligible Customers**

2 All residential customers are eligible to participate in this program. The Company
3 proposes to serve about 69,000 lighting customers. While this program has been
4 available for a number of years, there are still significant opportunities to encourage
5 customers to use ENERGY STAR lighting. An evaluation study conducted in
6 Massachusetts in 2004 found that 8% of all sockets are filled with Compact Fluorescent
7 Lighting (CFL), indicating that a large market potential for energy efficient lighting still
8 exists in customer homes. The Company believes the penetration of CFLs in Rhode
9 Island is similar to the penetration in Massachusetts.

10

11 **Program Design**

12 For 2007 the Company proposes to continue offering its residential lighting programs as
13 part of the regional joint efforts. The program offers customers the opportunity to
14 purchase compact fluorescent bulbs (CFL) and fixtures at substantial discounts.
15 Customers have several options for program participation, including redeeming instant
16 rebate coupons for qualifying products purchased in participating retail stores, purchasing
17 reduced price products at retailers where the manufacturer has received a rebate from the
18 Company and passed on the discount directly to retailers and consumers, using the mail
19 order catalog, and making website purchases.

20

21 The Company will continue to work with manufacturers and retailers to offer a good mix
22 of standard, innovative, and specialized CFL product. CFL rebates will be offered in the
23 \$1 - \$4 range, depending on the style and technology of the bulb (standard, dimmable, 3-
24 way, etc.).

25

26 The Company has found that the “Negotiated Cooperative Promotions” (NCPs) through
27 NEEP are an excellent way to lower rebate costs and encourage retailers and

1 manufacturers to pay for marketing and promotion through their regular channels. Active
2 promotions in 2006 have included retailers: Stop and Shop, Rocky's, Benny's, BJs,
3 Shaw's, and Home Depot. Manufacturers who have participated in Negotiated
4 Cooperative Promotions include: General Electric, Osram Sylvania, TCP, Maxlite,
5 Harmony, and Greenlite.

6

7 The Company proposes to continue rebates for ENERGY STAR fixtures and torchieres.
8 Rebates will be \$10 for exterior fixtures and \$15 for interior fixtures, table lamps, and
9 floor lamps and to increase the torchiere rebate to \$20 to further encourage use of this
10 safe and energy saving alternative to halogen torchiere products. Rebates on fixtures and
11 bulbs may be adjusted to ensure coordination with regional and national program efforts
12 and to reflect changing Rhode Island market conditions. The Company will also continue
13 to work directly with lighting showrooms to encourage the promotion of high efficiency,
14 high fashion residential CFL fixtures. The Company will continue to support local
15 retailers with promotional materials (signs, coupons, displays) training, and regular sales
16 visits.

17

18 **7. ENERGY STAR® Homes**

19 **Overview**

20 The ENERGY STAR Homes Program is part of the national energy efficiency campaign
21 first developed in 1998 by the Environmental Protection Agency (EPA) and United States
22 Department of Energy (DOE). Rhode Island was one of the first states to adopt this
23 program. The homes are designed, site inspected, and performance-tested to achieve a
24 home energy rating which helps consumers differentiate between efficient homes and
25 standard homes.

26

1 In response to significant changes in the field of residential energy efficiency
2 construction, the EPA proposed a new specification for the ENERGY STAR Homes
3 Program in February 2005. Many parties across the nation, including National Grid, have
4 participated in commenting and refining this proposal. The EPA released the final new
5 ENERGY STAR Qualified Homes guidelines on September 30, 2005.

6

7 **Eligible Population**

8 Anyone building a home in Rhode Island can participate, regardless of type of heating
9 fuel. The Company plans to serve 225 customers through this program in 2007. .

10

11 **Program Design**

12 The 2007 ENERGY STAR Homes criteria are more stringent than the previous program.
13 The entry level of the new program will be equivalent to the current program's Home
14 Energy Rating Score (HERS)⁵ of 88, two points above the current entry level of HERS
15 86. The new program will also require a significant improvement in the tightness of
16 heating and cooling ductwork, far tighter than current market practice.

17

18 For 2007, National Grid will offer three program options that builders/homeowners can
19 choose. The first option, the "Performance Path", is similar to the previous program and
20 requires a HERS rating to qualify. Any builder hoping to access the \$2,000 Federal tax
21 incentive must use this path. The second option is the "Builder Option Package" (BOPs)
22 that allows a builder to qualify as ENERGY STAR by agreeing to install specific
23 equipment and meeting certain measured performance standards. For both these options,
24 incentives of \$250 to \$2,000 will be available to builders depending on the new house
25 characteristics and the level of efficiency achieved. The third option is called "Codes

⁵ The Home Energy Rating Score or HERS is a standard nationally recognized measurement of energy efficiency on a scale from one to one hundred.

1 Plus”. In this option, the builder will receive specific incentives for energy efficiency
2 improvements above Code requirements.

3
4 The “Codes Plus” option is for builders who are learning how to achieve the new more
5 rigorous ENERGY STAR standards and may not be able to achieve the ENERGY STAR
6 standards immediately. The Codes Plus option ensures that homeowners will receive
7 energy efficiency upgrades above the code during the transition period of the new
8 program. The incentives will be in three categories: Appliances, Thermal
9 Measures/Practices, and Heating/Ventilation/Air Conditioning. The incentives are
10 designed to ensure that a builder would not receive more money through this path than
11 through the other two paths. Typically, the builder would only be eligible for one of
12 these; otherwise, the house would meet ENERGY STAR standards. An incentive of up
13 to \$500 will be available for installing Appliances, including ENERGY STAR Compact
14 Fluorescent Lighting (CFLs), Clothes washers, dishwashers, and refrigerators. An
15 incentive of up to \$1,500 will be available for the Thermal Measures of CFLs, Air
16 Sealing, Insulation, ENERGY STAR windows, and mechanical ventilation. An incentive
17 of up to \$1,500 will be available for HVAC upgrades including CFLs, Duct Sealing,
18 High Efficiency Heating Systems, ECM Motors, Indirect Water Heating, High Efficiency
19 Air Conditioning, and Quality Installation Verification.

20
21 In the short term, the program may lose some builder participation because of the
22 required higher standards. Narragansett Electric will provide training and technical
23 assistance to builders to help them meet these standards. Additionally, in order to help
24 builders with the program transition, the Company plans to offer rebates for specific
25 energy measure upgrades including duct sealing, high efficiency furnaces, blower door
26 verified air tightness and mechanical ventilation, high efficiency air conditioning, and
27 lighting upgrades.

1 **Low Income participation in the ENERGY STAR Homes Program**

2 The Company works closely with Rhode Island Housing and developers of affordable
3 housing in Rhode Island to encourage participation in the ENERGY STAR Homes
4 program. Currently Rhode Island Housing encourages developers to receive ENERGY
5 STAR Home certification. About 30% of the homes completed each year through the
6 ENERGY STAR Homes program are for low income families. The Company also plans
7 to continue to work with Rhode Island Housing and the Rhode Island Office of Energy
8 Resources (OER) to support the energy efficiency of Rhode Island's affordable housing
9 programs.

10

11 **8. Energy Efficiency Educational Programs**

12 **Overview**

13 All the residential energy efficiency programs include customer education as a primary
14 element of the program design. In addition, the Company also sponsors educational
15 programs for children and young adults who are among Rhode Island's future ratepayers,
16 builders, and contractors. The budget for educational programs includes three
17 components described below, including a new component that provides general education
18 to all customers about low cost energy efficiency actions they can take.

19

20 **Eligible Population**

21 The first two energy efficiency educational initiatives are targeted toward students. All
22 residential customers can benefit from the public education initiative.

23

24 **Program Design**

25 The three programs are described in detail below.

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

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

14

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

16 The Company currently works with all nine Rhode Island Career and Technical schools
17 on this initiative: Chariho, Coventry, Cranston, Davies, East Providence, Hanley,
18 Newport, Warwick, and Woonsocket. It provides training to vocational school students
19 on building ENERGY STAR homes. These homes are then sold as affordable housing.

20 Originally, only Woonsocket and Warwick were participating in the program. In the past
21 year, the other schools were encouraged to participate in cooperation with the Skill USA
22 national competition for vocational schools. Working with the Woonsocket Area Career
23 and Technical Center, the Community College of Rhode Island, and the Rhode Island
24 Builders Association, the Company sponsored a Rhode Island Energy Efficient Building
25 Competition to help students improve performance in the national competition. In
26 preparation, on-site training was provided at all schools on energy efficient building

1 practices. The Company will continue this outreach effort because it will improve
2 Rhode Island's energy efficiency for years to come.

3

4 **c) Public Education Initiative**

5 During 2007, the Collaborative will discuss whether and how to continue the Company's
6 public education effort to promote energy conservation during times of high energy costs.
7 This may include continuing the Company's 2005 advertising campaign to educate
8 customers about low cost steps they can take to lower their electric bills and giving
9 customers a contact number and/or website to get more information about energy
10 efficiency programs and additional low cost energy saving tips.

**SUMMARY OF PROPOSED CHANGES TO
 RESIDENTIAL PROGRAMS FOR 2007**

| Program | Changes |
|---|---|
| EnergyWise | <ul style="list-style-type: none"> • Adjust the interest rate on the loan and stop providing loans for windows and doors |
| Low Income Services | <ul style="list-style-type: none"> • No changes |
| ENERGY STAR® Appliances | <ul style="list-style-type: none"> • Increase the efficiency requirement for the clothes washer rebate to the 2007 ENERGY STAR standard and keep the rebate stable at \$25 |
| ENERGY STAR Heating | <ul style="list-style-type: none"> • Decrease the requirement for high efficiency oil forced hot air furnaces from 90% to 85% AFUE. This change is the same as the latest ENERGY STAR specification scheduled to take effect in 2007. Availability and reliability of the 90% AFUE oil furnace has been limited nationally. • Add the requirement that oil forced hot air furnaces must have an electronically commutated permanent magnet (ECM) motor to be eligible for the \$200 incentive • Add an incentive of \$200 for high efficiency gas furnaces equipped with an advanced electronically commutated permanent magnet (ECM) motor or equivalent energy saving furnace fan (blower) motor subject to budget limitations. |
| COOL SMART ENERGY STAR Central Air Conditioning and Heat Pumps | <p>The following program changes are planned for implementation in 2007.</p> <ul style="list-style-type: none"> • Increase promotions of the digital check-up component to customers • Increase promotions of and expanded training for duct sealing to contractors • Include ductless mini-split systems in the types of systems eligible for rebates • Shift \$25 of the customer credit on digital check-ups to make the contractor's share \$75 and customer's share \$100. This is intended to increase contractor participation. • Eliminate program specific paper work (a significant barrier) for contractors participating in the QIV component by enhancing electronic transfer of third-party verification data from contractors |

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a National Grid

R.I.P.U.C. Docket No. 3779

Attachment 2

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| Program | Changes |
|--|---|
| ENERGY STAR Lighting | <ul style="list-style-type: none">• Increase torchiere rebate from \$15 to \$20 |
| Energy Efficiency Educational Programs | <ul style="list-style-type: none">• No changes |
| ENERGY STAR Homes | <ul style="list-style-type: none">• Increase incentives for ENERGY STAR HERS achievement to up to \$2,000• Increase incentives for Builder Option Packages up to \$2,000• Rename and revise Energy Measure Upgrades to “Codes Plus”• Provide Codes Plus Appliance Incentive up to \$500• Provide Codes Plus Thermal Incentive up to \$1,500• Provide Codes Plus HVAC Incentive up to \$1,500 |

2007 SMALL BUSINESS SERVICES PROGRAM

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Overview

For over 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

Any customer with an average monthly demand of less than 200 kW or annual energy usage of less than 483,600 kWh is eligible for this program.

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 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. Starting 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.

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Attachment 3

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

6

7 For the past several years, the OER has offered a rebate to replace and/or retrofit gas, oil
8 and propane fired heating systems and controls and domestic hot water heaters with high
9 efficiency equipment and upgrades. Since its inception, the OER has coordinated the
10 delivery of their program with the Small Business Services program, utilizing the same
11 delivery contractor. The Company will continue this coordination for 2007.

12

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

16

17 In 2007, the Small Business Services program will continue to offer a broad selection of
18 comprehensive measures. While potential for significant energy savings in small
19 business rests on improving lighting energy use, the proposed improvements to the
20 program support more comprehensiveness in customers' facilities and build on the
21 experience gained from delivering these services in prior years. These additional energy
22 efficiency measures will include but not be limited to non-prescriptive lighting measures,
23 motor and drive power improvements and other custom energy efficiency opportunities.

1 **2007 LARGE BUSINESS SERVICES PROGRAMS**

2

3 **1. Design 2000*plus***

4 **Overview**

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

11

12 **Eligible Population**

13 Design 2000*plus* is available to all non-residential customers, but is generally appropriate
14 for customers with more than 100 kW in demand¹. It is available for new construction
15 and remodeling projects such as a new building, expansion or renovation of an existing
16 building, change in the use or function of the building space, new equipment for a new
17 process or expanded operation, replacement of failed equipment, or planned replacement
18 of equipment.

19

20 **Program Design**

21 Design 2000*plus* provides technical consulting and incentives for the installation of many
22 different kinds of energy efficient equipment and systems. Energy efficiency measures
23 which are eligible for incentives include premium efficiency lighting, motors, variable

¹ 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.

THE NARRAGANSETT ELECTRIC COMPANY

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Attachment 4

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1 speed drives, heating, ventilating and air conditioning systems (HVAC), refrigeration,
2 industrial process, compressed air, and process cooling.

3

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

16

17 The Company markets Design 2000*plus* through extensive personal communication by
18 account managers with customers, vendors, contractors, design professionals and,
19 seminars, training sessions and other direct marketing approaches. For 2007 the
20 Company proposes to build on this marketing effort by implementing a broader
21 communications plan to customers to underscore the value of implementing energy
22 efficiency solutions in their facilities to control their electricity costs and reduce their
23 building operating costs.

24

25 The proposed changes to the Design 2000*plus* program for 2007 are summarized in
26 Attachment 5.

1 **Tax Title Provisions in the Federal Energy Policy Act of 2005**

2 The Federal Energy Policy Act of 2005 provides some tax incentives to businesses
3 building new or renovating existing buildings. The new law provides a tax deduction of
4 up to \$1.80 per square foot for buildings where energy use is reduced by 50 percent
5 relative to the requirements of the 2001 new construction standards developed by the
6 American Society of Heating, Refrigeration, and Air-Conditioning Engineers (ASHRAE
7 90.1-2001). The new law also allows building owners of new and existing buildings to
8 earn a partial deduction of \$0.60 per square foot for each system (envelope, lighting or
9 HVAC) that is 50 percent more energy efficient relative to ASHRAE 90.1-2001.
10 Implementation regulations were issued by the U.S. Treasury Department in 2006 with
11 input from the U.S. Department of Energy.

12

13 The tax title promotes a level of efficiency that is almost twice the minimum efficiency
14 thresholds for Design 2000*plus*. The combination of Design 2000*plus* incentives and
15 these tax incentives coupled with the program's technical assistance, should help
16 customers reach a higher building performance standard.

17

18 A. Services

19 The earlier in the design process the Company becomes involved, the more likely it is
20 that a comprehensive solution will be possible. For example, if the customer begins
21 participation in Design 2000*plus* before making final design decisions, there is the
22 advantage that comes from investigating reduced cooling requirements through improved
23 lighting systems. Moreover this improvement may lead to selecting smaller HVAC
24 equipment and contribute to greater efficiency and lower costs of operations in the
25 building. Once the Company identifies an appropriate Design 2000*plus* project at a
26 customer site, the Company offers technical assistance services.

1 These technical assistance services include engineering evaluations that support best
2 practices in building design and consider energy efficient measure identification,
3 equipment metering or monitoring, improved technical design solutions, customer
4 presentations, and design and construction assistance. Technical assistance provides
5 customers with detailed engineering studies that identify alternative energy systems that
6 support lower operating costs in the buildings and the operational benefits that come
7 from this selection. The costs of these energy efficiency studies are usually cost shared at
8 50% with customers.

9

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

14

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

19

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

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

5

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

11

12 B. Best Practices Initiatives

13 The Company is supporting Advanced Buildings (AB) developed by the New Buildings
14 Institute (NBI) in cooperation with US EPA, ASHRAE, the US Green Buildings Council
15 and the national Building Operators and Managers Association. A key element of the AB
16 is "Benchmark," an all-inclusive set of standards for building efficiency and sustainable
17 design. The "Benchmark" design tool complements the Comprehensive Design
18 Approach with a special emphasis on smaller buildings. AB also serves to promote better
19 commercial design practices such that advancements in the Rhode Island building code
20 can be implemented at an accelerated rate. The Company has played a lead role
21 nationally in the development and refinement of Advance Buildings along with other
22 stakeholders and utilities. For 2007, the Company will continue to participate in the
23 development of support materials targeted at practitioners and building owners. Also,
24 the Company will continue to sponsor training in coordination with other system benefits
25 administrators across the region.

26

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

8

9 Design 2000*plus* offers a significant opportunity for economic development in Rhode
10 Island by helping businesses save on their electric costs while at the same time
11 supporting them in their investments in new energy efficient equipment and system
12 improvements to their facilities. To this end, for 2007 the Company intends to continue
13 to work closely with various economic development groups in the state, including the
14 Rhode Island Economic Development Corporation (RIEDC), to seek ways the Company
15 may provide focused efficiency services. This effort builds on the relationships
16 established in 2005, and may create a more favorable climate for doing business in Rhode
17 Island.

18

19 C. Market Transformation Initiatives

20 Design 2000*plus* has a large market transformation component that supports the new
21 construction program toward better performance. By familiarizing the large commercial
22 and industrial segment with higher energy efficiency standards, Design 2000*plus* creates
23 new efficiency standards for construction. The Company actively supports regional and
24 national market transformation programs designed to transform markets for a broad range
25 of energy efficient equipment and services. These activities are discussed below.

1 a. Regional Energy Efficient Motors and Unitary HVAC initiatives

2 As a feature of the Design 2000*plus* Program, the Company has supported the MotorUp
3 premium efficiency motor initiative since 1998, a regional market transformation
4 initiative that promotes motor management of high efficiency motors and quality repair
5 of motors to maintain high efficiency. In the past, the MotorUp program was delivered
6 through a joint effort by participating utilities and energy efficiency agencies in New
7 England, New York and New Jersey through the Northeast Energy Efficiency
8 Partnerships. This extended regional group has decided to end the joint delivery of
9 MotorUp. In its place for 2007, a Motors program will be provided by a group that
10 encompasses a smaller region consisting of Massachusetts and Rhode Island utilities.
11 The program will resemble MotorUp in that the same program features will be offered
12 including consistent equipment efficiency requirements for qualifying “NEMA
13 Premium” motors. Uniform rebates and application forms will be adopted throughout the
14 region. Massachusetts and Rhode Island utilities will coordinate efforts to hire a circuit
15 rider to provide outreach to motor dealers, trade allies, vendors and distributors,
16 including a 1-800 number for technical assistance, and a central clearing house for
17 application processing. Since 2003, the regional initiative has provided instant rebates at
18 motor dealer sites through participation in MotorUp. The Company expects to continue
19 with this approach in 2007. Additionally, the Company is expanding a pilot effort that
20 was initiated in 2006 for smaller businesses, through the vendors that provide Project
21 Expeditor services, to transform their purchasing practices through motor management
22 best practices, to include larger C&I customers. The Company will work with the
23 customer to facilitate audits of their motor inventory and to develop a motor management
24 plan and purchasing policy to optimize energy efficiency by replacing new or failed
25 motors with a NEMA PremiumTM motor.

26

27 The Company has participated in Cool Choice since 1999, a regional program that
28 focuses on promoting the installation of energy efficient unitary HVAC equipment

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1 through Design 2000*plus*. For 2007, the Company (as well as other regional sponsors)
2 decided to withdraw from Cool Choice. The Company will coordinate with utilities in
3 Massachusetts in their effort to operate a joint state-wide program, sharing a rebate
4 worksheet form, a single circuit rider, and a 1-800 information line, similar to what is
5 described above for motors. The program will feature consistent efficiency rebates level
6 revised to follow CEE's new Tier 2 specifications for <5.4 Ton to <20 Ton units. The
7 rebates will change slightly to reflect more recent incremental cost analysis from actual
8 projects (proposed \$75/ton for < 5.4 tons; \$100/ton for larger). Incentives for dual
9 enthalpy economizer controls will remain, and new incentives will be adding for demand
10 control ventilation and for electronically commutated motors (ECM fan motors) in
11 packaged units.

12

13 Similar to the Design 2000*plus* Motors program described above, the Company, along
14 with utilities in Massachusetts, will retain the services of a circuit rider to provide
15 outreach in 2007 to HVAC contractors and architectural and engineering firms located in
16 Rhode Island or that service customers in RI. This circuit rider will also provide services
17 for application processing and a 1-800 number for technical assistance.

18

19 The budget for these initiatives is \$60,000, which will pay contractors for delivering the
20 program.

21

22 b. High Performance Commercial Lighting Design/DesignLights™ Consortium

23 In an attempt to continue to promote high quality, high performance lighting with
24 commercial and industrial customers the Company will utilize a series of specialized
25 guidelines, called the *knowhow*™ series, that have been developed by the DesignLights
26 Consortium to help customers with their lighting design decisions. For 2007 the

1 Company will continue to provide additional outreach on the benefits of high quality
2 lighting design to various lighting equipment vendors throughout Rhode Island. The
3 Company proposes to accomplish this through visits, workshops and breakfast meetings
4 with these vendors and with lighting specifiers. These meetings will be educational but
5 also provide an opportunity for these market players to promote high quality, energy
6 efficient lighting that would be eligible for rebate to their customers.

7

8 The budget for this initiative is \$25,000.

9

10 c. Schools Initiative

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

18

19 The Company proposes to fund the full incremental cost for new construction or
20 renovation under Design 2000*plus*. All cost-effective electric energy saving measures
21 would be addressed. It is anticipated that most projects will involve lighting. A key
22 requirement for this initiative is that lighting must follow the DesignLights™ Consortium
23 guidelines for schools as outlined in "Classroom Lighting knowhow™" guide published
24 by the DesignLights™ Consortium and that projects follow the Comprehensive Design
25 Approach (CDA) track which entails an interactive analysis of proposed measures

1 utilizing whole building simulation tools. As an alternative to CDA, smaller school
2 projects may follow the New Buildings Institute Advanced Design Guideline.

3

4 The Company will also continue to participate in the Rhode Island High Performance
5 Schools working group. Its mission is to promote “green” schools design elements to
6 districts considering new schools and to the design community that serves Rhode Island.
7 A circuit rider, funded through a grant from the Henry P. Kendall Foundation, will work
8 with prospective districts that are considering a high performance school.

9

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

11

12 d. Building Codes and Standards

13 The Parties agree to support work at national and local levels to develop codes and
14 standards that continue to upgrade building energy efficiency. In cooperation with the
15 codes community, including the Building Code Commission, the Company will work
16 with this and other agencies to offer continued improvement on proposed building codes
17 and standards that lead to the future revisions of the Rhode Island State Building Code.

18

19 Continually refining these codes and standards, which complement existing programs
20 such as Design 2000*plus* and Energy Initiative, has a significant impact on
21 institutionalizing progress made through utility programs. Therefore, this initiative
22 focuses on (1) working with national code development organizations such as ASHRAE
23 to upgrade building efficiency codes and (2) working at the local level with Rhode Island
24 and other states in the development of state efficiency codes and standards. The
25 Company will offer support to this effort which will be coordinated primarily through the
26 Northeast Energy Efficiency Partnership (NEEP) and the New Buildings Institute (NBI),

1 organizations with the goal of assisting states and others with the development of codes
2 and standards that are practical and enforceable. For instance, Rhode Island has recently
3 upgraded its state energy code to the “2000 International Energy Conservation Code”
4 (IECC-2000) with amendments drafted by NBI. The Company will continue to pursue
5 additional upgrades to the present code through NBI. Part of this effort includes
6 facilitating and supporting the training and education efforts for code enforcers, designers
7 and builders.

8

9 The 2007 budget is \$5,000.

10

11 e. Federal Standards

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

18

19 The Company agrees to actively track and participate in DOE’s standard setting process.
20 DOE’s standard setting process involves multiple stakeholder workshops and a public
21 hearing for each standard. These workshops typically seek input on all aspects of the
22 standard setting process. By participating in these workshops and using our experience
23 with energy efficient equipment, the Company feels it will be able to most effectively
24 communicate its support for appropriate standards.

25 As Federal standards are raised, participation requirements for Design 2000*plus* and
26 Energy Initiative will be elevated accordingly, pulling the market toward successively

1 higher efficiency strata. The Company believes that active participation in the elevation
2 of energy efficiency standards is an integral part of any transition strategy in respect to
3 ratepayer funded market transformation initiatives.

4

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

6

7 **2. Energy Initiative**

8 **Overview**

9 Offered since 1988, Energy Initiative encourages the replacement of existing equipment
10 and systems with energy efficient alternatives. Its structure is very similar to Design
11 2000*plus*, offering financial incentives, technical assistance, and other ancillary services
12 such as commissioning, comprehensive chiller assistance, financing, and ballast disposal.

13

14 **Eligible Population**

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

18

19 **Program Design**

20 Energy Initiative provides incentives for the installation of many different types of
21 energy efficient equipment, including lighting, motors, energy management systems,
22 programmable thermostats, variable speed drives, refrigeration, industrial process,
23 compressed air, and process cooling. The Company's delivery of Energy Initiative is
24 similar to its delivery of Design 2000*plus*. Energy Initiative offers two types of
25 incentives, prescriptive and custom. Prescriptive incentives are fixed and offered on a

1 per unit basis. Custom incentives are based on the unique energy savings criteria of
2 projects. Both are based on average at 40% of the total installed cost (including labor and
3 equipment) or at a level that buys the equipment down to a two-year payback to the
4 customer, whichever is less.

5 The Office of Energy Resources is also offering an Energy Services Company (ESCO)
6 initiative to encourage efficiency improvements in Rhode Island's commercial facilities.
7 The Company will continue to support the delivery of this service by coordinating its
8 Energy Initiative program services (including rebates) with the ESCOs as they develop
9 technical assessments for these customers.

10

11 The proposed changes to Energy Initiative for 2007 are shown in Attachment 5.

12

13 A. Best Practices Initiatives

14 Energy Initiative offers a significant opportunity for economic development in Rhode
15 Island by helping businesses save on their electric costs while at the same time
16 supporting them in their investments in new energy efficient equipment and system
17 improvements to their facilities. To this end, for 2007 the Company intends to continue
18 to work closely with various economic development groups in the state including the
19 Rhode Island Economic Development Corporation in an attempt to provide focused
20 efficiency services. This effort may lead to fostering a more favorable business climate
21 in Rhode Island to retain businesses in the state.

22

23 The Company also will embark on a public education campaign to promote energy
24 efficiency, especially during peak periods. The Company expects to develop brochures
25 and other informational literature and disseminate these to C&I customers through bill
26 inserts, direct mail, e-mail equipment vendors and account managers Some of the

1 literature and information that can be used is already available from E Source and the
2 American Council for an Energy Efficient Economy, organizations that feature the
3 benefits to customers available from improving their energy use practices.

4 **B. Market Transformation Initiatives**

5 Similar to Design 2000*plus*, the Company's retrofit program includes a strong market
6 transformation component to include the following activities.

7

8 a. **Compressed Air Challenge**

9 The Company will continue its active sponsorship of the national Compressed Air
10 Challenge (CAC). The CAC is a broad based collaborative of government agencies,
11 compressed air specialists, equipment manufacturers, end-use consumers and utilities
12 whose objective is to promote the substantial energy savings improvements available by
13 means of a comprehensive, systems approach to compressed air system design and
14 operation. The CAC educational and technical materials being disseminated by the
15 Company are intended to increase customer awareness of, and demand for, products and
16 services that encompass a comprehensive, "systems optimization" approach. Coupled
17 with this increased demand for enhanced services from customers, regional compressed
18 air equipment and service vendors will be exposed in depth to the technical approaches
19 promoted by the CAC.

20

21 Over the past few years the Company has been actively coordinating local workshops
22 that have been developed by the CAC. These workshops reflect consensus approaches to
23 a variety of technical issues associated with the comprehensive system approach to
24 compressed air quality, reliability, and efficiency. The first workshop, entitled
25 "Fundamental of Compressed Air Systems," has been very well received by industrial
26 customers and vendors who have attended to date. The second is a more advanced

1 two-day workshop entitled "Advanced Management of Compressed Air Systems". This
2 complementary workshop is primarily targeted at larger, more sophisticated customers as
3 well as regional vendors and engineering consultants. The Company anticipates that
4 these workshops will result in an increased number of applications under the Company's
5 programs that address more comprehensive solutions to system efficiency. The Company
6 expects to hold one Level 1 workshop in Rhode Island. We will also target Rhode Island
7 Customers and compressed air vendors for Level 1 and Level 2 classes that are offered in
8 Eastern Massachusetts.

9

10 In addition to promoting the two levels of CAC training currently available, the Company
11 will also be providing comprehensive compressed air system O&M initiative for large
12 industrial compressed air users as described below.

13

14 The budget for this initiative is \$5,000

15

16 b. Compressed Air Operations & Maintenance Improvement Program

17 The Company will offer an O&M program targeted at industrial customers with
18 compressed air systems with a goal of helping them reduce compressed air costs and to
19 promote long term reliability and efficiency in the future. One of the key elements of the
20 O&M program is the repair of widespread compressed air leakage in distribution
21 systems. Experience indicates that air leakage typically wastes 25% of total compressed
22 air produced by a system, wasting significant electric energy. Energy cost savings
23 resulting from the repair of leakage typically produces paybacks as short as 5 months.

24

25 This program will provide participating customers with financial and technical assistance
26 in making low cost system improvements and help customers establish a long term leak

1 management program at their facilities. Participation in the program will include: a
2 compressed air system survey, identification of leakage and other potentially low cost
3 O&M improvements, staff training in leak repairs and planning for continuous system
4 monitoring. Eligible customers must have a minimum of 100 horsepower of compressed
5 air load in their facility. The customer will sign a memorandum of understanding with
6 the Company detailing the responsibilities of both parties.

7

8 The budget for this initiative is included in the overall budget for Energy Initiative.

9

10 c. Building Operator Training and Certification (BOTC)

11 The Building Operator Training and Certification (BOTC) initiative is a collaborative
12 effort among gas and electric utilities in the region and is administered by the Northeast
13 Energy Efficiency Partnerships. Through this effort a training and certification program
14 is administered and conducted by a third party and offered to commercial and industrial
15 customers. The Company has offered Level 1 of the BOTC initiative for the past five
16 years. During 2005, a Level 2 class was offered in RI consisting of a more
17 comprehensive curriculum that supports advanced practices in building operations. The
18 Company expects to sponsor one additional Level 1 class in Rhode Island in 2007. The
19 Company will also sponsor participants from Rhode Island that might prefer attending
20 Level 1 or Level 2 classes in Massachusetts or Connecticut.

21

22 The BOTC's objectives include:

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

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

6

7 The budget to subsidize attendance in BOTC courses will be \$10,000.

8

9 d. Operations & Maintenance Benchmarking Initiative

10 In 2007, the Company will continue to benchmark the energy use of large C&I customers
11 to assist them in setting priorities and promote the installation of energy efficiency
12 measures in their facilities.

13

14 Benchmarking is the comparison of a facility's energy use to their peers' or their own
15 historic consumption characteristics. By gathering their current and historical energy use
16 from the Company's billing data systems and presenting it in an insightful manner, new
17 energy efficiency strategies may be readily identified, and an action plan leading to an
18 installation can be developed. This initiative provides the opportunity to promote this
19 service in Rhode Island, with the focus on the creation of applications for energy
20 efficiency incentives directly resulting from the findings of the benchmarking exercise.

21

22 As companies become more aware of how and when they use energy in their facilities,
23 they are in a position to assess where the best opportunities lie to develop better operating
24 and maintenance practices. Through benchmarking, building owners and operators
25 achieve a better understanding of the energy related cost of their buildings. Moreover it

1 leads them to reduce operating costs, increase energy efficiency and promote
2 environmentally-friendly operations.

3

4 There are two primary tools the Company will use to accomplish the benchmarking
5 objective. The combination of these approaches and services determined by the
6 Company's Account Managers should help to stimulate greater efficiency savings and
7 reach those customers who may not have taken advantage of the program and services to
8 date.

9

10 • The Company's *Energy Profiler On-Line (EPO)*. This is a tool that is used
11 effectively to identify energy use patterns within large commercial or industrial
12 facilities. It helps to identify energy and demand savings potential by offering
13 detail on current load duration and daily and historical building energy use. EPO
14 can provide an account manager an accurate snapshot of the facility before
15 meeting with the customer. The service can frame discussions to influence better
16 energy use practices and /or further technical assistance to validate the potential
17 of new energy efficient strategies and opportunities.

18

19 • *Commercial Benchmarking Services* available through the EPA's Energy Star
20 Portfolio Manager. This is a tool that provides a comparison of the level of annual
21 energy consumption for commercial or institutional customers to that of other
22 facilities with the same function. The buildings are ranked in comparison to the
23 other buildings in a national database, corrected for climate and other key
24 variables. The analysis considers all purchased energy types used in the facility.
25 The customer will be responsible for providing the utility data, and tracking
26 resource consumption and costs. The EPA's ENERGY STAR Benchmarking
27 system utilizing Portfolio Manager is used for this effort. The Company will

1 furnish a written action plan identifying efficiency cost and savings opportunities
2 resulting from the benchmarking. The process recognizes that a customer may be
3 motivated by a comparison to peers more than a comparison to previous period's
4 consumption. The Company will use the services of a Project Expediter to
5 generate opportunity assessment, analysis and follow up services to steer the
6 customer toward an installation of efficiency measures.

7

8 The budget for this initiative is \$45,000

9

10 e. Rhode Island Retro-commissioning Initiative

11 Also, for 2007, the Company is proposing to continue a Retro-commissioning Initiative.
12 Retro-commissioning, is a process of testing, troubleshooting, and adjusting systems in
13 an existing building with the expectation to raise existing performance standards. The
14 retro-commissioning process can significantly reduce energy consumption with little
15 financial investment. Experience suggests that the cost of retro-commissioning can be
16 paid back through improved system performance, reduced energy costs, and improved
17 occupant comfort.

18

19 The Retro-commissioning Initiative is bested suited for the following:

- 20 • Commercial and industrial buildings that have an electric demand greater than 0.5
21 MW.
- 22 • HVAC and process systems
- 23 • Desire to reduce operating costs
- 24 • Use an energy management system

1 The objective of the Retro-commissioning Initiative is to:

- 2 • Reduce operating costs during peak and off peak periods
- 3 • Develop a comprehensive and acceptable operation and maintenance plan
- 4 • Identify capital projects that can lead to substantial energy savings
- 5 • Educate the building personal how to operate the building efficiently

6

7 Retro-commissioning will entail an assessment of the major building systems effecting
8 energy used. Data is collected on how the systems operate presently and how they were
9 originally designed to operate. Recommendations on where changes should be made to
10 set points, maintenance practices or new energy efficient equipment are presented in a
11 report.

12

13 The Company proposes to perform retro-commissioning services as outlined above with
14 two to three commercial or industrial customers. Incentives will be paid to encourage
15 customers to implement the operations and maintenance (O&M) measures that have a
16 simple payback of less than 2 years. The Company will review the results of the Retro-
17 commissioning Initiative with the Collaborative.

18

19 The expected cost of these retro-commissioning projects is \$40,000.

20

21 C. Distribution Load Response Audit Services

22 In any local electrical distribution system, the utility equipment has historically been
23 sized for a few hundred hours of peak loading conditions, and is routinely under-loaded
24 for the bulk of the year. Peak load reduction is only needed for the few hours per year of

1 high supply prices, and/or high loading conditions on the local distribution system.
2 Managing this peak load may result in more stable delivery costs when upgrades to the
3 distribution system can be deferred. On a regional basis, managing peak loads can help
4 to moderate supply costs as the need to construct additional capacity to meet higher
5 demand is dampened. Deferring supply additions should lead to lower generation costs
6 over time. Furthermore, individual customers can use demand reduction strategies to
7 reduce their billed peak demands and their own energy costs.

8

9 The proposal for 2007 is a continuation of the Company's Demand Response audit
10 services funded in its 2006 energy efficiency program. In 2004, funding of \$25,600 was
11 allocated to conduct load shed audits to identify electric measures to reduce customer
12 demand. In 2004, the Company successfully completed load shed audits at 16 customer
13 facilities in Rhode Island and an additional 21 customers were completed in 2005. In
14 2006, the Company has completed 19 site audits for 15 customers; audits for 11 more
15 customers representing 16 sites are currently in progress.

16

17 The Company will identify areas throughout Rhode Island where past and anticipated
18 load growth has the potential to outpace infrastructure improvements, resulting in an
19 accelerated need for infrastructure improvements over original estimates. Active
20 management of the loads on the system could be a useful tool for future planning. As part
21 of the Company's Summer Load Relief Program, Docket 3680, demand response audits
22 that will identify the potential for various demand limiting strategies will be performed
23 for interested customers in the area outlined in the Summer Load Relief Program.

24

25 Audit services will be primarily marketed to large customers on these highly loaded
26 distribution system components. These could be customers with newer buildings (office
27 buildings, retail establishments, schools, etc.), which currently have building

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1 management systems (BMS) in the facility to monitor life safety conditions (smoke, fire
2 alarms), security, and HVAC systems. Buildings with building management systems are
3 typically less than 15 years old. Industrial process customers with potentially
4 controllable or variable production loads are also potential candidates.

5

6 In addition, load shed audit services will be available to any Rhode Island customer who
7 requests them, even those outside a targeted distribution area, to facilitate their
8 participation in ISO-New England's demand response programs. ISO-New England's
9 programs require a minimum load reduction commitment 100 kW, so large customers are
10 the likely population to request audit services.

11

12 The proposed spending for this effort in 2007 is \$61,100. It is anticipated that the
13 proposed funding will support 20 to 40 "load shed" technical assistance studies. The
14 Company's demand response initiative program manager and the Company's account
15 managers will market this service to customers on a one-to-one basis. Several TA
16 contractors will be used to identify demand response options and coordinate their
17 implementation. Economies may be achieved if these focused studies are performed
18 simultaneously with broader energy efficiency TA studies. The Company will report to
19 the Collaborative periodically on Demand Response audit service spending.

20

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

1 Preliminarily, the list of measures to be considered includes:

- 2 • Lighting retrofits, including dimmable electronic ballasts for lighting;
- 3 • Cooling system upgrades, including chiller efficiency improvements and CO₂ sensors
4 to regulate air distribution;
- 5 • Building management system control changes, including temperature setbacks for
6 HVAC systems;
- 7 • Scheduling of industrial processes, such as rearranging shift operations;
- 8 • Compressed air system modifications.

9

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

16

17 Demand-reducing measures associated with equipment installations will be run through
18 the Custom Measure approach under Energy Initiative and Design 2000*plus* to determine
19 cost-effectiveness and rebate eligibility under standard energy efficiency protocols.

**SUMMARY OF PROPOSED CHANGES TO THE
 LARGE BUSINESS SERVICES PROGRAMS
 FOR 2007**

| Category | Energy Initiative | Design 2000plus |
|----------|---|---|
| Lighting | <ul style="list-style-type: none"> ● Reduce the incentive for re-lamp/re-ballast (Code10) The incentive will be reduced to \$10. ● T-8 to High Performance T-8 retrofits will not be allowed. ● Reduce incentives for LED Exit Signs. (Code 25) Reduce the incentive from \$20 to \$10. The price of this measure has come down over time. ● Reduces incentive for high intensity fluorescent fixtures of less 220 watts (Code 56) The incentive will be reduced from \$80 to \$70 ● Reduce incentive for 4ft and 8ft industrial fixtures (Codes 41 and 42) The incentives will be reduced from \$35 to \$30 for 4ft fixtures and from \$40 to \$35 for 8ft fixtures. ● Reduce incentive for wall switch occupancy sensor (Code 64) The incentive will be reduced from \$30 to \$25 | <ul style="list-style-type: none"> ● Reduce the incentive for re-lamp/re-ballast (Code10) The incentive will be reduced to \$10. ● Incentive for Ceramic Metal Halide will be eliminated (Code 70) Ceramic metal halide track lighting is a standard practice in retail ● Incentive for pulse start metal halide fixtures will be eliminated (Code 52). Rhode Island has passed legislation that will outlaw the sale of less efficient probe start metal halide fixtures. This law goes into effect in January 2008. |
| Motors | <ul style="list-style-type: none"> ● Prescriptive Motors Worksheet will be eliminated due to very little activity. Retrofit motors will go through the custom subprogram | <ul style="list-style-type: none"> ● No change |
| HVAC | <ul style="list-style-type: none"> ● Add incentives for Demand Control Ventilation (DCV) and Electronically Commutated (ECM) Motors for HVAC. | <ul style="list-style-type: none"> ● Addition of incentives for unitary units > 30 Tons ● Raise minimum SEER/EER eligibility requirement for <5.4 Ton units to < 20 Ton units to meet new recommended CEE Tier 2 specifications. ● Rebates changed to \$75/ton for < 5.4 tons; and \$100/ton for larger units. ● Keep incentive for dual enthalpy controls. ● Add incentives for Demand Control Ventilation (DCV) and Electronically Commuted (ECM) Motors for HVAC. |

| Category | Energy Initiative | Design 2000plus |
|-----------------------|--|--|
| Compressed Air | <p>Reduce Incentives Load/ No load Compressors 15 to 25 HP from \$230 to \$205 /HP 25 to 50 HP from \$200 to \$180/HP 50 to 75 HP from \$200 to 180/HP</p> <p>Variable Displacement Compressors 50 to 75 HP from \$240 to \$215/HP</p> <p>Variable Frequency Drive Compressors 15 to 25 HP no change 25 to 50 HP from \$290 to \$280/HP 50 to 75 HP from \$265 to \$210/HP</p> | <p>Reduce Incentives Load/No load Compressors 15 to 25 HP from \$55 to \$50/HP 25 to 50 HP from \$45 to \$40/HP 50 to 75 HP from \$45 to 40/HP</p> <p>Variable Displacement Compressors 50 to 75 from \$100 to \$90/HP</p> <p>Variable Frequency Drive Compressors 15 to 25 HP no change 25 to 50 HP from \$140 to \$110/HP 50 to 75 HP from \$125 to \$100/HP</p> |
| Custom | <ul style="list-style-type: none"> • No Changes | <ul style="list-style-type: none"> • No changes |
| Dry Type Transformers | <ul style="list-style-type: none"> • Not applicable | <p>The dry type transformers worksheet will be dropped. The efficiency levels promoted by the worksheet become law as of January 1, 2007 per the US Energy Policy Act of 2005.</p> |
| Other Initiatives | <ul style="list-style-type: none"> • Compressed Air O&M Improvements <i>The Company will provide surveys of customers' compressed air systems to identify leaks and other operational improvements to increase system efficiency. Key component of the Program will be to educate the customers on the benefits of improved system monitoring and long term management of their equipment.</i> | |

These proposed enhancements continue to reflect the Company's objectives to improve the way buildings are designed, constructed and operated.

DSM Funding Sources in 2007 by Sector

| | Projection |
|--|----------------------|
| Projected kWh Sales¹: | |
| Residential | 3,139,213,076 |
| Small Commercial & Industrial | 2,051,623,693 |
| Large Commercial & Industrial | <u>2,858,970,151</u> |
| Total | 8,049,806,920 |
| DSM Revenue per kWh | \$0.002 |
| Projected DSM Revenues (\$000) | |
| Residential | \$6,278.4 |
| Small Commercial & Industrial | \$4,103.2 |
| Large Commercial & Industrial | <u>\$5,717.9</u> |
| Total | \$16,099.5 |
| Other Sources of DSM Revenues (\$000): | |
| Projected DSM Fund Balance Interest in 2007 | |
| Residential | \$4.8 |
| Small Commercial & Industrial | \$86.9 |
| Large Commercial & Industrial | <u>\$360.8</u> |
| Total | \$452.5 |
| Projected Co-Payments by Customers in 2007: | |
| Residential | \$0.0 |
| Small Commercial & Industrial | \$812.6 |
| Large Commercial & Industrial | <u>\$61.4</u> |
| Total | \$874.0 |
| Projected DSM Commitments at Year-End 2006: | |
| Residential | \$0.0 |
| Small Commercial & Industrial | \$0.0 |
| Large Commercial & Industrial | <u>\$4,900.0</u> |
| Total | \$4,900.0 |
| Projected 2006 Fund Balance: | |
| Residential | (\$488.2) |
| Small Commercial & Industrial | \$866.2 |
| Large Commercial & Industrial | <u>(\$546.1)</u> |
| Total ² | (\$168.1) |
| Projected Payments During Transition Period From ISO-NE: | |
| Residential | \$144.3 |
| Small Commercial & Industrial | \$94.3 |
| Large Commercial & Industrial | <u>\$131.3</u> |
| Total | \$369.9 |
| Subtotal - Other Sources of DSM Revenues: | |
| Residential | (\$339.1) |
| Small Commercial & Industrial | \$1,860.0 |
| Large Commercial & Industrial | <u>\$4,907.4</u> |
| Total | \$6,428.3 |
| Projected Total Funding Available in 2007: | |
| Residential | \$5,939.3 |
| Small Commercial & Industrial | \$5,963.2 |
| Large Commercial & Industrial | <u>\$10,625.3</u> |
| Total | \$22,527.8 |

Notes:

¹ Projected streetlighting and sales for resale kWh sales have been allocated to each sector based on the percentage of sales in each sector excluding expected streetlighting sales.

²A projected negative fund balance at year end indicates that projected spending and commitments for 2006 are greater than the actual funding available in 2006. The Company expects to either spend or commit its approved DSM budget for 2006 but not to exceed approved budget amounts. The negative fund balance is due primarily to kWh sales in 2006 below forecasted sales for the year and less than anticipated interest accruing on the fund balance during the year due to more uniform spending. As a result, DSM funding in 2006 is lower than what was expected when budgets were set for the year and the projected year-end fund balance is negative.

2007 Proposed Budget

| | Payroll (\$000) | Expense (\$000) | Advertising (\$000) | Total (\$000) |
|---|--------------------|--------------------|------------------------|-------------------|
| RESIDENTIAL PROGRAMS | | | | |
| EnergyWise | \$43.6 | \$2,126.6 | \$0.0 | \$2,170.2 |
| Single Family - Low Income Services | \$25.0 | \$1,928.3 | \$0.0 | \$1,953.3 |
| ENERGY EFFICIENT PRODUCTS | | | | |
| ENERGY STAR Products | \$6.9 | \$275.8 | \$50.0 | \$332.7 |
| ENERGY STAR Heating System | \$3.4 | \$125.4 | \$2.0 | \$130.8 |
| ENERGY STAR Air Conditioning | \$7.2 | \$117.9 | \$20.3 | \$145.4 |
| Residential Lighting | \$21.7 | \$733.1 | \$65.0 | \$819.8 |
| NEW CONSTRUCTION | | | | |
| ENERGY STAR New Construction | \$16.2 | \$675.1 | \$21.0 | \$712.3 |
| INFORMATION & EDUCATION | | | | |
| Energy Efficiency Educational Programs | \$6.8 | \$21.6 | \$20.0 | \$48.4 |
| EERMC - Residential | \$0.0 | \$125.5 | \$0.0 | \$125.5 |
| Subtotal Residential | \$130.7 | \$6,129.2 | \$178.3 | \$6,438.3 |
| LARGE COMMERCIAL AND INDUSTRIAL PROGRAMS | | | | |
| Design 2000 <i>plus</i> ¹ | \$380.8 | \$3,560.2 | \$16.1 | \$3,957.1 |
| Energy Initiative ² | \$381.5 | \$6,212.3 | \$9.5 | \$6,603.3 |
| EERMC - Large C&I | \$0.0 | \$114.3 | \$0.0 | \$114.3 |
| Subtotal Large Commercial & Industrial | \$762.3 | \$9,886.8 | \$25.6 | \$10,674.6 |
| SMALL C&I PROGRAMS | | | | |
| Small C&I | \$16.1 | \$4,193.8 | \$50.0 | \$4,260.0 |
| EERMC - Small C&I | \$0.0 | \$82.0 | \$0.0 | \$82.0 |
| Subtotal Small Commercial & Industrial | \$16.1 | \$4,275.8 | \$50.0 | \$4,342.0 |
| OTHER EXPENSE ITEMS | | | | |
| Company Incentive | \$0.0 | \$723.0 | \$0.0 | \$723.0 |
| Program Design, Evaluation and Planning | \$137.1 | \$212.9 | \$0.0 | \$350.0 |
| Subtotal Other Items | \$137.1 | \$935.8 | \$0.0 | \$1,073.0 |
| TOTAL BUDGET ³ | \$1,046.3 | \$21,227.7 | \$253.9 | \$22,527.8 |

Notes:

¹ Includes commitments for Design 2000*plus* of \$1,500,000. These commitments reflect agreements with customers to provide funding for approved energy efficiency projects that will be completed after year-end 2007.

² Includes commitments for Energy Initiative of \$3,000,000. These commitments reflect agreements with customers to provide funding for approved energy efficiency projects that will be completed after year-end 2007.

³The total budget includes funding to cover expected program implementation and evaluation costs in 2007, funds to cover commitments made to customers for projects that will be completed after year-end 2007, and the target company incentive.

Proposed 2007 Budget Compared to 2006 True-up Budget (\$000)

| | Proposed Budget (2007) | True-up Filing (2006) | Change Compared to 2006 |
|---|---------------------------------------|--------------------------------------|--|
| RESIDENTIAL PROGRAMS | | | |
| EnergyWise | \$2,170.2 | \$1,888.4 | \$281.8 |
| Single Family - Low Income Services | \$1,953.3 | \$1,684.4 | \$268.9 |
| ENERGY EFFICIENT PRODUCTS | | | |
| ENERGY STAR Products | \$332.7 | \$345.3 | (\$12.7) |
| ENERGY STAR Heating System | \$130.8 | \$109.8 | \$21.0 |
| ENERGY STAR Air Conditioning | \$145.4 | \$174.9 | (\$29.5) |
| Residential Lighting | \$819.8 | \$780.6 | \$39.2 |
| NEW CONSTRUCTION | | | |
| ENERGY STAR New Construction | \$712.3 | \$988.0 | (\$275.8) |
| INFORMATION & EDUCATION | | | |
| Energy Efficiency Educational Programs | \$48.4 | \$48.6 | (\$0.2) |
| EERMC - Residential | \$125.5 | | \$125.5 |
| Subtotal Residential | \$6,438.3 | \$6,020.1 | \$418.2 |
| LARGE COMMERCIAL AND INDUSTRIAL PROGRAMS | | | |
| Design 2000 <i>plus</i> | \$3,957.1 | \$4,628.0 | (\$670.9) |
| Energy Initiative | \$6,603.3 | \$6,465.0 | \$138.3 |
| EERMC - Large C&I | \$114.3 | | \$114.3 |
| Subtotal Large Commercial & Industrial | \$10,674.6 | \$11,093.0 | (\$418.3) |
| SMALL COMMERCIAL & INDUSTRIAL PROGRAMS | | | |
| Small C&I | \$4,260.0 | \$4,259.0 | \$1.0 |
| EERMC - Small C&I | \$82.0 | | \$82.0 |
| Subtotal Small Commercial & Industrial | \$4,342.0 | \$4,259.0 | \$83.0 |
| OTHER EXPENSE ITEMS | | | |
| Company Incentive | \$723.0 | \$726.6 | (\$3.7) |
| Program Design, Evaluation and Planning | \$350.0 | \$341.7 | \$8.3 |
| Subtotal Other Items | \$1,073.0 | \$1,068.3 | \$4.6 |
| TOTAL BUDGET | \$22,527.8 | \$22,440.3 | \$87.5 |

- (1) In 2007, includes commitments for Design 2000*plus* of: \$1,500,000
 (2) In 2007, includes commitments for Energy Initiative of: \$3,000,000

Derivation of the 2007 Spending Budget for Shareholder Incentive Calculation

| Program | (1) Proposed 2007 Budget (\$000) | (2) Commitments and Copays | (3) Excluded Programs (\$000) | (4) Allocated Other Expenses (\$000) | (5) Eligible Sector Spending Budget (\$000) |
|---|--|----------------------------------|-------------------------------------|--|---|
| RESIDENTIAL PROGRAMS | | | | | |
| EnergyWise | \$2,170.2 | | | | |
| Single Family - Low Income Services | \$1,953.3 | | | | |
| ENERGY EFFICIENT PRODUCTS | | | | | |
| ENERGY STAR Products | \$332.7 | | | | |
| ENERGY STAR Heating System | \$130.8 | | | | |
| ENERGY STAR Air Conditioning | \$145.4 | | | | |
| Residential Lighting | \$819.8 | | | | |
| NEW CONSTRUCTION | | | | | |
| ENERGY STAR New Construction | \$712.3 | | | | |
| INFORMATION & EDUCATION | | | | | |
| Energy Efficiency Educational Programs | \$48.4 | | | | |
| EERMC - Residential | \$125.5 | | | | |
| Subtotal Residential | \$6,438.3 | \$0.0 | \$0.0 | \$125.0 | \$6,563.3 |
| LARGE COMMERCIAL AND INDUSTRIAL PROGRAMS | | | | | |
| Design 2000plus | \$3,957.1 | | | | |
| Energy Initiative | \$6,603.3 | | | | |
| EERMC - Large C&I | \$114.3 | | | | |
| Subtotal Large C&I | \$10,674.6 | \$4,561.4 | \$0.0 | \$175.0 | \$6,288.2 |
| SMALL C&I PROGRAMS | | | | | |
| Small C&I | \$4,260.0 | | | | |
| EERMC - Small C&I | \$82.0 | | | | |
| Subtotal Small C&I | \$4,342.0 | \$812.6 | \$0.0 | \$50.0 | \$3,579.4 |
| OTHER EXPENSE ITEMS | | | | | |
| Company Incentive | \$723.0 | | | | |
| Program Design, Evaluation and Planning | \$350.0 | | | | |
| Subtotal Other Items | \$1,073.0 | | \$723.0 | (\$350.0) | \$0.0 |
| TOTAL BUDGET | \$22,527.8 | \$5,374.0 | \$723.0 | \$0.0 | \$16,430.9 |

Column Notes:

- Col. 1: See Attachment 7.
- Col. 2: The Commitments budget, Small Business Services customer co-pays (funds loaned to Small Business participants that are expected to be repaid in 2007), and co-pays from customers for technical assistance studies in the Large Commercial and Industrial Programs are excluded from sector spending budgets.
- Col. 3: Funding for the target level shareholder incentive is excluded from the spending budget.
- Col. 4: The Program Design, Evaluation and Planning budget included under "Other Expense Items" is allocated to each sector and is included in the spending budget.
- Col. 5: The spending budget by sector is equal to Column (1) - Column (2) - Column (3) + Column (4).

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Target 2007 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 | \$6,563,267 | | \$288,839 | \$40,000 | \$248,839 | 22,495,037 | 13,497,022 | \$0.011 | \$311,049 |
| Small Commercial & Industrial | \$3,579,359 | | \$155,707 | \$20,000 | \$135,707 | 8,683,465 | 5,210,079 | \$0.016 | \$169,634 |
| Large Commercial & Industrial | \$6,288,247 | | \$278,412 | \$40,000 | \$238,412 | 31,396,733 | 18,838,040 | \$0.008 | \$298,015 |
| Total | \$16,430,874 | 4.40% | \$722,958 | \$100,000 | \$622,958 | 62,575,235 | 37,545,141 | | \$778,698 |

Notes:

- (1) Sector budget net of projected commitments and copays. See Attachment 8, page 1 of 2.
- (2) 4.40% of the sector spending budget.
- (3) Column (2) x Column (1).
- (4) \$20,000 per proposed performance metric.
- (5) Total for Column (3) - Total for 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). No incentive is earned on annual kWh savings in the sector unless the Company achieves at least this threshold level of
- (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.

1 **2007 PERFORMANCE METRICS**

2
3 **Introduction**

4
5 Since 2004, a portion of the incentive under the shareholder incentive mechanism for the
6 DSM programs has been reserved for incentivized performance metrics. These
7 performance metrics are established for initiatives offered in Rhode Island for market
8 transformation objectives or for significant improvements in program offerings. In all
9 cases, the metrics are designed to be straightforward measures of progress for initiatives
10 believed worthy of a special targeted focus.

11
12 For 2007, the Company proposes performance metrics for five initiatives. The essential
13 objective for two of the initiatives (Small Business Services Comprehensiveness and
14 High Performance Schools) is not changing from the metrics established in 2006. This
15 reflects the fact that, for many such initiatives, progress is achieved over time and that it
16 is worthwhile to maintain the focus of program implementation on the policy objective
17 defined by the metric over more than one year. New performance metrics are proposed
18 for ENERGY STAR Homes, Residential Program Savings, and Energy Initiative Savings
19 from measures other than prescriptive lighting.

20
21 The Company proposes the performance targets for 2007 described on the following
22 pages. The proposed targets reflect current market conditions and will require significant
23 Company effort to achieve desired results. The Parties agree that, for three of the
24 metrics, partial credit will be awarded for performance that does not meet the specific
25 numeric target, in recognition of the Company's effort and in recognition that Rhode
26 Island consumers benefit from even partial progress toward the metric's objective. No
27 extra incentive will be awarded for exceeding the numeric target.

28
29 The performance level at which partial achievement will be credited is the "threshold."
30 For those metrics that are continuing in 2007, the threshold will be greater than or equal

1 to final 2006 performance after consideration of the unique attributes of the metric.¹ This
2 provides continuity in the structure of the metric at the same time as creating a clear
3 standard for the Company from which it must improve in order to receive an incentive.
4 For the metrics that did not exist in 2006, the threshold is developed based on an
5 assessment of available program or market data.

6
7 The performance level at which the full incentive will be credited is the “target.” The
8 incentive for two metrics will be linearly scaled between the threshold and the target. For
9 the schools metric that does not allow for this kind of scaling, the incentive will be
10 credited for incremental levels of performance.

11
12 **Residential Metric 1: ENERGY STAR® Homes**

13 Metric: In 2007, the Company will conduct plans analyses and home ratings and sign
14 ENERGY STAR® builders’ agreements for new homes being built in Rhode Island. It
15 will increase the penetration of signed builders agreements in 2007 by 3 percentage
16 points compared to the penetration achieved in 2006. Penetration will be calculated as
17 the number of signed agreements divided by the number of permits for new dwelling
18 units issued in 2007.

19 Objective: The metric supports market transformation in the construction of new homes
20 by giving an incentive for an increase in market penetration. This is a leading indicator
21 of future savings in the program.

22
23 Discussion: The Company had a metric identical to this in 2004 and 2005. In 2006 the
24 ENERGY STAR® Homes program was redesigned at the national level to increase
25 efficiency requirements. The Parties agreed that it was not appropriate to continue this
26 metric for 2006 due to the significant changes in the program’s design. Now, with the

¹ This proposal describes a process for establishing numeric targets for the continuing performance metrics. The Parties propose to include final performance targets for these metrics as part of the 2006 Year End Report filing.

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1 redesigned program in place for almost one year, the Parties once again agree to a metric
2 for this program.

3 Penetration as represented by the number of units committed in the program as a
4 percentage of permits reached 39% in 2005. Signing up builders and home buyers to the
5 more stringent updated ENERGY STAR® Homes program requires builders to agree to a
6 significant change in their building practices. During 2006, penetration levels dropped as
7 vendors familiarized themselves with the program's new features. Thus, the 2006
8 penetration establishes baseline performance for this effort. The threshold for this metric
9 is set at 1% greater than 2006 penetration. Note that this calculation includes only those
10 who sign ENERGY STAR agreements; participants through the Code Plus feature of the
11 program will not be counted toward the metric.

12 For 2007, we propose to set the target level of performance under this metric at an
13 increase of 3 percentage points over the penetration achieved in 2006. Through almost
14 three quarters in 2006, penetration was 10%. If this rate holds through the end of the
15 year, the baseline would be 11% and the target would be 13%. The proposed increase of
16 3% is comparable to the penetration increase that was observed in 2001-03, when the
17 previous program design was in its initial years of deployment.

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

21

| ENERGY STAR® HOMES | | | |
|--------------------|--------------------------------|-----------|----------------|
| | Penetration % | Incentive | % of Incentive |
| Threshold | XX% (2006 penetration + 1%) | \$6,700 | 33% |
| Target | XX% (2006 penetration +3%) | \$20,000 | 100% |

22

23

1 **Residential Metric #2: Savings from Programs other than Residential Lighting**

2
3 Metric: The Company will achieve a target amount of MWh savings from programs
4 other than Residential Lighting in 2007. The target will be calculated as the net annual
5 MWh savings goal for all residential programs excluding the net annual MWh savings
6 from the Residential Lighting program.

7
8 Objective: This metric encourages the Company to provide sufficient focus on achieving
9 savings objectives in all of its residential energy efficiency programs.

10
11 Discussion: The Company's proposed savings goals for 2007 include objectives that
12 focus on energy efficiency opportunities beyond energy efficient lighting in the
13 Residential Lighting Program. This metric complements and reinforces these other
14 objectives by focusing Company efforts on all residential programs. The metric incentive
15 will be earned only if savings from programs other than Residential Lighting meet or
16 exceed the combined threshold savings goal for those programs.

17
18 Annual MWh savings will be counted for all programs, excluding Residential Lighting.
19 The proposed target is set at 100% of the net annual MWh savings goal from programs
20 other than Residential Lighting. The goal is set as a MWh target for savings from
21 programs other than Residential Lighting, rather than a percentage of sector savings,
22 because of the individual characteristics of the various programs. There is no threshold
23 for this metric. Without a threshold, this becomes an "all-or-nothing" performance
24 metric. The parties propose this treatment because it efficiently complements the MWh
25 savings incentive for this sector. Recognizing the difficulty in predicting customer
26 demand for program services in these residential programs, this will be a challenging goal
27 to achieve.

28

1 Metric Performance: The following is for achievement of the target savings from
2 residential programs other than the Residential Lighting Program. .
3

| RESIDENTIAL OTHER PROGRAM SAVINGS | | | |
|-----------------------------------|------------------------------|-----------|----------------|
| Performance | Annual MWh Savings | Incentive | % of Incentive |
| Target | 6,529 MWh (100% of MWh goal) | \$20,000 | 100% |

4 There is no threshold for this metric.
5

6 **C&I Metric 1: Savings Other Than Prescriptive Lighting Savings in the Energy**
7 **Initiative Program**
8

9 Metric: The Company will achieve a target amount of MWh savings from subprograms
10 other than prescriptive lighting in the Energy Initiative program in 2007. The target will
11 be calculated as the net annual MWh savings from all other subprograms² estimated as
12 part of the planned savings for the Energy Initiative program in 2007.
13

14 Objective: This metric encourages the Company to seek comprehensive retrofit projects
15 in existing Commercial and Industrial customer facilities that go beyond prescriptive
16 lighting.
17

18 Discussion: The percentage of savings from prescriptive lighting in the Energy Initiative
19 Program has been increasing over the past few years. This type of measure distribution
20 has helped the Company achieve savings goals but this has perhaps been achieved at the
21 expense of measure diversity.
22

23 The Company's proposed savings goals for Energy Initiative in 2007 assume that 24% of
24 rebate dollars will be spent on subprograms other than prescriptive lighting. This is an
25 average of the most recent 24 month period, and is an increase from the 19% that has

² For the 2007 Energy Initiative Program, subprograms include Compressed Air, Custom, HVAC, Lighting, and VSDs.

1 been recorded in 2006 year to date spending. This metric complements and reinforces
2 the overall program savings goals by establishing a performance metric focusing on other
3 subprogram savings. The metric incentive will only be earned only if other subprogram
4 savings meets or exceeds 100% of the kWh savings built into the savings goals.

5
6 As mentioned above, the proposed target is 100% of the MWh savings from all Energy
7 Initiative subprograms except prescriptive lighting consistent with the savings goals for
8 2007. The goal is set as a MWh target for savings, rather than a percentage of program
9 savings, because this provides a clearer target than a percentage, which would be affected
10 by how much prescriptive lighting savings are achieved. There is no threshold for this
11 metric. Without a threshold, this becomes an “all-or-nothing” performance metric. The
12 parties propose this treatment because it efficiently complements the MWh savings
13 incentive for this sector. The Company will share quarterly subprogram MWh savings
14 information with the Collaborative to track metric performance.

15
16 Metric Performance: The following is for achievement of the target savings from
17 residential programs other than prescriptive-lighting.

| ENERGY INITIATIVE OTHER SUBPROGRAM SAVINGS | | | |
|--|-----------------------|-----------|----------------|
| Performance | MWh Savings | Incentive | % of Incentive |
| Target | 4,490 MWh (2007 plan) | \$20,000 | 100% |

19 There is no threshold for this metric.

20
21 **C&I Metric 2: High Performance Schools**

22
23 Metric: The Company will contract with new public or private school projects through
24 Design 2000*plus* to provide full incremental cost for high performance design and
25 construction practices with a special focus on high quality energy efficient lighting. It
26 shall contract with 2 schools more than it contracted with in 2006.

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

5
6 Discussion: Schools present unique opportunities to not only adopt energy efficiency but
7 to enhance student learning through better classroom design. This metric provides
8 technical and financial support from the very beginning of school construction projects,
9 emphasizes thermal, acoustic, and visual comfort, especially in lighting design, and helps
10 cities and towns construct new schools that are high quality, environmentally sensitive,
11 and cost less to operate.

12
13 According to documents from the Department of Education, on average, funding is
14 approved for approximately 15 public school projects per year. In the period 2001
15 through 2004, 10 schools, or 16% (of approximately 60 schools), have participated in the
16 Schools Initiative.³

17
18 The Company placed under contract 1 school in each of 2004 and 2005. In 2006, the
19 Company is projecting to place under contract 2 schools, indicating the continuing
20 difficulty in recruiting customers to this initiative considering the small number of new
21 schools built each year, the long project development schedules, and the current
22 economic climate, particularly for municipalities. In this context, the Company's
23 proposal to increase this amount by 2 projects in 2007 is a reasonable challenge.

24

³ 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, over 75% of the funded public school projects received Design2000*plus* rebates in this period.

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1 For 2007, the Company will continue to work with the Rhode Island Department of
2 Elementary and Secondary Education to help identify additional participants. The
3 Company has not been able to identify a single source of data that tracks funding of
4 private school construction. Nevertheless, the Company will use the same level of effort
5 to offer the program to private schools as to public schools and include contracts with
6 private schools in the performance metric for 2007.

7

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

11

| SCHOOLS INITIATIVE | | | |
|--------------------|-------------------------|-----------|----------------|
| Performance | Signed Agreements | Incentive | % of Incentive |
| Threshold | (2006 level) | \$10,000 | 50% |
| Intermediate | (2006 participation +1) | \$15,000 | 75% |
| Target | (2006 participation +2) | \$20,000 | 100% |

12

13

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

15

16 Metric: The Company will achieve 6% greater MWh savings from completed measures
17 other than prescriptive lighting and refrigeration in Small Business Services in 2007 than
18 it achieved in 2006.

19

20 Objective: This metric continues to encourage the Company to add other electrical
21 efficiency opportunities beyond lighting and refrigeration retrofits to the Small Business
22 Services program. These improvements to program design support more
23 comprehensiveness in customers' facilities and expand the depth and appeal of the
24 program.

25

1 Discussion: In 2004 through 2006, the Parties established and achieved a metric target of
2 comprehensiveness, determined by the percentage of custom applications. The aim was
3 to increase the offering of comprehensive measures. With increased vendor experience
4 in identifying and delivering non-lighting measures, it is appropriate to now focus the
5 metric on savings.

6
7 Small Business Services projects are tracked in nine categories: Coolers, Custom,
8 Custom Coolers, Hot Water Heater Wrap, Hot Water Heater Pump Controls, HVAC
9 Tune-up, Lighting Controls, Lighting Systems, and Thermostats. For the purposes of this
10 metric, “comprehensive” will be defined as only those savings from the Custom,
11 Thermostats, Hot Water Heater Wrap, Hot Water Heater Pump Controls, and HVAC
12 Tune-up categories⁴. Lighting Controls and Lighting Systems are the end uses that have
13 dominated savings. Coolers and Custom Coolers are excluded because they deal with a
14 very specific end use with finite savings opportunities and are typically installed by a
15 separate vendor.

16
17 The Company proposes to set the target in 2007 at a 6% increase in comprehensive end
18 use MWh compared to 2006. The Company believes that good progress has been made
19 in small business comprehensive implementation, but that more progress remains to be
20 made. The 6 percentage point increase will be a challenge because it continues to be a
21 challenge for the implementation vendor to cost effectively manage the implementation
22 of custom measures while managing the budget and achieving savings targets. The target
23 is not a percentage of total savings in the program because the recent increase in the
24 eligibility ceiling to 200 kW demand has lead to an increase in MWh savings from
25 lighting as well.

26

⁴ No savings have been recorded in the Hot Water Heater Wrap, Hot Water Heater Pump Controls, HVAC
Tune-up categories at least since 2004.

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1 As in 2006, the metric specifies completed projects to put the tracking of
2 comprehensiveness on equal footing with other results that are tracked throughout the
3 years, and to eliminate the potential for counting a comprehensive project in two years.
4 Also, as in 2006, the Company will exclude from this metric and assessment of its
5 performance toward the target customers in the 100 kW to 200 kW range who participate
6 in the RIOER's ESCO program.

7

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

10

| SBS COMPREHENSIVENESS | | | |
|-----------------------|---|-----------|----------------|
| Performance | Comprehensive MWh | Incentive | % of Incentive |
| Threshold | MWh equal to 2006 | \$10,000 | 50% |
| Target | 6 percent increase in MWh above 2006 | \$20,000 | 100% |

11

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

2007 RHODE ISLAND BENEFIT COST TEST
 Summary of Benefit, Expenses, Evaluation Costs (\$000)

| | Rhode Island Benefit/ Cost (2) | Total Benefit | Program Implementation Expenses | Evaluation Cost | Shareholder Incentive (3) |
|--|--------------------------------|-------------------|---------------------------------|-----------------|---------------------------|
| Large Commercial & Industrial | | | | | |
| Design 2000 <i>plus</i> | 4.44 | \$11,526.3 | \$2,523.0 | \$72.7 | NA |
| Energy Initiative | 5.93 | \$21,596.1 | \$3,537.4 | \$102.3 | NA |
| Energy Efficiency and Resources Management Council - Large C& | NA | NA | \$114.3 | \$0.0 | NA |
| SUBTOTAL | 5.00 | \$33,122.4 | \$6,174.6 | \$175.0 | \$278.4 |
| Small Commercial & Industrial | | | | | |
| Small Business (1) | 2.60 | \$9,478.0 | \$3,589.2 | \$50.0 | NA |
| Energy Efficiency and Resources Management Council - Small C& | NA | NA | \$82.0 | \$0.0 | NA |
| SUBTOTAL | 2.44 | \$9,478.0 | \$3,671.2 | \$50.0 | \$155.7 |
| Residential Programs | | | | | |
| IN-HOME SERVICES | | | | | |
| Energy <i>Wise</i> Program | 1.51 | \$6,368.2 | \$4,123.5 | \$83.1 | NA |
| Low Income Services | 1.43 | \$3,161.2 | \$2,170.2 | \$43.9 | NA |
| PRODUCTS & SERVICES | 1.61 | \$3,207.1 | \$1,953.3 | \$39.2 | NA |
| Energy Star Appliances | 9.00 | \$13,083.5 | \$1,428.7 | \$25.4 | NA |
| ENERGY STAR Heating System | 16.78 | \$5,582.7 | \$332.7 | \$0.0 | NA |
| ENERGY STAR Air Conditioning | 5.11 | \$667.9 | \$130.8 | \$0.0 | NA |
| Residential Lighting | 1.01 | \$153.0 | \$145.4 | \$6.6 | NA |
| NEW CONSTRUCTION | 7.97 | \$6,679.8 | \$819.8 | \$18.7 | NA |
| Energy Efficiency Education Programs | 1.07 | \$783.0 | \$712.3 | \$16.5 | NA |
| Energy Efficiency and Resources Management Council - Residenti | NA | NA | \$48.4 | NA | NA |
| SUBTOTAL | 2.95 | \$20,234.7 | \$6,438.3 | \$125.0 | \$288.8 |
| TOTAL | 3.62 | \$62,835.1 | \$16,284.1 | \$350.0 | \$723.0 |

Notes:

- 1) Small Business program expenses are net of the projected customer co-pay for 2007 installations (\$670,803).
- 2) RI B/C Test = (Energy + Capacity + Participant Resource Benefits) / (Program Implementation + Evaluation Costs + Shareholder Incentive)
- 3) See Attachment 8.

2007 RHODE ISLAND BENEFIT COST TEST

Summary of Expenses, Benefit, kW, and kWh by Program

| | Benefits (000's) | | | | | | | | | | Load Reduction in kW | | | MWh Saved | |
|--|------------------|-----------------|------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------------|----------------------|--------------|----------------|----------------|----------------|
| | Total | Capacity | | | | Energy | | | | Participant Resource | Summer | Winter | Lifetime | Maximum Annual | Lifetime |
| | | Generation | | Trans | MDC | Winter | | Summer | | | | | | | |
| | | Summer | Winter | | | Peak | Off Peak | Peak | Off Peak | | | | | | |
| Large Commercial & Industrial | | | | | | | | | | | | | | | |
| Design 2000plus | \$11,526 | 2,596 | \$0 | \$696 | \$1,132 | \$2,608 | \$2,293 | \$1,224 | \$978 | \$0 | 1,834 | 967 | 28,525 | 9,453 | 146,508 |
| Energy Initiative | 21,596 | 4,089 | 0 | 1,145 | 1,863 | 6,831 | 3,147 | 3,186 | 1,335 | 0 | 3,531 | 2,611 | 45,250 | 21,944 | 276,798 |
| SUBTOTAL | \$33,122 | \$6,685 | \$0 | \$1,841 | \$2,996 | \$9,439 | \$5,439 | \$4,410 | \$2,313 | \$0 | 5,365 | 3,578 | 73,775 | 31,397 | 423,306 |
| Small Commercial & Industrial | | | | | | | | | | | | | | | |
| Small Business | \$9,478 | \$2,220 | \$0 | \$634 | \$1,032 | \$3,112 | \$725 | \$1,448 | \$307 | \$0 | 2,064 | 1,018 | 24,763 | 8,683 | 106,964 |
| SUBTOTAL | \$9,478 | \$2,220 | \$0 | \$634 | \$1,032 | \$3,112 | \$725 | \$1,448 | \$307 | \$0 | 2,064 | 1,018 | 24,763 | 8,683 | 106,964 |
| Residential Programs | | | | | | | | | | | | | | | |
| IN-HOME SERVICES | \$6,368 | \$522 | \$0 | \$144 | \$342 | \$953 | \$1,161 | \$471 | \$485 | \$2,291 | 421 | 1,218 | 5,784 | 4,635 | 63,567 |
| EnergyWise Program | 3,161 | 359 | 0 | 98 | 233 | 700 | 860 | 352 | 357 | 202 | 268 | 915 | 3,956 | 3,241 | 47,312 |
| Low Income Services | 3,207 | 163 | 0 | 46 | 109 | 253 | 301 | 118 | 128 | 2,089 | 153 | 304 | 1,828 | 1,393 | 16,255 |
| PRODUCTS & SERVICES | 13,083 | 1,039 | 0 | 308 | 731 | 2,015 | 2,442 | 1,050 | 1,016 | 4,483 | 1,378 | 2,286 | 11,524 | 17,366 | 120,161 |
| Energy Star Products | 5,583 | 421 | 0 | 117 | 278 | 255 | 313 | 159 | 139 | 3,900 | 349 | 196 | 4,580 | 1,288 | 17,898 |
| Energy Star Heating System | 668 | 13 | 0 | 3 | 8 | 33 | 11 | 12 | 4 | 583 | 8 | 5 | 140 | 70 | 1,195 |
| Energy Star Air Conditioning | 153 | 65 | 0 | 18 | 42 | 3 | 1 | 19 | 6 | 0 | 61 | 0 | 708 | 42 | 566 |
| Residential Lighting | 6,680 | 540 | 0 | 170 | 403 | 1,724 | 2,118 | 859 | 867 | 0 | 960 | 2,085 | 6,096 | 15,966 | 100,501 |
| NEW CONSTRUCTION | 783 | 66 | 0 | 19 | 45 | 59 | 73 | 29 | 30 | 462 | 54 | 63 | 804 | 495 | 3,566 |
| SUBTOTAL | \$20,235 | \$1,627 | \$0 | \$471 | \$1,117 | \$3,027 | \$3,675 | \$1,550 | \$1,531 | \$7,236 | 1,853 | 3,566 | 18,112 | 22,495 | 187,293 |
| TOTAL | \$62,835 | \$10,532 | \$0 | \$2,946 | \$5,144 | \$15,578 | \$9,840 | \$7,408 | \$4,151 | \$7,236 | 9,282 | 8,162 | 116,650 | 62,575 | 717,564 |

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a National Grid

R.I.P.U.C Docket No. 3779

Attachment 10

Calculation of 2007 Program Year Cost-Effectiveness and Goals

Page 3 of 3

| Program | Proposed 2007 | | 2006 True-Up | | Difference | |
|---|-----------------------------|---------------|-----------------------------|---------------|-----------------------------|--------------|
| | Annual Energy Savings (MWh) | Participants | Annual Energy Savings (MWh) | Participants | Annual Energy Savings (MWh) | Participants |
| Large Commercial & Industrial | | | | | | |
| Design 2000 <i>plus</i> | 9,453 | 182 | 9,625 | 196 | (172) | (14) |
| Energy Initiative | 21,944 | 234 | 24,538 | 254 | (2,594) | (20) |
| SUBTOTAL | 31,397 | 416 | 34,163 | 450 | (2,766) | (34) |
| Small Commercial & Industrial | | | | | | |
| Small Business Services | 8,683 | 508 | 8,234 | 491 | 450 | 17 |
| SUBTOTAL | 8,683 | 508 | 8,234 | 491 | 450 | 17 |
| Residential Programs | | | | | | |
| IN-HOME SERVICES | | | | | | |
| EnergyWise | 3,241 | 4,965 | 3,587 | 4,980 | (345) | (15) |
| Low Income Services | 1,393 | 1,180 | 1,038 | 967 | 355 | 213 |
| PRODUCTS & SERVICES | | | | | | |
| ENERGY STAR® Appliances | 1,288 | 5,800 | 924 | 5,800 | 365 | 0 |
| ENERGY STAR® Heating Program | 70 | 580 | 10 | 480 | 60 | 100 |
| ENERGY STAR® Central Air Conditioning Program | 42 | 268 | 58 | 343 | (16) | (75) |
| ENERGY STAR® Lighting | 15,966 | 68,864 | 13,640 | 63,496 | 2,326 | 5,368 |
| NEW CONSTRUCTION | 495 | 225 | 774 | 500 | (279) | (275) |
| SUBTOTAL | 22,495 | 81,882 | 20,030 | 76,566 | 2,465 | 5,316 |
| TOTAL | 62,575 | 82,806 | 62,427 | 77,507 | 148 | 5,299 |