

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

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| IN RE: THE NARRAGANSETT ELECTRIC | : | |
| COMPANY, d/b/a NATIONAL GRID | : | DOCKET NO. 4000 |
| GAS AND ELECTRIC ENERGY | : | |
| EFFICIENCY PROGRAM PLANS | : | |
| FOR 2009 | : | |

REPORT AND ORDER

I. Introduction

The Public Utilities Commission ("Commission") has annually reviewed the design and implementation for Narragansett Electric Company's, 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. Rhode Island General Laws §39-2-1.2(b), authorizes a charge of 2.0 mills per kilowatt hour ("kWh") and allows the Commission to approve a higher rate. In this case, NGrid has proposed a charge of 3.2 mills per kilowatt-hour for the electric DSM programs. R.I.G.L. §39-2-1.2(d) authorizes NGrid's proposed charge of \$0.15 per decatherm for gas DSM programs. 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 NGrid's DSM programs.¹

II. Settlement of the Parties

On November 7, 2008, NGrid filed a Settlement of the Parties ("2009 Settlement")², 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

¹ See R.I.G.L. §39-2-1.2.

² The 2009 Settlement is attached hereto as an Appendix A. This Settlement Agreement is a revision of one filed with the Commission on November 5, 2008.

of Energy Resources (“OER”), Energy Consumers Alliance of New England d/b/a People’s Power & Light (“PP&L”) and Environmental Northeast (“ENE”)(collectively referred to as “the Parties”).

The Settlement sets forth the specifics of the Energy Efficiency Program Plan (“Plan”) for 2009 that was submitted by the Company pursuant to R.I. Gen. Laws §39-1-27.7 and the Least Cost Procurement provisions of the Comprehensive Energy Conservation, Efficiency, and Affordability Act of 2006, R.I. Gen. Laws §39-2.1-2(b) and the Commission’s Standards for Energy Efficiency and Conservation Procurement as approved in Docket No. 3931. The Plan’s goals include securing all cost-effective energy efficiency resources that are lower cost than supply and are prudent and reliable giving all customers an opportunity to participate in the cost-effective programs and to benefit from the low-cost energy efficiency resource. As with previous Programs and in an attempt to address high fuel prices, the parties have increased emphasis on services for low and moderate income residential customers.³

A. Overview of Budgets and Cost Effectiveness

NGrid’s 2009 plan differs from prior plans in two ways: 1) the current plan covers both gas and electric energy efficiency and 2) according to the Settlement, the level of savings NGrid proposes to achieve with the current plan is unprecedented. The Plan proposes \$28,767,000 in spending to realize \$136,529,000 in total benefits. The Plan’s 2009 DSM programs continue offering energy efficient opportunities to all of NGrid’s customers with a focus on assisting low to moderate income residential customers reduce their monthly bills through these opportunities. Additionally, NGrid

³ Exhibit 2, Settlement Agreement, filed November 7, 2008 at 1-2.

will continue to integrate the delivery of its electric energy efficiency programs with its natural gas efficiency programs.⁴

The funding for the 2009 electric programs includes: 1) a statutory-based DSM charge of \$0.0032 per kWh (the currently approved \$0.0020 plus an additional \$0.0012 proposed in the Least Cost Procurement Plan), 2) interest expected to be accrued on the fund balance during the year, 3) funds expected to be received from Small Business Program co-payments and from large Commercial and Industrial (“C&I”) technical assistance co-payments in 2009, 4) Large C&I commitments from 2008, 5) carryover of the 2008 fund balance, and 6) revenue generated by programs’ demand savings during the transition period leading up to the start of ISO-New England’s Forward Capacity Market.⁵

The funding for the 2009 gas programs includes: 1) the statutory-based \$0.15 per decatherm, 2) interest expected to be accrued on the fund balance during the year, 3) Large C&I commitments from 2008, and 4) carryover of the 2008 fund balance. Gas used for distributed generation will be exempt from the energy efficiency surcharge when requested by the customer and identifiable through uniquely metered use.⁶

The budgets for both programs will be divided into three sectors, residential, low income residential and C&I. Included in the \$32.4 million budget for the electric programs is approximately \$2.6 million for residential low income programs,

⁴ *Id.* at 3-5.

⁵ *Id.* at 10-11; The Parties agree that funds of less than 10% of the originating program’s budget may be transferred within a sector without prior approval of the Division, but the transfer of greater than 10% of the originating program’s budget will require prior approval of the Division with notice to the Commission. Any transfer in the Commercial and Industrial Sector programs and the Small/Medium Business Service programs will require Division approval. Transfer between Sectors will require Division and Commission approval.

⁶ *Id.* at 17-19; Transferring of funds will be nearly identical for the gas programs as for the electric programs. The exception to this is that any transfers in the Commercial and Industrial sector electric programs require Division approval.

approximately \$7.2 million for residential non-low income programs and approximately \$20.8 million for C&I programs. Other expense items allocated to Incentive and Program Design & Evaluation and Planning of approximately \$1.7 million are included in this budget. This budget represents a significant increase over the approximate \$21.0 million dollar 2008 budget, as a result of the proposed rate increase from 2.0 mills to 3.2 mills. However, according to the Settlement this increase is consistent with the objectives of least cost energy efficiency procurement as the efficiency resource is 3.6 cents/lifetime kWh versus 12.4 cents/kWh for electric supply.⁷

The approximate \$7.6 million budget for gas DSM programs will be divided among three groups: 1) approximately \$1.4 million for residential low income programs, approximately \$2.2 million for residential non-low income programs and approximately \$4.0 million for C&I programs. Other expense items of approximately \$0.5 million for Program Design & Evaluation and Planning are included in this budget. Without projected commitments, this budget represents a \$2.1 million increase over the approximate \$4.3 million dollar 2008 budget resulting from the increase in the statutorily allowed charge.⁸

In order to project cost-effectiveness, NGrid used the Total Resource Cost ("TRC") test as required by the Commission's Standards for Energy Efficiency and Conservation Procurement. The test requires that the total lifetime savings from the efficiency measures will exceed the total costs of the measures. For 2009, the Company projects a 3.46 benefit/cost ratio related to electric programs meaning that \$3.46 in

⁷ *Id.* at 14, 118.

⁸ *Id.* at 19-21.

savings is expected to be created for every dollar invested in the programs. The Company projects a 1.80 benefit/cost ratio related to gas programs.⁹

B. Summary of the Programs

The Parties agreed to continue the eight electric 2008 residential programs, namely, the *EnergyWise* Program, ENERGY STAR® Homes, Single Family Low Income Services Program, ENERGY STAR Heating Program, ENERGY STAR® Central Air Conditioning Program, ENERGY STAR® Lighting, ENERGY STAR® Appliances Program, and Information and Education, and the five gas 2008 residential programs, namely, the *EnergyWise* Program, High-Efficiency Heating, Water Heating and Controls Program, ENERGY STAR® Homes, Single Family Low Income Services Program and Building Practices Demonstration Program.

The *EnergyWise* program for gas and electric provides financial incentives for single family and multifamily home customers to conduct efficiency improvements. It has been changed from last year's program to include an approved contractor list for customers to choose the contractor to conduct air sealing and insulation work. Instead of requiring, as in prior years, that weatherization measures be installed by RISE Engineering, customers will be able to select an approved contractor. Approved contractors are those who have met certain training and certification requirements. The proposed budget is approximately \$3.05 million for the electric programs and \$1.03 million for gas programs. Other changes to this program include site assessments being charged to gas or electric budgets, additional and on-going training for contractors and the incentives for weatherization measures installed in gas and electrically heated homes

⁹ *Id.* at 15-16, 21, 119.

and facilities have been standardized to 50% of installation costs up to \$1500 for insulation, duct insulation and duct sealing.¹⁰

The Single Family Low Income Program, administered by the Office of Energy Resources and local Community Action Agencies, is the same as the Energy Wise Program but does not require customer contribution for equipment installation. Customers who qualify for the Low Income Heating Assistance Program (“LIHEAP”) are eligible for this program. The Program provides for the installation of ENERGY STAR® refrigerators and lighting and assists in replacing inefficient equipment. Heating system replacement, safety inspections, weatherization work and funding of CO detectors when DOE funds are not available are available through this program. NGrid proposed a total of approximately \$3.97 million to fund this program.¹¹

The ENERGY STAR® Homes Program for gas and electric customers provides for design, site inspection and performance-testing of new homes to achieve a home energy rating that allows customers to distinguish between standard and efficient homes. This program provides for incentives of up to \$2000 to builders/homeowners. NGrid did not propose any changes to this program for 2009. The proposed budget for this program for gas and electric is \$875,800.¹²

The High Efficiency Heating Program combines gas and electric programs. NGrid will continue to provide incentives to customers who purchase ENERGY STAR® Heating Systems that are fueled by oil and gas. Some of the goals of this program are to increase market sector awareness of high-efficiency gas heating equipment and efficiency enhancements and maintenance to gas heating equipment and to provide product and

¹⁰ *Id.* at 6, 33, 36-43.

¹¹ *Id.* at 6, 33, 44-47.

¹² *Id.* at 6, 34, 47-49.

program training. The High Efficiency Heating Program also provides for an incentive for the purchase and installation of an ENERGY STAR® programmable thermostat for gas heat. The Residential High-Efficiency Water Heating Program's goals include increasing the demand for residential high-efficiency natural gas water heaters and providing training on products and programs. In addition to the incentives offered in previous years, this program proposes to offer a \$50 rebate for stand alone water heater tanks with an energy factor of 0.62 or greater. A budget of approximately \$1.122 million is proposed for this program.¹³

The Parties agreed to a number of changes to the ENERGY STAR® Central Air Conditioning Program including increased promotions to customers and contractors. Contractors and consumers will receive incentive rebates for purchase and installation of properly sized equipment. The budget proposed for this program is \$429,000. NGrid's rebates are consistent with those offered throughout the region. These rebates include incentives where installation meets ENERGY STAR® Quality Installation standards. Incentives are also available for duct modifications needed to meet airflow requirements, replacement of minimum standard equipment for new ENERGY STAR® standard equipment, higher CEE-tier 2 equipment and split ductless air conditioning or air-to-air heat pump systems with inverter technology with a SEER of 14.5 or greater and HSPF of 8.2.¹⁴

In the ENERGY STAR® Lighting Program, NGrid is proposing a \$30 rebate for LED lighting, a \$25 rebate for higher end lighting fixtures and to increase DBL and mercury recycling efforts. The other previously offered rebates will continue and include

¹³ *Id.* at 6, 33, 50-55.

¹⁴ *Id.* at 6, 34, 55-60.

\$10 for exterior fixtures and \$15 for interior fixtures, table lamps, floor lamps and torchieres. The proposed budget for this program is \$980,000.¹⁵

A number of changes were made to the ENERGY STAR® Appliances program. NGrid proposed a budget of approximately \$1.47 million for this program. The Parties agreed to remove the rebate for clothes washers. A \$50 incentive is proposed for a refrigerator retail rebate and a \$30 room air conditioner rebate. Customers who remove second refrigerators from their homes will receive a \$30 bounty for doing so. The Company is also proposing a \$250 rebate for pool pump replacement and a \$10 rebate for Smart Strips, which allow some electronics to be turned off while others stay on.¹⁶

NGrid is not proposing any changes to its Building Practices and Demonstration Program that is intended to explore and demonstrate new and/or underutilized energy efficient procedures and equipment. It requested \$38,200 to fund this program. Likewise, no changes are proposed to the Energy Efficiency Educational Programs which include the National Energy Education Development (N.E.E.D.) Program, that provides curriculum materials and training to educate school children about energy, and the Vocational School Initiative, which provides training to be ENERGY STAR® certified builders at Rhode Island's Career and Technical schools. The Company proposed funding of \$100,900.¹⁷

The Small Business Services Program offered in 2008 will continue in 2009 with continued emphasis on greater comprehensiveness and custom treatment for non-prescriptive lighting measure installations in the program. The proposed funding for this Small/Medium Business program is approximately \$6.25 million for 2009. As with last

¹⁵ *Id.* at 6, 34, 60-62.

¹⁶ *Id.* at 6, 33, 62-64.

¹⁷ *Id.* at 6, 34, 65-68.

year, the Company is not limiting this program to non-prescriptive lighting measures but will include motor and drive power improvements and other custom energy efficiency opportunities. Customers with a monthly demand of less than 200 kW or annual energy usage of less than 300,000 kWh are eligible to participate in this program. Customers pay 30% of the total cost of refrigeration retrofits and are eligible for an additional 15% discount for a lump sum payment.¹⁸

NGrid's Commercial and Industrial Energy Efficiency Programs and Initiatives significantly expand the depth of the prior year's programs. Including the programs proposed for Small and Medium Businesses, NGrid proposed a budget of approximately \$23.33 million for gas and electric programs in this sector. This is approximately \$7.03 million more than in 2008. There are two objectives to the programs offered: 1) ensuring that the programs are capable of ramping up energy savings and 2) integrating the gas and electric programs which will help customers better understand the efficiency options available. NGrid is enhancing the current programs by paying up to 70% of the installed cost measure as an incentive to cities and towns that participate in Energy Initiative incentives. Cities and towns will also be able to pay their share of the cost through their electric bill over the course of 24 months, interest free. NGrid is targeting laboratories and data centers as areas where it can achieve significant energy savings. It is currently offering a commercial kitchen equipment gas program which can be expanded.¹⁹

On the electric side, the Company will continue to offer Design 2000*plus*. This provides financial incentives and technical assistance to developers for new construction

¹⁸ *Id.* at 8, 70.

¹⁹ *Id.* at 73-74, 118, 127.

and remodeling projects. This program offers three types of incentives: 1) prescriptive incentives, which address specific equipment measures addressing lighting, motors, compressed air HVAC and DHW (gas), 2) custom incentives, based on the unique energy savings and cost criteria of a project, and 3) comprehensive incentives, based upon evaluation of the whole building and the benefits that come from examining an integrated engineering approach. NGrid will target laboratories and data centers as new groups to reduce energy use.²⁰

The current Design 2000*plus* Program Lighting Category is being changed significantly to address the current Rhode Island Energy Code. No changes are proposed for the Motors, HVAC, Compressed Air or General categories of this program. Regarding the Custom Category, NGrid is providing a short term enhanced incentive for new technologies and for compressor only replacement.²¹

The Company's Energy Initiative Program encourages all commercial, industrial and institutional customers to replace existing equipment and systems with energy efficient alternatives in existing buildings. This Program offers two types of incentives: 1) prescriptive incentives, which are fixed and offered on a per unit basis and 2) custom incentives, which are based on the unique energy savings criteria of projects. As with the Design 2000*plus* Program, NGrid is looking to target laboratories and data centers, where it believes there is the potential to achieve significant energy savings.²²

Incentives in the General Programs for cities and towns will be increased from 45% to 70% of the total installed cost of eligible measures or 1.5 year payback to the customer, whichever is less. Communities will also be able to pay for the cost of their

²⁰ *Id.* at 8, 74-79

²¹ *Id.* at 69-70, 79-91.

²² *Id.* at 8, 91-92.

energy efficiency measures in 24 monthly installments on their electric bill interest free. In the Custom Category of this Program, like with its Design 2000*plus* counterpart, NGrid will provide short term enhanced incentives for new technologies. The Company will change the cap for the Custom Program, which provides incentives for new technologies, so that it will pay 45% of the cost down to a 1.5 year payback rather than the current 2 year payback.²³

The Commercial Energy Efficiency Program provides support services and incentives that encourages commercial and industrial customers to install energy efficient natural gas equipment. The broadness of this program allows for any energy efficient gas fueled technology or system design that exceeds the minimum requirement of the local energy code to be eligible for an incentive. The 2009 changes to this Program include doubling the Custom Level 1 incentives from \$0.75 per first year estimated therm savings to \$1.50, establishing a \$2000 incentive for customers buying high efficiency commercial fryers and commercial steamers, allowing for custom measures for windows, and a steam assessment and savings program to allow for the recapture of this energy through the installation of more efficient steam equipment and processes.²⁴

The Commercial High-Efficiency Heating Program provides incentives for those customers who install high-efficiency heating equipment to help reduce the incremental cost between the standard and the high efficiency equipment. The changes to this Program include increasing the amount of the incentives offered for all products, increasing the threshold of 90% thermal efficiency to 92% for condensing boilers over

²³ *Id.* at 70, 93-102.

²⁴ *Id.* at 70, 104-112.

300 MBtuh and increasing the threshold of >90% AFUE to >=92% for furnaces up to 150 MBtuh and condensing boilers under 175 MBtuh.²⁵

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 the Company's DSM programs. The shareholder incentive mechanism for the electric programs will include two components: (1) five performance-based metrics and (2) kWh savings targets by sector. The shareholder incentive mechanism for the gas programs will be based on MMBtu savings alone.²⁶

The target incentive rate for the kWh savings goal will continue to be 4.40% of the eligible spending budget. The target incentive amount is \$1.036 million in 2009, \$150,000 of which is 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.²⁷

The threshold, calculated cap, and incentive for a particular sector would require recalculation under two circumstances: 1) if the assumptions used to develop savings goals change as a result of completed evaluation studies, or 2) if the actual spending in each sector is greater than or less than the spending budget by more than five percent. None of these circumstances will result in the target incentive dollars associated with the performance metrics being affected.²⁸

²⁵ *Id.* at 71, 112-115.

²⁶ *Id.* at 22.

²⁷ *Id.* at 23, 124.

²⁸ *Id.* at 24.

Each of the five performance-based metrics will provide the Company the opportunity to earn up to \$30,000. 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 by September 30, 2009.²⁹ As further discussed below, the essential objective for the first four of the five metrics is not changing from 2008.³⁰

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 2009 as compared to penetration achieved in 2008. This program was redesigned in 2006 to increase efficiency requirements. The Parties agreed to increase the threshold for this metric by 1 percentage point greater than 2008 year-end penetration and the target level of performance by 3 percentage points over the penetration achieved in 2008 for this program. Penetration levels for 2006 were 15.8% and 19.6% for 2007. The Company can earn the full \$30,000 if it achieves the target penetration or a proportional amount for penetration between the threshold and the target.³¹

Residential Metric Two allows the Company to earn \$30,000 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

²⁹ *Id.* at 13-14.

³⁰ *Id.* Attachment 25-26, Attachment 8 at 135-137.

³¹ *Id.* Attachment 8 at 137-138.

threshold, and in order to earn the incentive, the Company must establish an annual MWh savings of 9,655 MWh.³²

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 5,254 MWh must be achieved to receive the incentive of \$30,000. 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.³³

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 \$30,000 incentive, the Company must contract with two more schools than the number contracted with in 2008 through Design 2000*plus*. The Company can earn 50% of the incentive, or \$10,000, if it contracts with the same number of schools in 2009 as in 2008, or 75% of the incentive, or \$20,000, if it contracts with one additional school.³⁴

C&I Metric Three is related to Core Performance guidelines in the design and construction of new commercial buildings less than 75,000 square feet in area. NGrid will sign agreements covering 4 buildings in 2009. Since 2006, NGrid has been

³² Id. Attachment 8 at 138-139.

³³ Id. Attachment 8 at 139-140.

³⁴ Id. Attachment 8 at 141-142.

promoting Core Performance. In 2009, the Company expects to increase the number of architects and their clients through training and promotional efforts in order to educate them on the practicality and cost effectiveness of energy efficient buildings. The Company will achieve the full incentive of \$30,000 with four signed agreements, and the threshold of two signed agreements will result in a 33% incentive.³⁵

VI. Hearing

A public hearing was held at the Commission's offices, 89 Jefferson Boulevard, Warwick, Rhode Island, on December 15, 2008. The following appearances were entered:

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| FOR NATIONAL GRID: | Thomas R. Teehan, Esq. |
| FOR DIVISON: | William Lueker, Esq. Assistant Attorney General |
| FOR THE OFFICE OF ENERGY RESOURCES: | John McDermott, Esq. |
| FOR COMMISSION: | Patricia S. Lucarelli, Esq. Chief Legal Counsel |

A panel of NGrid witnesses, including Jeremy Newberger of NGrid, Manager of Evaluation, Robert O'Brien, Manager of Residential Marketing Energy Efficiency Services, Mark DiPetrillo, Manager of Large Commercial and Industrial Energy Efficiency Service, and Thomas Coughlin, Lead Analyst Large C&I Energy Efficiency Services, were presented to testify and answer questions about the Settlement Agreement. Timothy Roughan was also presented to testify about the System Reliability Plan.

Mr. Newberger explained that the Plan combines both gas and electric energy efficiency programs. He noted that NGrid has been administering electric energy

³⁵ *Id.* Attachment 8 at 143-144.

efficiency programs in Rhode Island for more than twenty (20) years and natural gas energy efficiency programs since 2007. Mr. Newberger testified that on the electric side, the projected savings for 2009 are 40% greater than those NGrid expects to achieve in 2008, and on the gas side, the savings expected are approximately level with the 2008 projections.³⁶

Mr. Newberger outlined some of the new programs for 2009, including the refrigerator bounty program and the medium sized building builder incentive, to improve efficiency. He identified \$136 million in lifetime energy efficiency benefits resulting from the 2009 programs. He also noted that 3.6 cents per lifetime kilowatt hour for the electric side meets the criteria of the 2006 Act that energy efficiency cost less than supply and shows that customers are using energy more efficiently. Mr. Newberger testified that the funding for the plans primarily comes from the statutorily allowed amounts of \$0.0032 per kilowatt hour and \$0.15 per decatherm. He also discussed the shareholder incentive being structured the same as in previous years. He noted that the target incentive in 2009 is a little more than \$1 million for the electric programs and approximately \$267,000 for the gas programs.³⁷

Mr. O'Brien testified regarding the residential programs and emphasized the Building Performance Institute ("BPI") which is a nationally recognized certification entity that provides training for individuals that wish to inspect, install, audit, etc. efficiency measures. He noted that NGrid is working in conjunction with the Community College of Rhode Island to train individuals. Customers will be able to select BPI certified contractors to perform the efficiency measures recommended. Mr. O'Brien also

³⁶ Transcript of December 15, 2008 hearing ("Tr.") at 5-9.

³⁷ *Id.* at 10-15.

testified that incentives have been standardized with the Company paying 50% of the cost of insulation up to \$1,500 per gas and electric heating account for insulation, duct sealing and duct insulation and 100% for air sealing measures. The customer is required to pay 100% of any ventilation required in conjunction with the air sealing. The gas side is the same except that the Company will pay 75% for insulation.³⁸

Mr. O'Brien stated that NGrid removed the clothes washer rebate from the Energy Star Products program, because it believes that the market has "hit transformation." He also described the refrigerator bounty program, which he said would encourage customers to replace their two old refrigerators with a new larger and more efficient one. He noted that NGrid added a \$250 rebate for pool pump replacements, because it was found to be cost effective in California. The Company also added a \$10 rebate for smart strips.³⁹

Regarding the Energy Star high efficiency heating program, Mr. O'Brien discussed the addition of a \$50 rebate for stand alone water heaters with a .62 energy efficiency factor. NGrid also increased the amount of rebate for high efficiency boilers to \$1000 from \$800 to try to encourage customers to replace their boilers. Incentives were also added and standards increased to the Cool Smart Energy Star central air conditioning and heat pumps program. A \$30 rebate was added to the Energy Star lighting for LED lighting.⁴⁰

Mr. DiPetrillo and Mr. Coughlin presented testimony on behalf of the proposed 2009 changes to the Commercial Energy Efficiency Programs. Mr. DiPetrillo explained that when reviewing the gas programs, the Keyspan programs were based around

³⁸ *Id.* at 18-22.

³⁹ *Id.* at 28-29.

⁴⁰ *Id.* at 44-49.

contractor implementation, while the NGrid programs were based around internally run programs. NGrid married Keyspan's Emerald Network program with NGrid's Design 2000 program. One of the biggest changes in this program was to increase the incentive from \$0.75 to \$1.50 per therm. The incentive levels in the High Efficiency Heating Program were increased to reflect increases in the cost of heating equipment. Finally, Mr. DiPetrillo testified that NGrid added some initiatives on steam and added a commercial cooking program.⁴¹

Mr. Coughlin testified that the integration of the gas and electric program is going very well for the larger customers, primarily because they are more efficiency sophisticated than the smaller customer. NGrid has hired two additional positions to be based in Rhode Island to work with equipment distributors and some of the smaller engineers and contractors. He also discussed the electric program changes including the enhanced incentive from 40% to 70% of the total installed cost for municipal customers for existing buildings and the ability to pay back interest free the remaining 30% over the course of 24 months. Another program that Mr. Coughlin testified about was the Advanced Buildings Core Performance Program, which he identified as prescriptive program for mid-sized construction projects. Additionally, the whole building assessment program is now targeting cities and towns and businesses that can manage their own energy and improving their energy efficiency.⁴²

Sam Krasnow testified on behalf of the EERMC and in support of NGrid's proposed increase. He noted that NGrid's plan complies with the statutory requirements of investing in all efficiency that is less expensive than supply when it's prudent and

⁴¹ *Id.* at 52-53.

⁴² *Id.* at 58-64.

reliable. Janet Keller testified on behalf of the Rhode Island Office of Energy Resources. She noted that while it is the intention of her office to allow for some funding of NGrid's programs with the proceeds from the RGGI auction, a decision about whether to allow this had not yet been made. The Division, People's Power and Light, and the Energy Council of Rhode Island also represented during the hearing that it supported NGrid's proposal and urged approval of the rate increase to support the programs.⁴³

At the conclusion of the testimony on the DSM programs, Timothy Roughan provided testimony about NGrid's system reliability portion of its least cost procurement plan. His testimony supplemented the previous testimony given during the hearing on the least cost procurement plan in Docket No. 3931. Mr. Roughan described the system reliability plan as one which established other cost effective, non-standard DSM measures. He noted that system reliability is about customer side resources including distributed generation, renewable energy and optional pricing tariffs that will reduce peak loading for ratepayers. Mr. Roughan opined that if the peak load can be managed, it could potentially lower the cost volatility of energy.⁴⁴

Mr. Roughan testified that customers will use their homes and businesses to reduce their bills and ultimately reduce the peak capacity requirements for Rhode Island. He noted that the best way to accomplish this is to identify an actual location in which to invest these specific types of technologies, i.e., distributed generation, renewable systems, automated load management systems, etc. NGrid identified Aquidneck Island as an area that requires a new substation that has had reliability issues in the past. He explained that the project would require a three year time frame because of the significant

⁴³ *Id.* at 75-93.

⁴⁴ *Id.* at 94-97.

sales cycle that would be required to find locations and encourage customers to participate through marketing and education. This would take longer than it would with the large commercial/industrial customers who are more adept with the programs.⁴⁵

Mr. Roughan noted that the funding is modest and approximately \$1 per year that a standard residential customer would pay. The goal of the load reduction in the Newport Jamestown area is three megawatts. He testified about optional pricing tariffs, which would charge high numbers at peak hours and low numbers at off peak hours. Mr. Roughan also discussed certain tools like smart plugs and other types of wireless networks that will tell customers what they are using and its cost in real time.⁴⁶

After Mr. Roughan's testimony, the Office of Energy Resources indicated that it needed more information prior to stating its position as to whether the Commission should approve the Company's system reliability plan in Docket No. 3931. Likewise, the Division stated that the Commission could make a decision as to the system reliability plan at a later date.⁴⁷

IV. Commission Findings

The Commission recognizes the Company's continued efforts and diligence in designing and implementing the DSM programs and recognizes its 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 and its modifications to those programs to reflect customer need. The 2009 filing makes improvements to existing programs and adjusts incentive amounts to allow for more customers to

⁴⁵ *Id.* at 97-99.

⁴⁶ *Id.* at 99-103.

⁴⁷ *Id.* at 126-128.

participate in rebate programs which should continue to spark new and continued ratepayer interest.

In Docket No. 3240, reviewing Narragansett Electric's DSM Programs for calendar year 2002, the Commission commenced a review of the shareholder incentive mechanism which was ultimately changed in 2003 to reflect the incentive mechanism on the electric side which was approved in that docket. The Commission approves the continuation of the shareholder incentive mechanism as a means of aligning the interests of the utility with assisting its customers to use energy more efficiently.⁴⁸

The Commission is satisfied that the Settlement Agreement complies with the mandates of the statute that requires investing in all efficiency that is less expensive than supply when it's prudent and reliable. Even though there will be an increase of \$0.0012 per kWh, the Commission finds that the benefits of the programs far outweigh the additional and minimal cost imposed on customers. The impact on a typical residential customer using 500 kWh per month is a 64 cent increase. Additionally, the increase of \$0.064/Dth to the statutorily allowed maximum of \$0.150 per Dth coupled with the integration of the electric and gas programs will clearly provide significant benefit to NGrid's customers. The impact on a typical residential heating customer using approximately 92 Dth per year is an increase of \$8.27 per year.

The Commission is satisfied that NGrid provided detailed information about its proposed system reliability plan and proposed budget for the same. Within 90 days, the

⁴⁸ In Docket No. 3240, Narragansett Electric set forth five goals that it believed an effective shareholder incentive program should achieve: 1) reward the company for effective program implementation; 2) encourage the company to prudently spend the entire DSM budget; 3) encourage program innovation; 4) encourage the company to make services available to all customer constituencies; and 5) eliminate adverse financial affects to the company related to aggressive program implementation. Order No. 17106 (issued August 20, 2002) p. 37. The Company proposed changes to the shareholder incentive mechanism to encourage the company to exceed its goals. The current electric shareholder mechanism reflects most of the suggestions.

Commission expects recommendations from the Division, OER and any other party who chooses to provide the same. Absent comment from any party, the Commission will assume that party has no objection to NGrid's System Reliability Plan and proposed budget.

At an Open Meeting held on December 23, 2008, the Commission voted unanimously to approve the Settlement as filed with regard to the 2009 Programs and associated budgets, finding them to be just, reasonable and in the best interest of NGrid's ratepayers.

Accordingly, it is hereby

(19608) ORDERED:

1. The Settlement filed by NGrid on behalf of the Parties to this docket dated November 7, 2008, is hereby approved.
2. A Conservation and Load Management Adjustment and Renewable Factor of \$0.0032 per kilowatt-hour is hereby approved for usage on and after January 1, 2009 through December 31, 2009. NGrid shall apply \$0.0029 per kilowatt-hour to its electric 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.
3. A gas demand-side management charge of \$0.15 per decatherm is hereby approved for usage from January 1, 2009 through December 31, 2009.
4. Within ninety (90) days of this Order, the Division, the Office of Energy Resources and any other person interested shall file with the Commission

a recommendation with regard to National Grid's System Reliability Plan as proposed in Docket No. 3931 and further explained in this Docket.

5. NGrid shall file its proposed 2010 DSM programs and budget no later than October 15, 2009, or the parties shall file a Settlement no later than November 1, 2009 regarding proposed 2010 DSM programs and budget. In the event of a direct non-settled filing by NGrid, responsive pleadings shall be made no later than November 1, 2009.
6. 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 DECISION ON DECEMBER 23, 2008. WRITTEN ORDER ISSUED APRIL 6, 2009.

PUBLIC UTILITIES COMMISSION

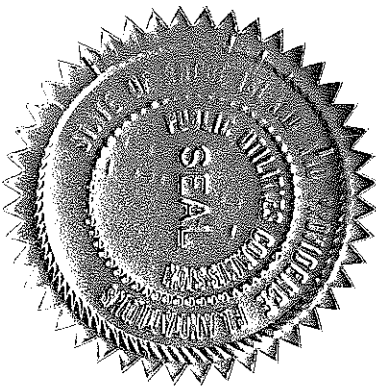


Elia Germani, Chairman

Robert B. Holbrook, Commissioner*



Mary E. Bray, Commissioner



*Commission Holbrook concurred with the decision but was unavailable for signature.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

| | | |
|--|---|-----------------|
| |) | |
| In Re: The Narragansett Electric Company d/b/a |) | |
| National Grid |) | Docket No. 4000 |
| Energy Efficiency Program Plan for 2009 |) | |
| |) | |

ENERGY EFFICIENCY PROGRAM PLAN FOR 2009

SETTLEMENT OF THE PARTIES

(Revised November 7, 2008)

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ATTACHMENTS

1. Summary of Proposed Changes to Residential Programs for 2009
2. 2009 Residential Electric and Gas Energy Efficiency Programs
3. Summary of Proposed Changes to the Commercial and Industrial Programs for 2009
4. 2009 Commercial and Industrial Electric and Gas Energy Efficiency Programs
5. 2009 Electric Energy Efficiency Program Tables
6. 2009 Gas Energy Efficiency Program Tables
7. Measurement and Verification Plan
8. 2009 Electric Energy Efficiency Program Performance Metrics

I. Introduction and Summary

This Energy Efficiency Program Plan (“EE Program Plan”) for 2009 is submitted by The Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) in accordance with R.I.G.L. 39-1-27.7 (the Least Cost Procurement provisions of the Comprehensive Energy Conservation, Efficiency, and Affordability Act of 2006), R.I.G.L. 39-2.1-2(b), and the Rhode Island Public Utilities Commission’s “Standards for Energy Efficiency and Conservation Procurement” approved in order 19344 in Docket 3931 on July 17, 2008. This Energy Efficiency Program Plan has been developed in collaboration with the Subcommittee of the Energy Efficiency and Resource Management Council (“EERMC”) and is intended to be consistent with the three-year Energy Efficiency Procurement Plan (“EE Procurement Plan”) submitted by National Grid on September 2, 2008 with approval and support of the EERMC, the Office of Energy Resources, the Division of Public Utilities and Carriers, Environment Northeast, and TEC-RI.

This Plan is being jointly submitted as a Stipulation and Settlement (“Settlement”), entered into by the Rhode Island Division of Public Utilities and Carriers (“Division”), The Energy Council of Rhode Island (“TEC-RI”), Energy Consumers Alliance of New England d/b/a People’s Power and Light (“PP&L”), Environment Northeast (“ENE”), the Rhode Island Office of Energy Resources, the EERMC, and National Grid (together, the “Parties”), and addresses all issues raised by members Subcommittee¹ concerning the Company’s electric Demand-Side Management (“DSM”) Programs for the year 2009.

¹ A DSM collaborative group has been meeting regularly since 1991 to analyze and inform the Company’s electric DSM programs. Members of the Subcommittee presently include the Company, the Division, the Rhode Island Office of Energy Resources (RIOER), TEC-RI, ENE, and PP&L with engagement from EERMC members Joe Newsome (low income users), Chris Powell (large industrial users), Dan Justynski (small commercial/industrial users), Joe Cirillo (energy design and codes), and Sam Krasnow (environmental issues pertaining to energy). The Subcommittee functioned as the “DSM Collaborative” until 2008. Given the overlapping responsibilities of the Collaborative and the EERMC in working with National Grid on energy efficiency planning, the Collaborative was made into a subcommittee of the EERMC in 2008. The constitution of the Collaborative has varied since 1991, as some organizations have withdrawn and others have joined.

1 This plan builds on the experiences and successes of National Grid's implementation of
2 the approved electric energy efficiency programs for all customer segments² subject to
3 the budget included in the Settlement filing of November 1, 2007, in Docket No. 3892,
4 which was approved by the Commission in Order 19179 on January 17, 2008, and the gas
5 energy efficiency programs included in the Settlement filing of April 2, 2007, in Docket
6 No. 3790, approved at the Open Meeting on May 23, 2007, and revised in a compliance
7 filing of May 31, 2007.

8
9 The Subcommittee has worked to enhance programs for customers by improving the
10 efficiency and quality of energy-efficient products, expanding services to customers,
11 integrating gas and electric energy efficiency offerings, and continuing to be involved in
12 statewide and regional initiatives.

13
14 This Plan has been developed to take the important first step toward the aim of the "The
15 Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006" to
16 secure all cost-effective energy efficiency resources that are lower cost than supply and
17 are prudent and reliable. Furthermore, this plan is designed to be consistent with the
18 "Principles of Program Design," outlined in Section 1.3A of the Commission's
19 "Standards for Energy Efficiency and Conservation Procurement". All customers will
20 have an opportunity to participate in the cost-effective³ programs and benefit from the
21 low-cost energy efficiency resource. Ramping up of program capability will be done in a
22 manner that ensures quality delivery and is economical and efficient. In addition, the
23 Parties have included an increased emphasis on services for low and moderate income
24 residential consumers as a means of helping these consumers deal with high fuel prices.

² The Commission's Standards Section 1.3.C.1 requires that the EE Program Plan "shall proceed by building upon what has been learned to date in utility program experience."

³ In accordance with the Commission's Standards Section 1.3.A.4 research and development and pilot initiatives will not be subject to individualized cost-effectiveness considerations. However, the costs of these initiatives shall be included in the assessment of portfolio level cost-effectiveness as required by Section 1.3.A.4.

1 The Parties agree that 2009, as the first year covered by the Energy Efficiency
2 Procurement Plan, is a pivotal year for advancing energy efficiency in Rhode Island.
3 While much of the increase in program savings is expected to come from meeting pent up
4 demand through expansion of ongoing program efforts, we recognize that efforts in 2009
5 must also lay the groundwork for even greater increases in energy efficiency savings and
6 program innovation in 2010 and 2011. To that end, the Company commits to continue to
7 work on an ongoing basis with the Subcommittee and members of the EERMC's
8 consulting team to explore financing, technological, marketing, integration, and
9 implementation innovations to further advance and deepen energy efficiency for its
10 customers in Rhode Island. Some of the issues this group plans to investigate in 2009
11 include workforce development (and, through it, job creation), integrated and enhanced
12 marketing, communication pathways to increase customer awareness of the enhanced
13 opportunities for energy efficiency, and ways to achieve greater energy efficiency at each
14 customer site.

15
16 In addition to laying this groundwork, this EE Program Plan differs from prior plans in
17 two key areas. The first difference is that this Plan covers both gas and electric energy
18 efficiency. Electric energy efficiency programs have been offered in Rhode Island for
19 over twenty years while natural gas efficiency programs have been offered since mid-
20 2007. Given the continuing integration of gas and electric marketing operations and the
21 Standard's Section 1.3.C.4.b requirement for "integration of electric and natural gas
22 energy efficiency implementation and delivery", this Plan combines gas and electric
23 energy efficiency programs. In order to facilitate the integration of the gas and electric
24 programs, this Program Plan contains funding and goals for the gas programs for the
25 three year period 2009-2011, similar to the timeframe covered by the Least Cost Energy
26 Efficiency Procurement Plan for electric energy efficiency programs.

27
28 The second difference is in the unprecedented level of savings National Grid proposes to
29 achieve in 2009, consistent with the objectives of Least Cost Procurement. This will
30 require development of infrastructure to meet increasing goals. It will also require

financing, programmatic, and marketing innovations to tap hard to reach market segments or segments with large savings potentials. National Grid will work with its collaborative partners—as well as learn from other best practices being used elsewhere—to develop its programs in these areas in 2009 to help meet its goals in 2009 and beyond. This is in accordance with Section 1.3.A.8 which requires “the Utility shall explore as part of its plan, new strategies to make available the capital needed to effectively overcome market barriers and implement projects that move beyond traditional financing strategies.” At the same time, since demand for energy efficiency program services continues to be strong across all sectors, National Grid is confident that it will meet the goals for 2009.

The table below summarizes the goals of this Plan. Subsequent sections highlight the details of the gas and electric programs for 2009.⁴

Table 1: 2009 Energy Efficiency Program Plan Summary

| Electric Programs by Sector | Proposed Utility Spending in 2009 (\$000) | Annual MWh Savings | Annual kW Savings | Total Benefits (\$000) | B/C Ratio | cents/ lifetime kWh |
|------------------------------------|---|----------------------------|----------------------|---------------------------|-------------|------------------------|
| Low Income Residential | \$2,628 | 1,340 | 137 | \$4,451 | 1.59 | 19.2 |
| Non-Low Income Residential | \$7,228 | 27,729 | 2,572 | \$29,857 | 3.28 | 3.4 |
| <u>Commercial and Industrial</u> | <u>\$12,962</u> | <u>50,261</u> | <u>9,764</u> | <u>\$83,094</u> | <u>3.77</u> | <u>3.4</u> |
| Subtotal | \$22,819 | 79,331 | 12,473 | \$117,402 | 3.46 | 3.6 |
| | | | | | | |
| Gas Programs by Sector | Proposed Utility Spending in 2009 (\$000) | Annual MMBtu Savings | | Total Benefits (\$000) | B/C Ratio | |
| Low Income Residential | \$1,346 | 13,690 | | \$2,488 | 1.71 | |
| Non-Low Income Residential | \$2,047 | 37,660 | | \$6,782 | 2.07 | |
| <u>Commercial and Industrial</u> | <u>\$2,555</u> | <u>89,333</u> | | <u>\$9,858</u> | <u>2.27</u> | |
| Subtotal | \$5,949 | 140,683 | | \$19,128 | 2.11 | |
| | | | | | | |
| Total for Plan | \$28,767 | | | \$136,529 | | |

Notes: (1) Electric program projections in this table vary from values included for 2009 in the Energy Efficiency Procurement Plan because this Program Plan uses an updated (lower) sales forecast resulting in

⁴ Section 1.3.B.1 requires “the Utility shall include a detailed budget for the EE Program Plan covering the annual period beginning the following January 1, that identifies the projected costs, benefits, and energy savings goals of the portfolio of each program. The budget shall identify at the portfolio level, the projected cost of efficiency resources in cents/lifetime kWh.

1 lower funding, while savings estimates incorporate the most recent evaluation results not available at the
2 time the LCP Plan was filed, resulting in greater energy savings and benefits. Together, these result in a
3 higher B/C ratio.

4 (2) Utility spending does not include customer contributions, evaluation cost, shareholder
5 incentive, and commitments

7 **II. 2009 DSM Programs**

8 The DSM programs for 2009 build on the momentum and success of prior DSM
9 programs and services, offering energy efficiency opportunities to all customer
10 segments,⁵ with a focus on providing needed services to low and moderate income
11 residential consumers as a means of reducing bills. In addition, the Company will
12 continue to integrate the delivery of electric energy efficiency programs with its natural
13 gas efficiency programs where practical. The Parties agree to the Company's 2009
14 electric and gas DSM Programs described below⁶:

16 **A. Residential Programs**

17 In 2009, the Parties agree to continue the residential programs offered in 2008.
18 The programs are summarized in Table 2 below.

20 A summary of the proposed changes in these programs from 2008 are provided in
21 Attachment 1. Descriptions of these programs are provided in Attachment 2.
22 Highlights of proposed program changes for 2009 include integration of gas and
23 electric programs and introduction of a refrigerator bounty program.

25 In order to ensure that residential customers are aware of the Company's energy
26 efficiency programs, Company staff will continue to participate in consumer

⁵ Standards Section 1.3.A.2 requires "the Utility should consistently design programs and strategies to ensure that all customers have an opportunity to benefit comprehensively, where appropriate, from expanded investments in this low-cost resource."

⁶ 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. As part of this process of identifying additional enhancements, in addition to continuing to meet with the Subcommittee, the Company has agreed to regular work sessions with the EERMC's program and policy consultants, the VEIC team.

1 education seminars sponsored by the Office of Energy Resources and/or the
 2 Community Colleges of Rhode Island (CCRI) as it has done in 2008.

3

| Table 2. Proposed Residential Energy Efficiency Programs | |
|---|--|
| EnergyWise Program (Gas and Electric) | The EnergyWise program offers single and multi-family customers free home energy audits of their homes and information on their actual electric and gas usage. Participants in this program receive recommendations and technical assistance as well as financial incentives to replace inefficient lighting fixtures, appliances, thermostats, and insulation levels with models that are more energy efficient. The program addresses baseload electric use as well as gas and electric heat in all residential buildings. |
| High-Efficiency Heating, Water Heating and Controls Program (Gas Only) | Residential customers who purchase ENERGY STAR® Heating Systems fueled by oil, or high efficiency gas or oil furnaces with high efficiency fans in their existing home are eligible to participate in this program. Incentives are also offered for ENERGY STAR® rated natural gas forced hot water boilers, ECM motors, ENERGY STAR® labeled programmable thermostats, and boiler reset controls. |
| ENERGY STAR® Homes Program (Gas and Electric) | The ENERGY STAR® Homes Program promotes the construction of energy efficient homes by offering technical and marketing assistance, as well as cash incentives to builders of new energy efficient homes that comply with the program's performance standards. |
| Single Family Low Income Services (Gas and Electric) | The low income program, marketed as the Appliance Management Program, is delivered by the State Energy Office and local Community Action agencies. It provides the same services as the EnergyWise program, described below, but no customer contribution is required for equipment installation. |
| Building Practices and Demonstration Program (Gas Only) | Participate in funding for demonstration projects that apply to new or underutilized technologies. |
| ENERGY STAR® Heating Program (Electric Only) | Homeowners purchasing or replacing an existing oil or propane heating system with a qualifying ENERGY STAR® heating system are eligible to receive a rebate to defray the cost of the higher efficiency system. Funding is provided by the Company and administered by the State Energy Office. (This program is coordinated with gas high efficiency heating program) |
| ENERGY STAR® Central Air Conditioning Program (Electric Only) | This program promotes the installation of high efficiency central air conditioners. The program provides training of contractors in installation, testing of the high efficiency systems, tiered rebates for new ENERGY STAR® systems, and incentives for checking existing systems. |
| ENERGY STAR® Lighting (Electric Only) | This is an initiative implemented jointly with other regional utilities. It provides discounts to customers for the purchase of ENERGY STAR® compact fluorescent lamps and fixtures through instant rebates, special promotions at retail stores, or a mail order catalog. |
| ENERGY STAR® Appliances (Electric Only) | Included in this initiative is the ENERGY STAR® Appliance Program which promotes the purchase of high efficiency major appliances (refrigerators, dishwashers, clothes washers, room air conditioners, and dehumidifiers) that bear the ENERGY STAR® Label. It is offered by several utilities throughout the region. |
| Information and Education (Electric Only) | The Company promotes energy education in schools through the National Energy Education Development (N.E.E.D) Program. This program provides curriculum materials and training for a comprehensive energy education program. The Company also supports the ENERGY STAR® Homes Vocational School Initiative which trains students at the nine Rhode Island Career and Technical schools to be ENERGY STAR® certified builders. |

4

Residential Low-Income Programs

The Company and Subcommittee want customers who have difficulty paying their electric bills to participate in the Company's energy efficiency programs, especially in these times of escalating energy prices. For this reason, in 2009, this segment of the customer base is being designated as a unique sector and funding for this sector will be subsidized by both non-low income residential and commercial and industrial customers using 10% of all available funding for the electric programs and 20% of all available funding for the gas programs⁷, minus commitments. This is a departure from prior years, where low income programs were funded primarily by the residential sector. As a separate sector, it will have its own savings targets for the Company to meet in order to earn a shareholder incentive. This will ensure that this group of customers is well served by the programs.

Several of the Company's proposed programs provide these customers with services that are designed to help reduce their electric bills, including the Single Family Low Income Services Program, the *EnergyWise* Program, and the ENERGY STAR[®] Homes Program. The Single Family Low Income Services Program provides qualifying low-income customers in 1-4 unit dwellings with energy efficiency services. Both low-income and non low-income residential customers receive services through the *EnergyWise* Program and the ENERGY STAR[®] Homes Program. Additional detail about the services offered to economically disadvantaged customers is set forth in Attachment 2.

⁷ While low-income customers are very sensitive to high electricity and natural gas costs, especially for space heating, a greater portion of available funding is allocated to the low-income sector for the gas energy efficiency programs because the low-income gas programs are more oriented to savings in space heating than are the electric programs. The Company will use the proposed allocation in 2009 and may reconsider the mechanism for allocating funds to the Low-Income sector in its 2010 Program Plan.

B. Commercial and Industrial Programs

In 2009, the Parties agree to continue the commercial and industrial programs offered in 2008. The programs are summarized in Table 3 below.

| Table 3. Proposed Commercial and Industrial Energy Efficiency Programs | |
|---|--|
| Small/Medium Business Program (Electric Only) | The Small/Medium Business Program provides direct installation of energy efficient lighting and non-lighting retrofit measures. Customers with average monthly demand of less than 200 kW or annual energy usage of less than 300,000 kWh are eligible to participate. The program's lighting measures are delivered through one labor and one product vendor selected through a competitive bidding process. The labor vendor performs lighting analysis, installs measures, and inputs data into a database. Refrigeration measures are performed by a different vendor. These measures include cooler door heaters, fan controls, and freezer door heater controls. The customer pays 30% of the total cost of a retrofit. This amount is discounted 15% for a lump sum payment or the customer has the option of spreading the payments over a two-year period interest free. Gas opportunities will be identified during the audit and referred for further evaluation. |
| Energy Initiative (Electric Only) | Energy Initiative is a comprehensive retrofit program designed to promote the installation of energy efficient electric equipment such as lighting, motors, and heating, ventilation and air conditioning (HVAC) systems in existing buildings. All commercial, industrial, and institutional customers are eligible to participate. The Company offers technical assistance to customers to help them identify cost-effective conservation opportunities, and pays rebates to assist in defraying part of the material and labor costs associated with the energy efficient equipment. |
| Design 2000plus (Electric Only) | <p>Promotes energy efficient design and construction practices in new and renovated commercial, industrial, and institutional buildings. The program also promotes the installation of high efficiency equipment in existing facilities during building remodeling and at the time of equipment failure and replacement. Design 2000plus is known as a lost opportunities program because a customer who does not install energy efficient equipment at the time of new construction or equipment replacement will likely never make the investment for that equipment or will make the investment at a much greater cost at a later time.</p> <p>Design 2000plus provides both technical and design assistance to help customers identify efficiency opportunities in their new building designs and to help them refine their designs to pursue these opportunities. The program also offers rebates to eliminate or significantly reduce the incremental cost of high efficiency equipment over standard efficiency equipment. Commissioning or quality assurance is also offered to ensure that the equipment and systems operate as intended.</p> |

| Table 3. Proposed Commercial and Industrial Energy Efficiency Programs | |
|---|---|
| Commercial Energy Efficiency Program (Gas Only) | Promotes energy efficient gas technologies for commercial, industrial, institutional and large multifamily buildings. Technical assistance services are provided. Gas and electric energy efficiency opportunities are addressed simultaneously through technical assistance. Prescriptive incentives are offered for more common measures such as programmable thermostats, boiler reset controls, steam trap replacements, pipe and/or duct insulation, building shell (walls, roof, floor, crawlspace) insulation, and high efficiency windows. Custom incentives are offered for unique energy efficiency opportunities and comprehensive design projects such as high performance buildings and combined heat and power projects |
| Commercial High Efficiency Heating Equipment (Gas Only) | Promotes energy efficient gas heating and domestic hot water heating equipment for commercial, industrial, institutional and large multifamily building. Prescriptive incentives are offered for energy efficient heating furnaces, boilers, infrared heaters and domestic hot water systems. |
| Comm Building Practices & Demonstration Program (Gas Only) | The purpose of the Building Practices and Demonstration Program is to establish successful applications of new or underutilized energy efficient procedures, processes, or technologies and to evaluate the possibility of introducing them into mainstream markets. |

1

2 A summary of the proposed changes in these programs from 2008 are provided in
3 Attachment 3. Descriptions of these programs are provided in Attachment 4.
4 Among the highlights of the changes are the reduction in the number of programs
5 on the gas side and the continued integration of gas and electric energy efficiency
6 in Small/Medium Business Program and in combination gas and electric audits.

7

8 In 2009, the Company intends to build on its experience promoting better energy
9 performance in commercial facilities through a number of programmatic changes.
10 The Company will continue to promote best practices in sustainable building
11 design through our Advanced Buildings program and offers a great opportunity to
12 seamlessly integrate our gas and electric energy efficiency offerings in the new
13 construction market. The Company is offering a two tiered rebate for new
14 construction projects that rewards projects that have the potential to save more
15 energy.

16

17 **Community Based Initiative**

18 The Company plans to work with community agencies on Aquidneck Island and
19 municipalities of Newport, Middletown, Portsmouth, and Jamestown, as well as

1 Naval Station -Newport, to explore potential strategies for community based
2 involvement in energy efficiency program implementation, for both residential
3 and commercial and industrial customers. This effort would leverage community
4 involvement in energy efficiency implementation combined with some targeted
5 marketing of program elements in order to assess how these may support the
6 objectives of least cost procurement. Aquidneck Island was selected for this
7 effort since it complements the targeting of this area as part of the System
8 Reliability Procurement Plan. Therefore, in addition to exploring community-
9 based implementation strategies, there may potentially be system reliability
10 benefits from increased energy efficiency in the area.
11

12 **III. Funding, Budgets, Goals, and Cost-effectiveness: Electric Programs**

13 Funding, budgets, goals, and cost-effectiveness information for the proposed electric
14 energy efficiency programs is given in Attachment 5. Table references in the following
15 sections refer to tables in Attachment 5.
16

17 **A. 2009 DSM Program Funding Sources**

18 The sources of funding for the 2009 electric DSM Programs are shown in Table
19 E-1. This funding is consistent with the funding plan contained in the LCP Plan
20 and included the following sources: (1) a statutory-based DSM charge of \$0.0032
21 per kWh (the currently approved \$0.002 per kWh plus the increased \$0.0012 per
22 kWh proposed in the Least Cost Procurement Plan filed September 2, 2008); (2)
23 interest expected to be accrued on the fund balance during the year due to timing
24 differences for collections compared to expenditures; (3) funds expected to be
25 received from Small Business Program co-payments⁸ and from large Commercial
26 and Industrial technical assistance co-payments⁹ in 2009; (4) Large C&I

⁸ 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 2008.

⁹ 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

1 commitments from 2008¹⁰; (5) carryover of the 2008 fund balance, if any, and (6)
2 revenue generated by programs' demand savings during the transition period
3 leading up to the start of ISO-New England's (ISO-NE) Forward Capacity Market
4 (FCM), as explained below. The projected funding amounts are also shown in
5 Table E-1.

6
7 As shown in Table E-1, the Company currently projects that the fund balance at
8 year end 2008 will be (\$125,600). This negative fund balance indicates that
9 funding sources in 2008 are expected to be slightly below levels projected when
10 the 2008 Settlement filing was prepared.

11
12 The projected 2009 budget for DSM programs is dependent on a number of
13 projections that inform the amount of funding, including projections of kWh sales
14 of electricity, year-end 2008 large commercial and industrial program
15 commitments, transition period capacity payments received from ISO-NE, and a
16 projection of year-end 2008 spending. With a November 2008 filing date for this
17 Plan, the Company believes it has a good understanding of expected year-end
18 spending and commitments as it develops a projection of available funding for the
19 coming year.

20 21 **B. Transferring of Funds**

22 The Parties will regularly review the amount of funds needed and available for
23 each program (as well as any changes to the overall fund balance, as discussed in
24 Section III.A above) and will transfer monies as needed. The Parties propose to
25 use the same methodology that has been used since 2001 for the transfer of funds
26 from one program to another, or from one sector to another, with one change to

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 2008.

¹⁰ 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 establish transfer approval requirements for transfers between small and large
2 business programs.¹¹ Transfers during the program year may occur as follows:

3 1. Transfers within a Sector:

4 a) For transfers of less than 10% of the originating program's
5 budget, the Company can transfer funds from one program to
6 another program within the same sector without prior approval
7 of the Division.

8 b) For transfers of 10% or more of the originating program's
9 budget, the Company can transfer funds from one program to
10 another program within the same sector with prior approval of
11 the Division.

12 c) For any transfers in the Commercial and Industrial Sector
13 between large commercial and industrial programs (Design
14 2000*plus* and Energy Initiative) and Small/Medium Business
15 Services programs, Division approval is required. In addition,
16 if a transfer would reduce the originating program's budget by
17 more than 20% in aggregate (over the course of the program
18 year), the transfer would require Commission approval as well.

19 2. Transfers between Sectors. The Company can transfer funds from one
20 sector to another sector with prior approval of the Division. If a
21 transfer would reduce the originating sector's budget by more than
22 20% in aggregate (over the course of the program year), the transfer
23 would require Commission approval as well.

24
25 For transfers requiring Division, but not Commission, approval, the Parties will
26 inform the Commission about all the transfers, both between sectors and within
27 sectors, in a timely fashion. The Company will not be permitted to adjust its goals

¹¹ In prior years, small and large business program were in separate sectors. They are being combined into a single Commercial and Industrial sector in 2009 to better align with implementation objectives. However, Parties wanted to treat them separately for the purposes of budget transfers.

1 or incentive target calculations for any transfers between sector budgets except as
2 described in Section IV.A above.

3
4 **C. ISO-NE Capacity Market Revenue**

5 Consistent with the Commission's Standards for Energy Efficiency and
6 Conservation Procurement, the Energy Efficiency Procurement Plan, and
7 Commission decisions in Dockets 3779 and 3892, the Company and the Parties
8 recommend that kW demand savings achieved via the electric energy efficiency
9 programs continue to be reported by the Company to ISO-NE as Other Demand
10 Resources (ODR) during the transition period through 2009. All ISO-NE
11 capacity payments received will be used to supplement the energy efficiency
12 program budgets. FCM payments in Table E-1 are projected transition period
13 capacity payments from measures installed through the Company's programs
14 from June 16, 2006 through November 30, 2009¹².

15
16 The Parties fully agree that the Company should recover all prudently incurred
17 FCM expenses from ISO-NE capacity payment revenue generated by the demand
18 savings from efficiency programs represented by the Company. The Company
19 expects that capacity payments received from the ISO-NE will exceed its
20 administrative and M&V compliance costs of participation in the FCM and will
21 result in additional funds being made available to fund efficiency programs for
22 customers. If these participation costs exceed the capacity payments, the Parties
23 agree that the Company may recover its prudently incurred costs from the energy
24 efficiency program fund. (The Parties reserve the right to examine the actions and
25 expenses of the Company to ensure that only prudently incurred expenses are
26 deducted from ISO-NE capacity payments or the energy efficiency program
27 fund.)

¹² According to transition period rules, demand savings for a month is based on the performance of measures installed through the end of the prior month. Therefore, December 2008 savings will be based on measures installed through the end of November.

1
2 In addition, as part of the FCM, all qualified auction participants are required to
3 post Financial Assurance to provide security that the promised resource will
4 deliver the promised MW at the promised time.¹³ If, as a result of circumstances
5 beyond the control of the Company¹⁴, the Company is unable to provide all or a
6 portion of the megawatts of capacity proposed in its qualification packages and
7 capacity auction bids, some or all of the financial assurance monies would be
8 forfeited. Accordingly, the Parties agree that the Company should recover all
9 prudently incurred Financial Assurance expenses from ISO-NE capacity
10 payments generated by the demand savings represented by the Company or the
11 energy efficiency program fund¹⁵, similar to the procedures described above for
12 administrative and M&V compliance costs.

13 14 **D. Budgets**

15 The Parties agree that the portfolio of DSM programs and services for 2008 will
16 have an overall projected budget of approximately \$32.4 million. The Parties
17 agree to segment the budget into three sectors: residential low income, residential
18 non-low income, and commercial and industrial. Proposed sector and program
19 budgets are provided in Table E-2. A comparison of these proposed budgets to
20 the 2008 budget is provided in Table E-3. As seen in this table, funding for all
21 electric programs are proposed to increase significantly over 2008, consistent with
22 the objectives of least cost energy efficiency procurement as the efficiency
23 resource is 3.6 cents/lifetime kWh versus 12.4 cents/kWh for electric supply.

¹³ Since the Company was able to qualify its bid as an existing resource rather than a new resource (because of its activity during the transition period), ISO-NE has notified the Company that it will not be required to post security for Forward Capacity Auction 1. However, the Company will be required to post security for all future capacity auctions.

¹⁴ Such circumstances may include legislative action to alter the DSM charge or discontinue the Company's authority to implement the energy efficiency programs underlying the Qualifications Package, or a Commission decision limiting the Company's role in bidding the demand savings acquired through program efforts into the FCM.

¹⁵ Beginning in 2009, the Company plans to propose setting aside a small portion of the program budget as a contingency fund to cover future Financial Assurance claims that result from the Company's inability to meet its obligation to deliver demand savings due to circumstances beyond its control.

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

8

9 **E. Cost-Effectiveness**

10 The Company has projected cost-effectiveness for the proposed 2008 programs
11 using the Total Resource Cost (“TRC”) test. The use of this test was required by
12 the Commission’s Standards for Energy Efficiency and Conservation
13 Procurement.¹⁶ The TRC test requires that the total lifetime savings from the
14 efficiency measures will exceed the total costs of the measures (i.e., program and
15 customers costs).

16

17 As is customary in a TRC test, the value of other resource benefits is included in
18 the analysis of expected benefits from program efforts. In this case, the other
19 resource benefits include expected fuel and water savings that are incremental to
20 the electricity savings expected through the electric efficiency programs.

21

22 Table E-4 provides the calculation of 2009 program year cost-effectiveness.
23 Table E-5 shows the goals based on the proposed budgets. Table E-6 shows a
24 comparison of the goals with the approved program goals for 2008. Table E-4
25 shows that the proposed portfolio of programs is expected to have a benefit/cost
26 ratio of 3.46 which means that \$3.46 in benefits is expected to be created for each
27 \$1 invested in the programs. This increase in efficiency investment moves

¹⁶ In prior years, the Utility Cost Test was used.

1 towards a level that is closer to acquiring all energy efficiency resources that are
2 lower cost than supply.

3
4 The cost-effectiveness analyses of the proposed programs use avoided energy
5 supply costs that were developed by Synapse Energy Economics as part of a 2007
6 study that was sponsored by all electric DSM program administrators in New
7 England, as well as some gas program administrators. They reflect current and
8 expected market conditions and are highly influenced by the increasing cost of
9 fossil fuels and expectations about ISO-NE's emerging forward capacity market.
10 Company-specific transmission and distribution capacity values have also been
11 updated to reflect recent data on costs and peak loads. These are the same
12 avoided energy supply costs that were used for the 2008 programs, escalated by
13 one year. The avoided costs used for 2009 are shown in Table E-7.

14
15 The avoided costs include the demand reduction induced price effect (DRIPE)
16 benefits that are projected to result from the installation of energy efficiency
17 measures in 2009. These benefits occur when the retail price of electricity is
18 reduced as a result of the reduced long term demand for electricity stemming from
19 the installation of energy efficiency measures. Some amount of DRIPE benefits
20 have been counted in Rhode Island since 2006. While some Collaborative
21 members have expressed concern about whether DRIPE represents a real benefit
22 to Rhode Island consumers, the Parties have agreed to include DRIPE in value
23 and cost effectiveness calculations for energy efficiency programs in 2009.

24 25 **IV. Funding, Budgets, Goals, and Cost-effectiveness: Gas Programs**

26 Funding, budgets, goals, and cost-effectiveness information for the proposed electric
27 energy efficiency programs is given in Attachment 6. Table references in the following
28 sections refer to tables in Attachment 6.

1 **A. 2009 DSM Program Funding Sources**

2 The sources of funding for the 2009 gas DSM Programs are shown in Table G-1.
3 The Parties agree that the 2009 budget should continue to be funded from the
4 following sources: (1) the statutory-based DSM charge of \$0.15 per dekatherm;
5 (2) interest expected to be accrued on the fund balance during the year due to
6 timing differences for collections compared to expenditures; (3) Large C&I
7 commitments from 2008¹⁷; and (4) carryover of the 2008 fund balance, if any.
8 The projected funding amounts are also shown in Table G-1

9
10 As shown in Table G-1, the Company currently projects that the fund balance at
11 year end 2008 will be \$1,673,200. This indicates that participation in the
12 programs since their inception was slower in developing than anticipated.

13
14 The projected 2009 budget for DSM programs is dependent on a number of
15 projections that inform the amount of funding, including projections of sales of
16 natural gas, year-end 2008 large commercial and industrial program
17 commitments, and a projection of year-end 2008 spending. With a November
18 filing date for this Settlement, the Company believes it has a good understanding
19 of expected year-end spending and commitments as it develops a projection of
20 available funding for the coming year.

21
22 Table G-1 also shows projected funding for 2010 and 2011. As seen in the Table,
23 the company plans to level fund the gas energy efficiency programs in those
24 years, at the full statutory-based DSM charge of \$0.15 per dekatherm. The
25 available funding declines over the three year period chiefly due to the
26 commitments budget. The large commitments budget for each year was set to
27 effectively manage the large commercial and industrial fund balance projected for

¹⁷ 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 year end 2008 in a way that would result in level implementation funding for the
2 large C&I programs over the three year period.

3

4 **B. Exceptions to the Energy Efficiency Surcharge**

5 1. The Parties agree that gas used for distributed generation (excluding
6 natural gas used by emergency generators) will not be subject to the
7 energy efficiency surcharge when gas used for that purpose can be clearly
8 identified through uniquely metered use and when so requested in writing
9 by the customer.

10

11 2. The 2006 Act allows the Commission to exempt gas used for
12 manufacturing processes from the energy efficiency surcharge where the
13 customer has established a self-directed program to invest in and achieve
14 best effective energy efficiency in accordance with a plan approved by the
15 Commission and subject to periodic review and approval by the
16 Commission. Consistent with prior Commission decisions, the Parties
17 have developed recommendations for a process whereby a manufacturer
18 who so chooses may submit its self-directed program and the required
19 annual reports for approval. The Parties recognize that this process may
20 need to be reviewed and modified after the Commission has accumulated
21 sufficient experience with these programs.

22

23 **C. Transferring of Funds**

24 The Parties will regularly review the amount of funds needed and available for
25 each program and will transfer monies as needed. The Parties propose to use the
26 same rules that are proposed regarding transfers in the electric programs, with the
27 exception that there are no distinct large business and small business programs
28 and, therefore, no applicable transfer rules. Transfers during the program year
29 may occur as follows:

1. Transfers within a Sector:

a) For transfers of less than 10% of the originating program's budget, the Company can transfer funds from one program to another program within the same sector without prior approval of the Division.

b) For transfers of 10% or more of the originating program's budget, the Company can transfer funds from one program to another program within the same sector with prior approval of the Division.

2) Transfers between Sectors. The Company can transfer funds from one sector to another sector with prior approval of the Division. If a transfer would reduce the originating sector's budget by more than 20% in aggregate (over the course of the program year), the transfer would require Commission approval as well

For transfers requiring Division, but not Commission, approval, the Parties will inform the Commission about all the transfers, both between sectors and within sectors, in a timely fashion. The Company will not be permitted to adjust its goals or incentive target calculations for any transfers between sector budgets.

D. Budgets

The Parties agree that the portfolio of gas DSM programs and services for 2008 will have an overall projected budget of approximately \$9.1 million. The Parties agree to segment the budget into three sectors: low-income residential, non-low income residential, and commercial and industrial. Proposed sector and program budgets are provided in Table G-2. A comparison of these proposed budgets to the 2007-08 budget filed with the Commission is also provided in Table G-3.

1 The Parties agree that the Company should make every attempt to spend or
2 commit all the funds available for gas DSM in the year, including any increases in
3 the fund balance due to increased sales or other factors. The Parties also agree to
4 review the status of program budgets regularly to assess whether they are likely to
5 come to a successful completion. If not, the Parties agree to review the
6 advisability of transferring funds to other programs where the money could be
7 more effectively used.

8
9 **E. Cost-Effectiveness**

10 The Company proposes to use the Total Resource Cost Test for determining the
11 cost effectiveness of the 2009 gas energy efficiency programs. This would treat
12 gas and electric programs comparably and contribute to the Standards for Energy
13 Efficiency and Conservation Procurement's requirement for program integration.
14 The TRC test requires that the total lifetime savings from the efficiency measures
15 will exceed the total costs of the measures (i.e., program and customers costs).

16 As is customary in a TRC test, the value of other resource benefits is included in
17 the analysis of expected benefits from program efforts. In this case, the other
18 resource benefits include expected fuel and water savings that are incremental to
19 the electricity savings expected through the electric efficiency programs.

20
21 Table G-4 provides the calculation of 2008 program year cost-effectiveness.
22 Table G-5 shows the benefits and goals based on the proposed budgets. Table G-
23 6 shows a comparison of the goals with the approved program goals for 2007-08,
24 annualized to allow for an effective comparison. Table G-4 shows that the
25 proposed portfolio of programs is expected to have a benefit/cost ratio of 1.80
26 which means that \$1.80 in benefits is expected to be created for each \$1 invested
27 in the programs.

1 The cost-effectiveness analyses of the proposed programs use the avoided energy
2 supply costs developed by Synapse Energy Economics as part of a 2007 study
3 that was sponsored by all electric DSM program administrators in New England,
4 as well as some gas program administrators. They reflect current and expected
5 market conditions and are highly influenced by the increasing cost of fossil fuels.
6 The avoided gas costs are shown in Table G-7.

7

8 Table G-8 shows a summary of the projected benefits and costs for the three year
9 gas program planning horizon. The second and third year of the planning horizon
10 are very similar to 2009 because of the assumption of level funding.

11

12 **V. Measurement and Verification Plan**

13

14 The Measurement and Verification Plan for 2009 is presented in tabular form in
15 Attachment 7. The areas proposed for study in 2009 have been chosen based on a
16 number of factors: the relative amount of savings in that program or end use, the vintage
17 of the most recent evaluation study, the relative precision of the recent evaluation study,
18 the available evaluation budget. In addition, some new program areas are designated for
19 both impact (savings) and process evaluations. This list may be added to as the year
20 progresses and different evaluation priorities are identified. In particular, the parties will
21 consider adding Rhode Island-specific impact or process evaluations, as appropriate, that
22 will help inform the Company's efforts towards achieving the goals of least cost
23 procurement.

24

25 **VI. Reporting Obligations**

26

A. Summary of Reporting Obligations

27

1. During 2009, the Company will provide quarterly reports to the
28 EERMC, the Division and the Commission on the most currently
29 available program performance for both gas and electric efficiency
30 programs. These reports will include a comparison of budgets and

goals by program to actual expenses and savings on a year-to-date basis, as well as information about the number of customers who may be waiting for energy efficiency program services.

2. The Company will provide to the Parties and file with the Commission its 2009 Year-End Report no later than May 31, 2010.

3. The Company will provide to the Parties a summary of evaluation results together with a memorandum summarizing the impact of those results on the Company's 2008 programs no later than September 30, 2009.

4. The Company will file with the Commission updated savings goals and metric targets for 2009, reflecting the results of completed evaluation studies, no later than September 30, 2009.

5. The Company will report on 2009 metric results, achieved gas and electric energy savings in 2009, and earned incentives in its Year-End Report for 2009, to be filed no later than May 31, 2010

VII. Incentive

The proposed shareholder incentive mechanism applicable to Company DSM efforts in 2009 follows the incentive mechanism applicable to the 2008 electric energy efficiency programs in Docket No. 3892 and the 2007-08 gas efficiency programs in Docket No. 3790.

For electric programs, the shareholder incentive mechanism will continue to include two components: (1) kWh savings targets by sector and (2) performance-based metrics. For gas programs, the incentive will be based on MMBtu savings alone.

A. kWh Savings

The Parties have agreed to retain a target incentive rate of 4.40% in 2009 applied to the eligible spending budget for 2009. The projected spending budget for 2009 is approximately \$23.5 million (see Table E-8). The total target incentive for 2009 is 4.40% of the approved spending budget, or approximately \$1.036 million (see Table E-9). Of this total, \$150,000 will be the target incentive for the performance-based metrics and the remainder will be for the kWh savings target.

The threshold performance level for energy savings by sector will remain at 60% of the annual energy savings goal for the sector. The Company must attain at least this threshold level of savings in the sector before it can earn an incentive related to achieved energy savings in the sector. The Company will have the ability to earn an incentive for each kWh saved, once threshold savings for the sector are achieved, up to 125% of target savings. The incentive per kWh saved by sector is provided in Table E-9.

The incentive cap on energy savings will be equal to 125% of the target incentive amount for energy savings. If the Company achieves this level of exemplary performance, Rhode Island consumers will realize additional savings. Given budget control requirements, this will provide the Company with an incentive to improve the efficiency of its program implementation efforts while providing Rhode Island consumers with value in excess of the incremental incentive that may be earned by the Company. That is, the Company will have an incentive to increase consumers' savings and consumers will realize 95.6% of the savings originally and then all of the savings after the incentive cap is reached.

Table E-8 provides the derivation of the eligible spending budget that is used to determine the amount of the incentive that the Company may earn if it is successful in achieving its goals for both energy savings and performance metrics.

1 Table E-9 provides a summary of the incentive related to performance metrics and
2 the incentive related to annual energy savings goals by sector. Energy savings
3 goals by sector reflect the expected cost of savings in each sector informed by
4 evaluation studies and have been adjusted to take into account changing rebate
5 policies and the changing market being served. These goals have been carefully
6 reviewed by the Collaborative to ensure that they represent reasonable and
7 challenging goals for the year.

8

9 There are two circumstances that would necessitate the recalculation of the
10 threshold, calculated cap, and incentive for a particular sector.

- 11 1. If the assumptions used to develop savings goals change as a result of
12 evaluation studies completed by September 30, 2009, the Company
13 will recalculate savings goals to account for those evaluation findings
14 and will report actual savings on the same basis.
- 15 2. If the actual spending in a sector at year end is greater than or less than
16 the spending budget by more than five percent, the savings goal for
17 that sector will be adjusted by the ratio of actual spending to the
18 spending budget.

19

20 None of these changes will affect the target incentive dollars associated with
21 performance metrics. The Company will report program results compared to
22 these revised budgets and goals in its Year-End Report regarding 2009 DSM
23 Program efforts.

24

25 **B. MMBtu Savings**

26 For gas efficiency programs, the proposed target incentive is equal to 4.40% of
27 the eligible budget. The eligible budget includes all program expenses shown in
28 Table G-2, except for the commitments budget and the amount budgeted for the

1 target shareholder incentive. Therefore, the total target incentive for 2007 - 2008
2 is 4.40% of approximately \$6.2 million, or \$267,000, as shown in Table G-9.

3
4 The threshold performance level for energy savings by sector will be set at 60%
5 of the annual energy savings goal for the sector. The Company must attain at
6 least this threshold level of savings in the sector before it can earn an incentive
7 related to achieved energy savings in the sector. The Company will have the
8 ability to earn an incentive for each MMBTU saved, once threshold savings for
9 the sector are achieved, up to 100% of the target savings. The incentive per
10 MMBTU saved by sector is provided in Table G-8.

11
12 Energy savings goals by sector reflect the expected cost of savings in each sector
13 informed by results achieved by other gas EE providers in other New England
14 jurisdictions. These goals have been carefully reviewed by the Collaborative to
15 ensure that they represent reasonable goals for the year.

16
17 The threshold, calculated cap, and incentive for a particular sector will be
18 recalculated if the assumptions used to develop savings goals change because of
19 completed evaluation studies. If that occurs, the Company will recalculate
20 savings goals to account for those evaluation findings and will report actual
21 savings on the same basis. The Company will report final program results
22 compared to these revised budgets and goals in its May 31, 2010, Report
23 regarding 2009 Gas Energy Efficiency Program efforts.

24 25 **C. Electric Program Performance Metrics**

26 The Parties have agreed to the inclusion of five performance-based metrics for
27 2009. These metrics include two that relate to the Non-Low Income Residential
28 sector and three that relate to the Commercial and Industrial sector. Each of the
29 proposed performance-based metrics is described in Attachment 6. The Parties

1 agree that the Company will have the ability to earn \$30,000 for each
2 performance metric it successfully achieves in 2009 with an opportunity to earn a
3 portion of the incentive for partially achieving goals for three of the metrics as
4 shown in Attachment 6. The total potential incentive for performance metrics is
5 capped at \$150,000.

6
7 Attachment 8 includes a framework for establishing the goals for the proposed
8 metrics based on currently available information. As detailed in Attachment 6,
9 the Company, with agreement of the Parties, will file with the Commission no
10 later than September 30, 2009, a supplement to this Settlement that provides final
11 goals for each metric. Finalizing the numeric performance targets at a later date
12 will have no impact on the shareholder incentives established for these
13 performance-based metrics. If the Parties are unable to reach agreement about the
14 specific performance goals, the Company reserves the right to file recommended
15 goals with the Commission for its approval by September 30, 2009.

16 17 **VIII. Miscellaneous Provisions**

18 **A. Other Miscellaneous Provisions**

- 19 1. Other than as expressly stated herein, this Settlement establishes no
20 principles and shall not be deemed to foreclose any Party from
21 making any contention in future proceeding or investigation.
- 22 2. This Settlement is the product of settlement negotiations. The
23 content of those negotiations is privileged and all offers of settlement
24 shall be without prejudice to the position of any Party.
- 25 3. Other than as expressly stated herein, the approval of this Settlement
26 by the Commission shall not in any respect constitute a
27 determination as to the merits of any issue in any other proceeding.
- 28 4. The Parties agree that the Subcommittee shall meet no less than six
29 times in 2009 to review the status and performance of the

1 Company's 2009 DSM programs and advise on potential energy
2 efficiency programs for 2010.

3
4 The Parties respectfully request the Commission approve this Stipulation and Settlement
5 as a final resolution of all issues in this proceeding.

6
7 Respectfully submitted,

8 THE NARRAGANSETT ELECTRIC COMPANY D/B/A
9 NATIONAL GRID

A handwritten signature in blue ink, appearing to read "T. Teehan".

10
11 _____
12 Thomas Teehan, Esq.

Date

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1 RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND
2 CARRIERS

3 William K. Lueker 11/7/2008
4

5 By its Attorney

Date

6 William K. Lueker, Special Assistant Attorney General

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THE ENERGY COUNCIL OF RHODE ISLAND

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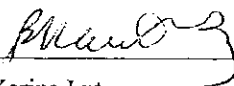
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ENERGY CONSUMERS ALLIANCE OF NEW ENGLAND
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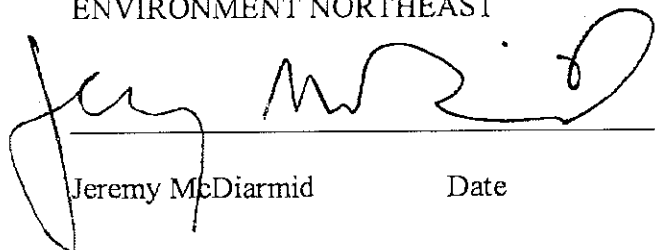
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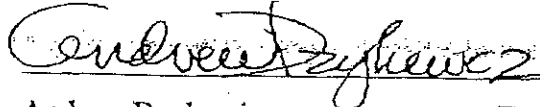
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Jeremy McDiarmid

Date

THE RHODE ISLAND OFFICE OF ENERGY RESOURCES


Andrew Dzykewicz Date 11/07/08

**SUMMARY OF PROPOSED CHANGES TO
RESIDENTIAL PROGRAMS FOR 2009**

| Program | Changes |
|--------------------------|---|
| EnergyWise | <ul style="list-style-type: none">• Approved contractor list to customers for air sealing and insulation work.• Site assessments can be charged to gas or electric budgets• Additional/on going BPI training• Incentives for weatherization measures installed in gas and electrically heated home and facilities have been standardized to 50% up to \$1500 per gas or electric heating account for insulation, duct insulation and duct sealing. The Company will pay 100% of the cost of air sealing in these facilities. The participant will be responsible for paying 100% of any required attic/building ventilation as required by code when insulation and air sealing are installed. |
| Low Income Services | <ul style="list-style-type: none">• Combine the Electric and Gas Low Income Services Programs• Significantly increase frequency of CFLs installed in each home by changing hours of use criteria for existing lights |
| ENERGY STAR®® Appliances | <ul style="list-style-type: none">• Remove the ENERGY STAR® Clothes Washer Rebate• Add a \$50 refrigerator retail rebate for a limited time• Implement a second refrigerator bounty Program• Add rebates of \$250 for pool pump replacement and to• Add \$10 rebates for electronics and Smart Strips. |
| High Efficiency Heating | <ul style="list-style-type: none">• Combine gas and electric programs.• Adjust incentive levels• A \$50 rebate for stand alone water heater tanks with an energy factor of 0.62 or greater |

THE NARRAGANSETT ELECTRIC COMPANY**d/b/a National Grid****R.I.P.U.C. Docket No. 4000****Attachment 1****Page 2 of 2**

| Program | Changes |
|---|---|
| COOL SMART ENERGY STAR® Central Air Conditioning and Heat Pumps | <ul style="list-style-type: none">• Add ENERGY STAR®• Quality Installation verification for replacement systems including systems replaced within the past 3 years with an Environmental Protection Agency (EPA) certificate and \$100 customer incentive through participating contractors. The EPA requires sizing, duct sealing, and airflow and charge adjustments to specific American National Standards Institute/Air Conditioning Contractors of America (ACCA) standards.• If duct modifications (i.e., adding return ducts and/or turning vanes) are needed to meet airflow requirements, contractors may receive an additional \$400 incentive.• Replacement of the minimum standard for eligible equipment with the new ENERGY STAR® standards described above for the \$300 incentive as of April 1, 2009.• Add a \$400 customer incentive for higher CEE-tier 2 equipment (SEER of 15, EER of 12.5 or higher)• Add a \$500 customer incentive for a SEER of 14.5 or greater, and HSPF of 8.2 for split ductless air conditioning or air-to-air heat pump systems with inverter technology• A \$200 customer incentive and a \$100 contractor incentive when sizing is completed for 2009 ENERGY STAR® or CEE-tier 2 equipment• Increase downsizing incentive to \$500 per ½ ton split 50/50 between customer and contractor. |
| ENERGY STAR® Lighting | <ul style="list-style-type: none">• Add a \$30 rebate for LED lighting• Add a \$25 rebate for higher end lighting fixtures• Increase CFL and mercury recycling efforts |
| Energy Efficiency Educational Programs | <ul style="list-style-type: none">• No Changes |
| ENERGY STAR® Homes | <ul style="list-style-type: none">• No changes |
| Building Practices and Demonstration | <ul style="list-style-type: none">• No changes |

2009 RESIDENTIAL PROGRAMS

The Company proposes a comprehensive set of residential energy efficiency programs for implementation in 2009. Proposed program changes for 2009 are summarized in Attachment 1. The depth of the programs will significantly expand for 2009. Paramount to this are two objectives: 1) ensuring that the programs are capable of ramping up energy savings in order to address the goal of least cost procurement and 2) integrating the gas and electric programs so that delivery will be seamless to customers.

Residential Programs

The Company is proposing to implement a broad range of gas and electric energy efficiency programs for its residential customers. Wherever possible the gas and electric programs will be combined but funded by separate budgets. These programs are designed to provide energy efficiency opportunities to the diverse segments of residential customers in the state, including homeowners and renters, low-income and moderate income consumers, and those constructing new homes. These programs all include a component of consumer education to help the customer to better understand how to control and manage energy costs. The Company will continue to monitor national and regional initiatives for future consideration in our programs.

A brief description of each proposed residential program is provided in the following table. The Residential programs planned for implementation in 2009 are described in further detail following the table.

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a National Grid
R.I.P.U.C. Docket No. 4000
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1

| Table 1. Proposed Residential Energy Efficiency Programs | |
|--|--|
| EnergyWise Program (Funded by Gas and Electric) | The EnergyWise program offers single and multi-family customers free home energy audits of their homes and information on their actual electric and gas usage. Participants in this program receive recommendations and technical assistance as well as financial incentives to replace inefficient lighting fixtures, appliances, thermostats, and insulation levels with models that are more energy efficient. The program addresses baseload electric use as well as gas and electric heat in all residential buildings. |
| High-Efficiency Heating, Water Heating and Controls Program (Funded by Gas Only) | \$1000 incentive for ENERGY STAR [®] labeled boilers (90% AFUE), \$500 incentive for ENERGY STAR [®] labeled boilers (85% AFUE), (the incentive is awarded based on AFUE, not solely the ENERGY STAR [®] label) \$200 incentive for steam boilers (with electronic ignition, 82% AFUE), \$400 ¹ incentive for high efficiency furnaces (92% AFUE) with ECM Motor or equivalent and \$100 incentive on furnaces (92% AFUE). Incentives are also offered for ENERGY STAR [®] rated natural gas forced hot water boilers, ECM motors, ENERGY STAR [®] labeled programmable thermostats, and boiler reset controls. Incentives are also available for high efficiency gas water heaters. |
| ENERGY STAR[®] Heating Program (Funded by Electric Only) | Homeowners purchasing or replacing an existing oil or propane heating system with a qualifying heating system are eligible to receive a \$200 rebate to defray the cost of the higher efficiency system. A rebate is also available for high efficiency fans for gas or oil furnaces. (The incentive is awarded based on AFUE, not solely the ENERGY STAR [®] label.) (This program is coordinated with gas high efficiency heating program) |
| ENERGY STAR[®] Homes Program (Funded by Gas and Electric) | The ENERGY STAR [®] Homes Program promotes the construction of energy efficient homes by offering technical and marketing assistance, as well as cash incentives to builders of new energy efficient homes that comply with the program's performance standards. |
| Single Family Low Income Services Funded by Gas and Electric) | The low income program, marketed as the Appliance Management Program, is delivered by the Office Energy Resources and local Community Action agencies. It provides the same services as the EnergyWise program, described below, except it also addresses oil heat in all residential buildings and no customer contribution is required for equipment installation. |
| Building Practices and Demonstration Program (Funded by Gas Only) | Participate in funding for demonstration projects that apply to new or underutilized technologies. |
| ENERGY STAR[®] Central Air Conditioning Program (Funded by Electric Only) | This program promotes the installation of high efficiency central air conditioners. The program provides training of contractors in installation, testing of the high efficiency systems, tiered rebates for new ENERGY STAR [®] systems, and incentives for checking new and existing systems. |
| ENERGY STAR[®] Lighting (Funded by Electric Only) | This is an initiative implemented jointly with other regional utilities. It provides discounts to customers for the purchase of ENERGY STAR [®] compact fluorescent lamps and fixtures through instant rebates, special promotions at retail stores, or a mail order catalog. |
| ENERGY STAR[®] Appliances (Funded by Electric Only) | Included in this initiative is the ENERGY STAR [®] Appliance Program which promotes the purchase of high efficiency major appliances (refrigerators, dishwashers, clothes washers, room air conditioners, and dehumidifiers) that bear the ENERGY STAR [®] Label. It is offered by several utilities throughout the region. |

¹ \$200 of this incentive will be funded through the ENERGY STAR[®] heating program.

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| Table 1. Proposed Residential Energy Efficiency Programs | |
|---|--|
| Information and Education (Funded by Electric Only) | The Company promotes energy education in schools through the National Energy Education Development (N.E.E.D) Program. This program provides curriculum materials and training for a comprehensive energy education program. The Company also supports the ENERGY STAR [®] Homes Vocational School Initiative which trains students at the nine Rhode Island Career and Technical schools to be ENERGY STAR [®] certified builders. |

1

2

3

Additional details about each proposed program are provided below.

4

5 **1. EnergyWise Program (Gas and Electric)**

6 **Overview**

7 First offered in 1998, this program provides efficiency improvements in existing
8 multifamily and single-family homes to the customer of record. The program provides a
9 free comprehensive assessment of a customer's energy use and recommends various
10 ways customers can improve their home's energy electric and gas efficiency. These
11 assessments will be funded by either gas or electric energy efficiency funds. The
12 EnergyWise program seeks to encourage program participants to install cost-effective
13 recommended improvements. Beginning with the audit itself, the process is designed to
14 continually reinforce the benefits and convenience of implementing recommended
15 measures.

16

17 An important element of this strategy is follow-up contact with program participants,
18 since most do not enter into agreements to proceed with installations at the time of their
19 audit. Each audit staffperson maintains records on each participant where the results of
20 such contacts are noted. These logs are frequently referenced, especially when a program
21 offering or market conditions change that would lead the staff person to believe that a
22 past participant may be interested in moving forward in light of the changed conditions or
23 offerings.

24

Participants in this program receive financial incentives for cost effective measures to replace inefficient lighting fixtures and lamps, appliances, thermostats, and insulation levels with models that are more energy efficient. Customers will also receive the free installation of water saving devices (low flow showerheads and aerators) for water heated by gas and electric.

For 2009, the Company proposes to implement a new delivery mechanism for 1- 4 unit homes heated with gas and electric. Customers in eligible homes who participate in *EnergyWise* will be able to select an approved contractor to complete their air sealing and insulation work. The Company will monitor these contractors to determine if they have advanced enough technically to begin to expand their roles in future years. To assist in this transformation, the Company will also work with these contractors to determine the possibility of offering those who are interested more advanced BPI training as described below.

To be eligible for an incentive, a National Grid pre-qualified contractor must be chosen to install program measures. Contractors wishing to become pre-qualified must provide proof of insurance in amounts and coverage acceptable to National Grid. National Grid will perform a background check to verify the contractor's good standing, and to determine if there have been complaints or other issues that would render the contractor ineligible.

Additionally, the contractor must meet other requirements including certification or accreditation by the Building Performance Institute (BPI). BPI credentialed companies are trained to take into account the complex interactions that affect health, safety, comfort, energy performance, and the durability of homes. BPI standards include

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1 comprehensive diagnostic testing, measurement and verification that the work is
2 completed properly, and quality assurance. The Company has reached out to the
3 contractor community and has provided training and assistance in purchasing diagnostic
4 equipment. Additional quality control will be required as contractors begin working with
5 the program, including third party verification. In the interest of achieving high quality
6 installations, the Company, subject to contract terms and available trained personnel, will
7 work toward a system where, when verification is done, the contractor that does the
8 installation is from a different organization than the contractor doing the verification.

9
10 It will be the responsibility of the installation contractor to complete and submit all
11 Company required data with proper supporting documentation. Do-it-yourself work will
12 not be permitted through the program. Work completed through the program must meet
13 all applicable state and local code requirements. It is anticipated that all measures
14 installed will meet ENERGY STAR[®] guidelines, where applicable.

15
16 For the most recent calendar year that data is available, 21% of all households that were
17 audited in 2007 contracted directly with the program implementation contractor to make
18 efficiency improvements. This does not include measures that were recommended but
19 for which the customer arranged for installation through other vendors than the program
20 implementation contractor. The Company may conduct a process evaluation of the
21 EnergyWise program in 2009 to determine ways to increase customer follow-through on
22 audit recommendations.

23
24 **Eligible Population**

25 All residential customers in 1-4 unit buildings are eligible to participate. Multifamily
26 facilities of five or more units are eligible if they have not previously participated in the

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1 program in the past five years. The Company proposes to serve 8,437 gas and electric
2 customers (dwelling units) through the EnergyWise program in 2009.

3
4 **Program Design**

5 The program will provide incentives covering up to 50% of the cost of installing certain
6 weatherization measures in electric and gas heating single family (1 to 4 dwelling units)
7 homes and multifamily facilities of 5 or greater dwelling units. In 2009, the incentive
8 structure will be the same whether a facility is gas-heated or electric-heated. The
9 maximum incentive offered through this program is \$1,500 per gas or electric heating
10 account. Measures eligible for this incentive through the program include: attic
11 insulation, wall insulation, basement/crawl space insulation, rim joist insulation, duct
12 insulation, gas heating system pipe insulation, ductwork leakage testing, ductwork
13 leakage sealing. Air infiltration sealing where applicable will be performed at no charge
14 to the customer. Customers will also receive the free installation of water saving devices
15 (low flow showerheads and aerators) for water heated by gas or electric. These measures
16 will be funded by either electric or gas energy efficiency funds depending on the heating
17 fuel type. Other measures may be added to the program menu, upon demonstration of
18 cost-effectiveness².

19
20 Eligible customers and/or building managers or associations receive a comprehensive
21 energy audit, energy education, and the installation of low cost efficiency measures (e.g.
22 hot water measures, air sealing for electrically and gas heated facilities, compact
23 fluorescent light bulbs) at no direct cost. Single family and multifamily facilities heated

² Participation and spending for Gas EnergyWise will increase from 2008 to 2009 while the savings are projected to decrease. 2007/2008 Gas EnergyWise savings projections were based on data available at the time. Those savings numbers assumed that every participant totally air sealed and insulated their homes. The Company learned, from the first 18-months of program implementation, that this was not the case—that the measure mix of actual installations differed significantly from the initial assumption. Additionally, the incentive has been increased from 20% to 50% and co-payments will be waived for Low Income participants, both of which also increase the spending relative to savings.

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1 with fuels other than gas and electricity are eligible to participate. All facilities are
2 eligible to have lighting upgrades and refrigerator replacement measures as identified
3 through the home assessment. The contractor puts major measures out to competitive
4 bid in facilities that have greater than twenty units. Major measures include lighting
5 upgrades, electric heat thermostats, replacement of inefficient refrigerators, heat pump
6 testing and upgrades, duct sealing and insulation for electrically and gas heated facilities.
7 The Company will provide incentives of \$200-\$300 to encourage customers to replace
8 inefficient refrigerators. The Company does not require a co-payment for lighting
9 fixtures or lamps installed in single family homes nor the living units of multifamily
10 facilities in order to avoid lost opportunities.

11
12 The program is certified by the Environmental Protection Agency as a “Home
13 Performance with ENERGY STAR®” program in the single family sector. This allows
14 the program to use the ENERGY STAR® name for marketing purposes, and ensures that
15 the program meets high health and safety standards. The energy audit looks at the house
16 as a system, so that the customer can consider all energy efficiency measures as well as
17 occupant health and safety.

18
19 The program is marketed through direct contact with interested customers and owners,
20 property owners’ associations, bill inserts, customer newsletters, the National Grid
21 website, as part of the Gas Energy Efficiency programs, and other methods. There is
22 often a waiting list for multifamily program services, though the program is usually able
23 to serve customers within the year the participation request is made.

24
25 For multifamily buildings, the comprehensive building analysis will be funded by either
26 gas or electric energy efficiency funds but not both. Electric or gas funds will be used to
27 provide funding for electric or gas weatherization measures including, insulation,

1 showerheads, aerators, air sealing, duct insulation and duct sealing. The program will
2 provide an incentive covering up to 50% of the cost of installing insulation, duct
3 insulation and duct sealing.

4
5 For multifamily facilities the program will target both public housing authorities and
6 privately-owned properties. Through the program, multifamily properties will receive
7 either a prescriptive or custom audit depending on the size of the property or complexity
8 of the project. Incentives described in the Residential High-Efficiency Heating and the
9 Residential High-Efficiency Water Heating Program descriptions will apply to
10 multifamily facilities and condominiums which contain gas heating systems and/or
11 domestic hot water systems that serve individual dwelling units. This type of facility
12 would also be eligible for the single family type GasNetworks ENERGY STAR®
13 Thermostat and Gas Boiler Reset incentive programs. Incentive levels for these
14 prescriptive measures may vary for income qualified facilities. Copayments are typically
15 required for insulation, common area lighting, refrigerators, and heat pump tune-ups.

16
17 There is a barrier to participation in multifamily facilities due to the landlord's perception
18 of a split incentive between the landlord and the tenant (in other words, that they will not
19 see the benefit of a project occurring in their facility) for certain program offerings, and
20 occasional landlord unwillingness to allow implementation personnel into their facilities.
21 The Company and the Parties will continue to study ways to overcome these barriers and
22 increase program participation through its incentives and financing options.

23
24 Facilities larger multifamily facilities with central heating plants and domestic hot water
25 systems that are interested in upgrading to high efficient gas systems will be served
26 through the Gas Commercial High-Efficiency Heating and Commercial Energy
27 Efficiency Programs.

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

5
6 The Company will make an up-front payment to write down the interest on an unsecured
7 loan. It will plan to provide funds to lower the interest rate to approximately six percent.
8 The Company may adjust the loan rate during the year to respond to market conditions
9 and customer demand. The participating bank will determine loan approval. The
10 Company is researching alternative financing avenues.

11
12 The EnergyWise program also services Public Housing Authority properties and other
13 low income multifamily buildings.

14
15 ***Low Income Services through the Multifamily EnergyWise Program***

16 As noted above the EnergyWise Multifamily Program also services Public Housing
17 Authority properties and other low income multifamily facilities containing five or
18 greater dwelling units. Depending on income eligibility of the tenants, co-payments may
19 be reduced or waived for these larger facilities. If the facility contains at least 50% or
20 more low income dwelling units, co-payments are usually waived on all measures except
21 refrigerators. All customer co-payments are waived for any measure installed in Public
22 Housing Authorities and other low income state and federally funded multifamily
23 facilities. Over the last five years, Narragansett Electric has served over 6,940 low
24 income multifamily dwelling units through the EnergyWise Program. These conditions
25 apply to National Grid electric and gas customers.

2. Single Family Low Income Services (Gas and Electric)

Overview

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

Eligible Population

Customers who are eligible for the Low Income Heating Assistance Program (LIHEAP)³, also known as fuel assistance, and live in 1-4 unit buildings, are eligible for this program⁴. There is no co-payment requirement. Over the last six years, Narragansett Electric has served over 5,594 low income dwelling units through single family low income program offerings. The Company proposes to serve 1,439 customers (dwelling units) in 2009.

The Collaborative and Company want customers who have difficulty paying their electric bills to receive assistance from the energy efficiency programs. While the average savings of \$149 per year through the electric measure component and the average savings of \$620 per year through the gas measure component of the program may not be enough to help these customers avoid shut-off, it will certainly provide some assistance and increased control of electric and gas usage. The Collaborative and the Company believe the targeted approach described below is the best way to reach these at risk customers.

³The 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.

⁴ In previous years, this program was known as the Appliance Management Program (AMP).

1 In 2009, the Company will continue to work with the Office of Energy Resources (OER)
2 to offer services to low income customer addresses where shut-offs have occurred. In
3 2005, the Company identified approximately 1,400 addresses where shut-offs have
4 occurred and electric usage was at least 10 kWh per day in the non-heating months. The
5 Company provided electronic mailing lists and labels for outreach to these customers and
6 the local agencies contacted the customers. Depending on the area, about ten to fifteen
7 percent of customers contacted requested services through the program. For 2009, the
8 Company will provide an updated list and encourage local agencies to make follow-up
9 outreach phone calls to targeted customers.

11 **Program Design**

12 The Company contracts with the Rhode Island Office of Energy Resources (OER) and
13 local weatherization agencies for the delivery of energy efficiency services to eligible
14 customers. OER will continue to maintain a list of eligible clients who are qualified for
15 low income services, who have requested services, and are not yet scheduled to be
16 served.

17
18 The agencies delivering program services focus on both electric energy efficiency
19 opportunities and selected non-electric energy efficiency opportunities. Electric measures
20 are identified through a comprehensive review of the customer's electric and gas bills,
21 existing appliances, and electric and gas use patterns. The Single Family Low Income
22 Services Program provides for the installation of ENERGY STAR[®] refrigerators and
23 lighting, and cost-effective custom measures to replace inefficient equipment and help
24 lower customers' electric bills. In addition, the Company installs electric and gas water
25 heating energy efficiency measures at no cost for participating customers. Eligible gas
26 measures include, heating system replacement (on a qualifying basis), safety inspections,
27 and funding the installation of CO detectors when DOE funds are not available.

1 The Company also funds weatherization work for these customers in one to four unit
2 homes where the primary heating fuel is electricity, gas, oil, propane or wood. This
3 funding supplements federal dollars received by the Office of Energy Resources (OER)
4 for weatherization work. In 2005 and 2007 the Company also began to fund oil and gas
5 heating system replacements respectively through the OER and plans to continue this in
6 2009.⁵ The new hot water and air heating systems are required to meet Federal
7 weatherization program guidelines and have an Annual Fuel Use Efficiency (AFUE) of at
8 least 80% for oil systems and 85% for gas. Installed steam systems have a minimum
9 efficiency of 82%. The Company proposes to continue to work with local Community
10 Action Agencies and the OER to provide no-cost services to income eligible customers in
11 1-4 unit facilities.

12
13 The Company will market the program through direct contact with eligible customers via
14 Company brochures, bill inserts, and the National Grid website. One marketing effort
15 consists of contacting, by mail and/or telephone, customers subscribing to Narragansett
16 Electric's low income rates who have not previously received program services. The
17 program may also be marketed through direct contact with eligible customers by OER
18 and local CAP agencies to customers it serves through state, federal, or local low income
19 programs.

20
21 ***Summary of Low-Income Services through all programs***

22 The table below summarizes the participation by low-income customers in the
23 Company's programs

⁵ Natural gas-fired systems are not eligible for replacement under this program. There are other programs, including those sponsored by the Company, that cover gas-fired systems.

Table 2

Projected Low-Income Participation in 2009 Programs and Participation History

| Program | 2009 projected participants | Percentage of Total Participants in 2009 | Number of low income participants 2002-2007 |
|--------------------------------|-----------------------------|--|---|
| Single Family Low Income | 1,439 | 100% | 5,594 |
| EnergyWise | 1,097 | 13% | 10,682 |
| ENERGY STAR [®] Homes | 114 | 30% | 749 |

Table 3

Projected Low-Income Expenditures in 2009 Programs and Expenditure History

| Program | 2009 Proposed Low Income Expenditures | Percentage of Total Budget | Low Income Spending for years 2002-2007 |
|--------------------------------|---------------------------------------|----------------------------|---|
| Single Family Low Income | \$2,628,200 | 100% | \$9,224,929 |
| EnergyWise | \$725,200 | 18% | \$4,311,475 |
| ENERGY STAR [®] Homes | \$258,000 | 30% | \$1,515,118 |

3. ENERGY STAR[®] Homes (Gas and Electric)**Overview**

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

Eligible Population

Anyone building a home in Rhode Island can participate, regardless of type of heating fuel. The Company plans to serve 380 customers through this program in 2009.

Program Design

For 2009 National Grid will continue to offer three program options that builders/homeowners can choose. The first option, the “Performance Path”, is similar to the previous program and requires a minimum HERS rating of 0.85 to qualify. Any builder hoping to access the \$2,000 Federal tax incentive must use this path. The second option is the “Builder Option Package” (BOPs) that allows a builder to qualify as ENERGY STAR® by agreeing to install specific equipment and meeting certain measured performance standards. For both these options, incentives of \$325 to \$500 will be available to builders depending on the new house characteristics and the level of efficiency achieved. The third option is called “Codes Plus”. In this option, the builder will receive specific incentives for energy efficiency improvements above Code requirements.

The “Codes Plus” option is for builders who are learning how to achieve the new more rigorous ENERGY STAR® standards and may not be able to achieve the ENERGY STAR® standards immediately. The Codes Plus option ensures that homeowners will receive energy efficiency upgrades above the code during the transition period of the new program. The incentives will be in two categories: Thermal Measures/Practices and Heating/Ventilation/Air Conditioning. The incentives are designed to ensure that a builder would not receive more money through this path than through the other two paths. Typically, the builder would only be eligible for one of these; otherwise, the house would meet ENERGY STAR® standards. An incentive of up to \$1500 will be available for the Thermal Measures including CFLs, Air Sealing, Insulation, ENERGY STAR® windows, and mechanical ventilation. An incentive of up to \$1,500 will be available for HVAC upgrades including CFLs, Duct Sealing, High Efficiency Heating Systems, ECM Motors, Indirect Water Heating, High Efficiency Air Conditioning, and Quality Installation Verification.

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1 National Grid will explore opportunities to utilize lessons learned from Massachusetts'
2 experience with the Zero Energy Challenge.

3
4 National Grid will provide training and technical assistance to builders to help them meet
5 these standards. Additionally, in order to help builders with the program transition, the
6 Company plans to offer rebates for specific energy measure upgrades including duct
7 sealing, high efficiency furnaces, blower door verified air tightness and mechanical
8 ventilation, high efficiency air conditioning, and lighting upgrades. Though the existing
9 training structure, National Grid will continue to support the further needs to improve
10 code, as well as promoting current code awareness.

11
12 The 2009 program offered by National Grid and funded through the electric DSM charge
13 provides services to all residential new construction, regardless of fuel type. National
14 Grid will continue the existing program and examine opportunities to realign the funding
15 mechanisms for 2009. In 2009 National Grid will look to drive builders towards greater
16 savings. Options for offering further incentives for increased savings will continue to be
17 reviewed.

18
19 ***Low Income participation in the ENERGY STAR® Homes Program***

20 The Company works closely with Rhode Island Housing and developers of affordable
21 housing in Rhode Island to encourage participation in the ENERGY STAR® Homes
22 program. Currently Rhode Island Housing encourages developers to receive ENERGY
23 STAR® Home certification. About 30% of the homes completed each year through the
24 ENERGY STAR® Homes program are for low income families. The Company also
25 plans to continue to work with Rhode Island Housing and the Rhode Island Office of
26 Energy Resources (OER) to support the energy efficiency of Rhode Island's affordable
27 housing programs.

4. High Efficiency Heating Program (Gas and Electric)

Overview

A typical residential customer spends approximately 44% of his or her energy budget on heating and cooling. To address heating costs, the ENERGY STAR[®] Heating Program and the Company's Residential High-Efficiency Gas Heating program will be combined to provide heating system rebates to all eligible customers.

Eligible Population

Residential customers who purchase ENERGY STAR[®] Heating Systems fueled by oil, or high efficiency gas or oil furnaces with high efficiency fans in their existing home are eligible to participate in this program. The Company proposes to serve about 1240 customers in 2009. About 1100 of these customers will receive heating system rebates and about 140 will receive ECM motor rebates.

Program Design

The Company will continue to offer incentives to customers who purchase ENERGY STAR[®] Heating Systems that are fueled by oil and gas. We will market the program through, contact with air conditioning/heating equipment contractors, our website and word of mouth. In order to encourage higher efficiency and positively reinforce market changes, the Company proposes to continue the rebate in 2009 for ENERGY STAR[®] oil heating systems at \$200. The efficiency requirements are an Annual Fuel Use Efficiency Rating (AFUE) of at least 85x% for forced hot air systems, at least 85% for forced hot water systems, and at least 82% for steam systems. In 2009, oil-fired forced hot air systems are also required to be equipped with an electronically commutated permanent magnet (ECM) motor.

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For 2009 the Company proposes continuing the Residential High-Efficiency Gas Heating program which will be jointly operated with GasNetworks and is available to the Company's residential heating customers. Program goals include, but are not limited to:

- Increasing market sector awareness of high-efficiency gas heating equipment
- Increasing market sector awareness of efficiency enhancements and maintenance to gas heating equipment
- Providing product training and program training to trade allies such as plumbing and heating contractors
- Increasing customer knowledge of where to obtain high-efficiency heating products
- Examining new or underutilized energy efficient heating technologies for potential residential program development
- Monitoring customer perception of the performance and reliability of high-efficiency gas heating equipment and the savings achieved

| Table 4: Residential High-Efficiency Heating Program: Incentive Table | | |
|--|----------------------|------------------|
| Furnaces (forced hot air) | AFUE* 92% or greater | \$100 Incentive |
| Furnaces (forced hot air with ECM or equivalent) | AFUE* 92% or greater | \$400 Incentive |
| Boilers (forced hot water) | AFUE* 85% or greater | \$500 Incentive |
| Boilers (forced hot water) | AFUE* 90% or greater | \$1000 Incentive |
| Boilers (steam with electronic ignition) | AFUE* 82% or greater | \$200 Incentive |

AFUE = Annual Fuel Utilization Efficiency

The Gas Rebate Program will be promoted through a variety of means including, but not limited to, direct mail campaigns, bill inserts, trade ally events, and contractor job site visits. Program brochures, builder packets and incentive applications will be the primary marketing material utilized. The program will be promoted through the National Grid and GasNetworks websites, where consumers and contractors will have the opportunity to

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1 download program incentive applications and learn about program announcements,
2 updates or changes.

3
4 Overall, a strong emphasis will be placed on working with builders and contractors who
5 install heating equipment. Target markets for the program include both new construction
6 and retrofit projects. The retrofit market is seen as the primary driver of high-efficiency
7 forced hot water and steam heating system opportunities, whereas the new construction
8 market is seen as the primary driver for high-efficiency furnaces.

9
10 The incentive is available to residential heating customers (builders and/or homeowners)
11 worth up to \$1000, depending on the type of heating equipment installed. This incentive
12 level is in accordance with the GasNetworks incentive levels offered throughout New
13 Hampshire, Maine, and Massachusetts. Subject to cost-effectiveness, other heating
14 related measures will also be incorporated in the incentive portfolio. The incentive
15 encourages customers to choose a high-efficiency model by influencing a consumer in
16 two ways: bringing attention and perceived value to the high-efficiency equipment as an
17 option as well as offsetting a portion of the higher initial purchase cost of a high-
18 efficiency model compared to a standard-efficiency model. On September 1st of each
19 year, GasNetworks typically makes changes to the incentive levels of the High-Efficiency
20 Heating Program in conjunction with the members of the GasNetworks collaborative.
21 National Grid proposes to adopt this practice. Factors taken into account include market
22 penetration information, changes in incremental costs of high-efficiency equipment, and
23 current program year participation and budget levels. See Table 1 for a listing of eligible
24 equipment under the program and the current incentive level.

25
26 For 2009 the Company proposes continuing an incentive of \$200 for high efficiency gas
27 furnaces equipped with an advanced ECM motor or equivalent energy saving furnace fan

(blower) motor, subject to budget limitations. ECM motors in gas or oil furnaces save about 600 kWh of electricity per year for consumers. The Collaborative will monitor any developments in this area.

Residential High-Efficiency Water Heating Program (Gas Only)

The Company's Residential High-Efficiency Water Heating program will be jointly operated with GasNetworks and will be available to the Company's residential water heating customers. Similar to the Company's Residential High-Efficiency Heating program, program goals include, but are not limited to:

- Increasing the demand for residential high-efficiency natural gas water heaters.
- Increasing customer and trade ally awareness of the benefits of high-efficiency natural gas water heaters.
- Providing training on products and programs to trade allies such as plumbing and heating contractors.
- Increasing customer knowledge of where to obtain high-efficiency water heating products.
- Monitoring customer perception of the performance and reliability of high-efficiency gas water heating equipment and the savings achieved.

Program marketing will consist of direct mail campaigns and outreach to contractors, builders, affordable housing developers, community development corporations, and public housing authorities, bill inserts to residential customers, attendance at trade ally training events, radio, and promotion via National Grid's and GasNetwork's websites. While direct customer marketing will generate a portion of the leads for this program, a significant emphasis will be placed on meeting with heating and plumbing contractors at trade shows, training sessions and job sites to encourage contractors to influence consumer purchasing behavior toward this type of product.

1 The program incentive will be \$300 to residential water heating customers who install an
2 indirect water heater to an ENERGY STAR® rated natural gas forced hot water boiler.

3
4 The Company will also provide incentives for on-demand tankless water heaters as an
5 energy saving alternative to the stand alone water heaters. The Company will provide a
6 \$300 incentive for on-demand, tankless water heaters that have a 0.82 Energy Factor with
7 an electronic ignition. The Company is considering higher rebate tiers for higher
8 efficiency on-demand water heaters.

9
10 The Company also proposes to offer a \$50 rebate for stand alone water heater tanks with
11 an energy factor (EF) 0.62 or greater effective 01/01/09, ENERGY STAR® will formally
12 announce the creation of a 0.62 EF tier for stand alone water heaters as a first step to
13 encourage efficiency in this product segment.

14
15 The Company proposes to promote all these technologies and will work with the
16 contractor community to assist it on how to identify the most appropriate application to
17 reap the most energy savings.

18
19 **ENERGY STAR® Programmable Thermostat & Controls (Gas Only)**

20 The ENERGY STAR® Programmable Thermostat Rebate for gas heat will provide home
21 heating customers with an incentive for the purchase and installation of ENERGY
22 STAR® labeled programmable thermostats. Through this program, customers will be
23 eligible for a \$25 mail-in incentive for the installation of up to two ENERGY STAR®
24 qualified programmable thermostats. When applying for a thermostat incentive,
25 residential customers will be required to submit proof-of-purchase for the unit. The
26 ENERGY STAR® website lists and updates all eligible thermostat models. Eligible
27 thermostats may be installed by homeowners, heating contractors or energy auditors. In
28 addition to mail-in incentives, instant incentives, in the form of point-of-sale discounts,
29 will be available through heating contractors and energy auditors.

1 The Company will promote this ENERGY STAR® Programmable Thermostat Rebate m
2 via its website, both its thermostat and heating incentive forms, direct mail, bill inserts,
3 and through EnergyWise program auditors. The Company will do outreach to stores such
4 as The Home Depot®, Lowe's®, and regional hardware stores. The retailer outreach effort
5 will provide training of these retailers' sales personnel regarding the incentive program
6 and coordinate the ongoing distribution of program incentive forms at these stores. The
7 retailer outreach will be coordinated with that of the ENERGY STAR® Lighting and
8 Appliance Programs.

9
10 Rebates of \$100 will be offered for add on outdoor gas boiler reset controls. The
11 modulating outdoor reset control senses the outdoor temperature and keeps the boiler
12 water only as hot as needed reducing consumption 5% to 10% annually. The rebate will
13 cover up to 66% of the cost of the reset.

14 15 **5. 2009 ENERGY STAR® Central Air Conditioning Program (Electric only)**

16 **Overview**

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

21
22 In 2002, the Company participated in a joint study of HVAC market conditions and
23 efficiency potential in Rhode Island, Connecticut, and Massachusetts. The study
24 identified several key target markets including residential customers who are in the
25 market to purchase central air conditioning (AC) or heat pump systems, residential
26 customers with existing air conditioning systems, and HVAC technicians responsible for

1 servicing and installing this equipment. The market research estimates that
2 approximately 4,200 Rhode Island customers are purchasing replacement or new central
3 air conditioners each year. Recent customer surveys by the Company indicate that about
4 23% of Rhode Island residences, or about 95,000 customers, have central air
5 conditioning.

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

14 15 **Eligible customers**

16 Any residential customer installing, servicing or replacing a central air conditioning or
17 heat pump system in an existing home is eligible to participate. Incentives for ENERGY
18 STAR[®] heating and cooling are included in the ENERGY STAR[®] Homes program for
19 new construction. The Company plans to continue ENERGY STAR[®] equipment rebates
20 add an ENERGY STAR[®] Quality Installation component and further expand the scope of
21 program measures and proposes to serve 546 customers in 2009.

22 23 **Program design**

24 The Company began the program in the fall of 2002. The Company has provided
25 rebates to customers for properly installed ENERGY STAR[®] central air conditioning and
26 heat pump systems in existing homes in 2003 throughout 2006. In February of 2006 the
27 program merged with the COOL SMART program in Massachusetts in order to reduce

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administrative and marketing costs. This also provides consistency for HVAC contractors and distributors which operate in both states.

The ENERGY STAR[®] specification will be changed to require 14.5 Seasonal Energy Efficiency Ratio (SEER) and 12 EER as of January 1, 2009. The Company plans to phase the ENERGY STAR[®] rebate of \$300 on April 1, 2009 and offer an incentive of \$300 for the new standard on that date plus \$200 additional to consumers and \$100 to contractors when a Manual J sizing is properly completed.

The Company plans to offer rebates that are consistent with those offered throughout the region. The following is a summary of the Company's proposed tiers and rebate levels for 2009, which are subject to change to be consistent with the regional program:

- Add ENERGY STAR[®] QIV Quality Installation Verification component for replacement systems including systems replaced within the past 3 years old with an Environmental Protection Agency (EPA) certificate and \$100 customer incentive through participating program QIV contractors. The EPA requires sizing, duct sealing, and airflow and charge adjustments to specific American National Standards Institute ANSI/Air Conditioning Contractors of America ACCA standards.
- The duct sealing requirement will be funded through the current contractor incentive of \$1 per CFM of duct leakage reduction.
- Contractors will receive a \$250 incentive for verification and advanced airflow measurement instead of a standard QIV incentive.
- If duct modifications (i.e., adding return ducts and/or turning vanes) are needed to meet airflow requirements, contractors may receive an additional \$400 incentive.
- Expanded Negotiated Cooperative Promotion opportunities in cooperation with NEEP and other interested program administrators.

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- 1 • Expand the Early- Replacement component from a seasonal promotion to a
2 standard offer. Enhance the qualifying equipment eligibility criteria to require an
3 existing SEER of 9 or 10.
- 4 • Phase out the \$300 consumer rebate for the purchase and installation of high-
5 efficiency central air conditioning equipment and air source heat pumps that meet
6 the existing ENERGY STAR[®] standard SEER rating of 14, EER of 11.5 effective
7 April 1, 2009. This is to allow time for customers and contractors to become more
8 aware of the new ENERGY STAR[®] standard for 2009.
- 9 • Replacement of the minimum standard for eligible equipment with the new
10 ENERGY STAR[®] standard (SEER 14.5 , EER 12) described above for the \$300
11 incentive as of April 1, 2009.
- 12 • A \$400 customer incentive for higher CEE-tier 2 equipment (SEER of 15, EER of
13 12.5 or higher).
- 14 • A \$500 customer incentive for a SEER of 14.5 or greater, an EER of 11.5 or
15 greater, and an HSPF of 8.2 ENERGY STAR[®]–rated Split Ductless Air to Air
16 Heat Pump systems with Inverter Technology.
- 17 • A \$200 customer incentive and a \$100 contractor incentive when sizing is
18 completed for 2009 ENERGY STAR[®] or CEE-tier 2 equipment.
- 19 • Third party verification of optimal refrigerant charge and system air flow can be
20 performed for any new equipment installation regardless of SEER. The
21 contractor incentive for this “system commissioning” is \$175.
- 22 • Customers receive a \$100 instant credit on their bill from the HVAC contractor
23 for the digital check-up when it is part of work done associated with a tune-up or
24 repair of an eligible unit from a participating contractor who must be QIV listed.
- 25 • A contractor incentive of up to \$175 will be provided to cover the \$100 customer
26 instant credit and \$75 to cover contractor cost associated with the digital check-up
27 provided the unit passes or meets exception condition where at least charge with
28 respect to airflow is within acceptable parameters.

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- 1 • A contractor incentive of \$1 per CFM of duct leakage reduction. Typically this is
2 expected to average 100 CFM per home that receives this measure.
- 3 • In addition, we plan to investigate the opportunity to replace standard permanent
4 split capacitor (PSC) motors with brushless furnace fan motors (BFMs) in central
5 air conditioning systems, and develop an appropriate incentive.
- 6 • We also plan to investigate the opportunity to replace fixed orifice coils with
7 thermal expansion valve (TXV) coils at the time of a digital checkup, and to
8 develop an appropriate incentive

9
10 Recent program recommendations from the U.S. Environmental Protection Agency
11 (EPA) and the Air Conditioning Contractors of America (ACCA) include ensuring that
12 the air flow across the indoor coil has been measured and set to correct levels, that ducts
13 are sealed and sized directly, and that the refrigerant charge is at correct levels. For
14 homes where the duct system is currently not operating properly, fixing the ductwork
15 provides additional kW savings.

16
17 These measures are proposed to further support market transformation towards the
18 coming ENERGY STAR[®] and recently adopted ACCA Quality Installation standard. The
19 extra incentive for duct modifications is to offset costs involved in a particularly difficult
20 aspect of that standard. It is critical to provide incentives directly to contractors to
21 reimburse them for the additional costs associated with this work, and also to underline
22 the importance of these advanced installation practices.

23
24 The Company has focused its efforts on both customer education and outreach via bill
25 inserts, fact sheets, and targeted mailings to high users in summer months; contractors'
26 education and outreach via phone calls, mailings, one-on-one meetings, trainings on
27 technical issues, usage of sizing software, and up-selling to high efficiency equipment;
28 and working closely with contractors to encourage participation in the program and
29 installing the air conditioning systems properly.

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

6
7 In 2009, the Company proposes to continue activities to educate customers and
8 contractors, to promote installation quality, and to offer the third party verification of the
9 results for central air conditioning tune-ups, including incentives for customers and
10 contractors.

11 12 **6. ENERGY STAR®® Lighting (Electric only)**

13 **Overview**

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

20 21 **Eligible Customers**

22 All residential customers are eligible to participate in this program. The Company
23 proposes to serve about 69,000 lighting customers. While this program has been
24 available for a number of years, there are still significant opportunities to encourage
25 customers to use ENERGY STAR® lighting. An evaluation study conducted in
26 Massachusetts in early 2008 found that 21% of all sockets are filled with Compact

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1 Fluorescent Lighting (CFL), indicating that a large market potential for energy efficient
2 lighting still exists in customer homes.

3
4 **Program Design**

5 For 2009 the Company proposes to continue offering its residential lighting programs as
6 part of the regional joint efforts. The program offers customers the opportunity to
7 purchase compact fluorescent bulbs (CFL) and fixtures at substantial discounts.
8 Customers have several options for program participation, including redeeming instant
9 rebate coupons for qualifying products purchased in participating retail stores, purchasing
10 reduced price products at retailers where the manufacturer has received a rebate from the
11 Company and passed on the discount directly to retailers and consumers, using the mail
12 order catalog, and making website purchases.

13
14 The Company will continue to work with manufacturers and retailers to offer a good mix
15 of standard, innovative, and specialized CFL product. CFL rebates will be offered in the
16 \$0.60 - \$4.00 range, depending on the style and technology of the bulb (standard,
17 dimmable, 3-way, etc.).

18
19 The Company has found that the “Negotiated Cooperative Promotions” (NCPs) through
20 NEEP are an excellent way to lower rebate costs and encourage retailers and
21 manufacturers to pay for marketing and promotion through their regular channels. Active
22 promotions in 2008 have included retailers: Stop and Shop, Rocky’s, Benny’s, Shaw’s,
23 Whole Foods, and Home Depot. Manufacturers who have participated in Negotiated
24 Cooperative Promotions include: General Electric, Osram Sylvania, TCP, Maxlite, Feit,
25 and Globe. In 2009, the Company will look to expand mercury recycling efforts in
26 Rhode Island by working with retailers.

1 The Company proposes to continue rebates for ENERGY STAR[®] fixtures and torchieres.
2 Rebates will be \$10 for exterior fixtures and \$15 for interior fixtures, table lamps, and
3 floor lamps and torchieres and to add \$30 rebates for LED lighting and \$25 rebates for
4 higher end lighting fixtures to help move the market. Rebates on fixtures and bulbs may
5 be adjusted to ensure coordination with regional and national program efforts and to
6 reflect changing Rhode Island market conditions. The Company will also continue to
7 work directly with lighting showrooms to encourage the promotion of high efficiency,
8 high fashion residential CFL fixtures. The Company will continue to support local
9 retailers with promotional materials (signs, coupons, displays) training, and regular sales
10 visits.

12 **7. ENERGY STAR[®] Appliances (Electric only)**

13 **Overview**

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

19
20 Earning the ENERGY STAR[®] means products meet strict energy efficiency guidelines
21 set by the US Environmental Protection Agency (EPA) and the Department of Energy
22 (DOE).

23
24 This program is part of a regional joint effort by utilities and energy efficiency
25 organizations to encourage the purchase of ENERGY STAR[®] rated major appliances.
26 These appliances include clothes washers, dishwashers, refrigerators, dehumidifiers, and

1 room air conditioners (RAC). Manufacturers build their products to meet or exceed
2 energy efficiency performance specifications established by ENERGY STAR®.
3 Together with manufacturers, local retailers, the DOE, and EPA, the Company works to
4 help identify and promote the purchase of these high efficiency appliances to its
5 customers.

7 **Eligible Population**

8 All residential customers are eligible to participate. The Company proposes to serve
9 about 7,600 customers in 2009

11 **Program design**

12 The program provides retailer support, training, advertising, consumer education, codes
13 and standards review and advocacy, and manufacturer labeling. For 2009 the Company
14 proposes to continue to provide consumer education on these products and continue to
15 offer rebates for ENERGY STAR® room air conditioners. The Company proposes to
16 offer a refrigerator retail rebate of \$50. The Company proposes to offer a room air
17 conditioner rebate of \$30, and it may be paid directly to industry partners rather than to
18 consumers. The Company, and other sponsors in Vermont and Massachusetts, has
19 issued a request for proposal to work with manufacturers and retailers directly to
20 encourage increased stocking of ENERGY STAR® room air conditioners relative to less
21 efficient models on retail shelves. Customer purchase behavior is largely influenced by
22 what air conditioners are available for purchase at local retailers. It may be that working
23 directly with industry partners is more effective than direct consumer rebates in
24 increasing the market share of ENERGY STAR® room air conditioners. The rebates may
25 be adjusted to ensure coordination with regional and national program efforts and to
26 reflect changing Rhode Island market conditions.

1 The Company is proposing to implement a program to remove second refrigerators from
2 homes whereby customers will be given a \$30 bounty for doing so. This program will
3 encourage customers who have operating refrigerators to have a vendor remove their
4 second refrigerator. The vendor will be responsible for having the refrigerator recycled
5 properly.

6
7 The Company is proposing to add rebates of \$250 for pool pump replacement and to add
8 \$10 rebates for electronics and Smart Strips. Smart strips allow some electronics to be
9 turned off while others stay on. Smart strips are a good way to teach customers to turn off
10 appliances. Electronics account for up to 15% of a home's electric usage and is growing
11 as a percentage of household usage.

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

21
22 A nationwide study of consumers' awareness of ENERGY STAR[®] labeling is conducted
23 annually. The most recent study, "National Awareness of ENERGY STAR[®] for 2006 –
24 Analysis of CEE Household Survey" indicates that the existence of utility sponsored
25 programs increases the awareness of ENERGY STAR[®] products. National recognition of
26 the ENERGY STAR[®] label in high-publicity areas (areas with an active local ENERGY
27 STAR[®] program sponsored by a utility, state agency, or other organization for two or
28 more continuous years) was 69% compared to 49% in low-publicity areas. When the
29 ENERGY STAR[®] label is shown, the aided recognition in high-publicity areas rises to

1 79% and in low-publicity areas the value increases to 65%. The Company will inform
2 the Collaborative about future awareness study results.

3
4 **8. Building Practices and Demonstration Program**

5 The Company plans continue its Building Practices and Demonstration Program for
6 residential markets begun in 2007. The purpose of the Building Practices and
7 Demonstration Program is to explore and demonstrate new and/or underutilized energy
8 efficient procedures and equipment, including renewable energy system processes. The
9 Building Practices and Demonstration Program will work to identify which technologies
10 or home building techniques would be well suited for use and installation.

11
12 Input for this program will be drawn from the expertise gathered by the Company's
13 Commercial & Industrial Building Practices & Demonstration Program, as well as input
14 from other utilities, program vendors, energy groups and interested business partners.

15
16 Eligible participants in this program will include homeowners, landlords, as well as home
17 builders. Each participant may be asked to allow monitoring of the installation and/or
18 results, provide historical data, provide tours of the installation by potential users or other
19 interested stakeholders, and share the results in case study format.

20
21 Examples of potential projects include new insulation and weatherization products,
22 advanced heating and water heating products, solar thermal installations, new
23 construction techniques, green homes or very low energy use homes. Specific projects
24 will depend on interest and participation by customers, builders, vendors and
25 manufacturers.

Marketing of the program will rely on working with industry vendors developing and/or offering new or underutilized natural gas energy efficiency technologies, as well as other interested organizations.

9 . Energy Efficiency Educational Programs

Overview

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

Eligible Population

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

Program Design

The three programs are described in detail below.

a) National Energy Education Development (NEED) Project

The National Energy Education Development (NEED) Project is a nonprofit education association that works with thousands of schools nationwide to promote an energy conscious education. NEED is a strategic partner of Rebuild America and **EnergySmart Schools**, programs of the U.S. Department of Energy. NEED creates networks of students, educators, and business, government and community leaders to design and implement objective energy education programs. The Rhode Island EnergySmart

1 Schools program includes educational materials for kindergarten to twelfth grade that
2 provide comprehensive, objective information about energy production and consumption,
3 the major energy sources, and their impact on the environment, economy, and society.
4 Services offered include kits and curriculum for students from kindergarten through high
5 school, student/teacher training programs, workshops, and conferences, a summer camp
6 program, scholarships to national energy educational conferences, and youth awards.

7
8 **b) ENERGY STAR[®] Homes Vocational Schools Initiative**

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

13
14 Originally, only Woonsocket and Warwick were participating in the program. In the past
15 year, the other schools were encouraged to participate in cooperation with the Skill USA
16 national competition for vocational schools. Working with the Woonsocket Area Career
17 and Technical Center, the Community College of Rhode Island, and the Rhode Island
18 Builders Association, the Company sponsored a Rhode Island Energy Efficient Building
19 Competition to help students improve performance in the national competition. In
20 preparation, on-site training was provided at all schools on energy efficient building
21 practices. The Company will continue this outreach effort because it will improve
22 Rhode Island's energy efficiency for years to come.

23
24 **c) Public Education Initiative**

25 During 2009, the Subcommittee will discuss how to continue the Company's public
26 education effort to promote energy conservation during times of high energy costs. This
27 may include an advertising campaign to educate customers about low cost steps they can

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- 1 take to lower their electric bills and giving customers a contact number and/or website to
- 2 get more information about energy efficiency programs and additional low cost energy
- 3 saving tips.
- 4

**SUMMARY OF PROPOSED CHANGES TO THE
COMMERCIAL & INDUSTRIAL PROGRAMS
FOR 2009**

Large Business Programs

| Category | Energy Initiative | Design 2000 <i>plus</i> |
|----------------|--|---|
| General | <ul style="list-style-type: none">• An “on-bill” payment option will be available to cities and towns. A community will be able to pay for their cost share for electric energy efficiency measures on the bill in up to 24 monthly installments with no interest.• Incentives for cities and towns will be increased from 45% to 70% of the total installed cost of eligible measures or 1.5 year payback to the customer whichever is less. | |
| Lighting | <ul style="list-style-type: none">• No changes | <ul style="list-style-type: none">• Design 2000<i>plus</i> prescriptive lighting is being revised significantly to address the current Rhode Island Energy Code. A detailed analysis is underway. |
| Motors | <ul style="list-style-type: none">• N/A – prescriptive rebates are not offered under Energy Initiative | <ul style="list-style-type: none">• No change |
| HVAC | <ul style="list-style-type: none">• No change | <ul style="list-style-type: none">• No change |
| Compressed Air | <ul style="list-style-type: none">• No changes | <ul style="list-style-type: none">• No changes |

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| Category | Energy Initiative | Design 2000 <i>plus</i> |
|--|--|---|
| Custom | <ul style="list-style-type: none"> • Provide short term enhanced incentives for new technologies (e.g. conversion of constant volume fume hood exhaust to variable volume with effluent sensing controls). • Change cap so we pay 45% of cost down to a 1.5 year payback rather than the current 45% down to a 2 year payback. This is expected to be helpful for some very attractive projects in manufacturing that are being missed. • | <ul style="list-style-type: none"> • Provide short term enhanced incentives for new technologies (e.g. conversion of constant volume fume hood exhaust to variable volume with effluent sensing controls). • Comprehensive Chiller - Allow compressor only replacement (retain existing shell and tubes) to qualify for the enhanced incentives provided under Comprehensive Chiller. Eligibility criteria will be set such that compressor efficiency is in line with those available from frictionless bearing type compressors. Air and water cooled chillers shall be eligible. |
| Advanced Buildings and Comprehensive Design Approach (CDA) | N/A | <ul style="list-style-type: none"> • A \$\$ per square foot incentive is under development. |

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

| | |
|-------------------------------|-------------|
| Small/Medium Business Program | No changes. |
|-------------------------------|-------------|

Gas Programs

| | |
|--------------------------------------|---|
| Commercial Energy Efficiency Program | <ul style="list-style-type: none"> ▪ Custom Level 1 incentives have been increased from \$0.75 per first year estimated therm savings to \$1.50. Level 2 incentives have been increased from \$1.50 per first year estimated therm savings to \$3.00 and applies to solar hot water measures only ▪ Incentives for combined heat and power remain at 2008 levels (\$0.75 and \$1.50 per annual estimated therm saved for Level 1 and Level 2 respectively). However, new eligibility criteria has been developed. See Attachment 4 for details ▪ Prescriptive incentives were added in 2008 for commercial kitchen equipment and will continue in 2009. Customers buying |
|--------------------------------------|---|

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| | <p>high efficiency commercial fryers and commercial steamers can receive an incentive of \$2,000.</p> <ul style="list-style-type: none"> ▪ Windows, which were previously prescriptive measures will now be custom measures ▪ The Steam Assessment and Savings program, will be rolled out in 2009. | |
|---|--|--|
| <p>Commercial High Efficiency Heating Program</p> <p>The following changes are proposed for 2009:</p> | Product | Change |
| | Furnaces (up to 150 MBtuh) | <ul style="list-style-type: none"> ▪ Threshold of > 90% AFUE has been raised to >=92% ▪ Incentive has been increased from \$150 to \$300 |
| | Furnaces | <ul style="list-style-type: none"> ▪ Incentive has been increased from \$400 to \$500 |
| | Steam Boilers (up to 300 MBtuh) | Incentive has been increased from \$200 to \$700 |
| | Hydronic Boilers (under 300 MBtuh) | Incentive has been increased from \$500 (< 175MBtuh) and \$700 (175 to 300MBtuh) to \$1,000 |
| | Hydronic Boilers (301 to 499 MBtuh) | Incentive has been increased from \$1,000 to 2,000 |
| | Hydronic Boilers (500 to 999 MBtuh) | Incentive has been increased from \$2,000 to \$2,500 |
| | Hydronic Boilers (1000 to 1700 MBtuh) | Incentive has been increased from \$3,000 to \$3,500 |
| | Hydronic Boilers (1701 MBtuh and larger) | Incentive has been increased from \$4,000 to \$5,000 |
| | Condensing Boilers (under 175 MBtuh) | <ul style="list-style-type: none"> ▪ Incentive has been increased from \$600 (< 175MBtuh) and \$1,000 (175 to 300MBtuh) to \$2,000 ▪ Threshold of > 90% AFUE has been raised to >=92% |
| | Condensing Boilers (301 to 499 MBtuh) | <ul style="list-style-type: none"> ▪ Incentive has been increased from \$1,500 to 3,000 ▪ Threshold of > 90% thermal efficiency has been raised to >=92% |
| | Condensing Boilers (500 to 999 MBtuh) | <ul style="list-style-type: none"> ▪ Incentive has been increased from \$3,000 to \$5,000 ▪ Threshold of > 90% thermal efficiency has been raised to >=92% |
| | Condensing Boilers (1000 to 1700 MBtuh) | <ul style="list-style-type: none"> ▪ Incentive has been increased from \$4,500 to \$10,000 ▪ Threshold of > 90% thermal efficiency has been raised to >=92% |

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| | | |
|--|---|--|
| | Condensing Boilers (1701 MBtuh and larger)> | <ul style="list-style-type: none">▪ Incentive has been increased from \$6,000 to \$15,000▪ Threshold of > 90% thermal efficiency has been raised to >=92% |
| | On Demand Tankless Water Heater | Incentive has been increased from \$300 to \$500 |

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

1 **2009 COMMERCIAL AND INDUSTRIAL ENERGY EFFICIENCY PROGRAMS**
2 **AND INITIATIVES**

3 The proposed electric and natural gas energy efficiency programs for commercial and
4 industrial (“C&I”) customers described herein reflect the Company’s plans to offer
5 integrated energy efficiency solutions to its commercial and industrial C&I customers.
6 The depth of the programs will significantly expand for 2009. Paramount to this are two
7 objectives: 1) ensuring that the programs are capable of ramping up energy savings in
8 order to address the goal of least cost procurement and 2) integrating the gas and electric
9 programs so that delivery will be seamless to customers.

10
11 **Increasing Savings Targets.** Least cost procurement in Rhode Island is a great
12 opportunity to expand and accelerate energy efficiency programs in Rhode Island.
13 While the programs as they are currently structured will meet some increased demand,
14 the Company will look at ways to increase the programs’ appeal and penetration. Some
15 of these enhancements are:

- 16 ▪ Cities and towns participating in Energy Initiative will now be offered incentives
17 that will pay up to 70% of the installed cost of a measure, similar to the
18 Small/Medium Business Program. Also, cities and towns will be able to pay their
19 share of the cost through their electric bill in up to 24 monthly installments with
20 no interest. First cost is a significant barrier to cities and towns which this
21 initiative is expected to overcome. In addition the Company’s Whole Building
22 Assessment (WBA) initiative has proven to be a valuable service for these cities
23 and towns. WBA uses the combination of benchmarking municipal buildings with
24 technical assistance and incentives to encourage these municipalities to take
25 action on incorporating energy efficiency strategies that lead to reduced energy
26 costs.

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- 1 ▪ A targeted approach to direct services to particular customer segments or building
2 types will be considered. Currently the Company is looking at programs targeted
3 at laboratories and data centers where there is significant potential to save energy.
4 Also, the Company is already offering a commercial kitchen equipment gas
5 program which can be expanded to marketing other opportunities like energy
6 efficient kitchen hoods that save both electric and gas and for efficient lighting
7 opportunities.
- 8 ▪ As mentioned in the following paragraphs, refining the integration of gas and
9 electric programs will increase the depth and appeal of programs, which will
10 generate additional savings.
- 11 ▪ Existing buildings present an opportunity to mine savings in large way from the
12 inefficient lighting that has been installed in these facilities over many years.
13 With the advent of high performance lighting technology and control systems on
14 the market, the company expects to ramp up these services to address better
15 lighting practices with the latest advanced lighting practices. These would include
16 the next generation of surface mounted high performance fixtures and controls.

17
18 **Gas and Electric Program Integration.** The delivery of gas and electric energy
19 efficiency services in 2009 will be integrated such that it is seamless to the customer, so
20 that a customer will understand all of the options—both gas and electric—for energy
21 efficiency available to them. Some elements of the programs are already well integrated,
22 for example, in Comprehensive Design Approach or Core Performance projects where
23 gas and electric energy efficiency measures appear in the same technical assistance
24 studies and offer customers high performance equipment selections for both gas and
25 electric systems. However, the programs may not appear integrated in some situations
26 due to differing delivery mechanisms and Company and vendor organizational

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1 structures.¹ This is not an impediment to many gas or electric projects that might involve
2 only one technology, for example, for a replacement older boiler or failed motor.

3
4 The paths toward integration that customers take can be simplified whether they are
5 delivered through a vendor and/or account management process. Pivotal to this
6 integration will be effective coordination and training of National Grid field personnel
7 and marketing of the programs. Examples of how this integration may play out are in
8 new construction so that the customer and the practitioners designing the building will
9 have knowledge of and access to all program offerings through one source. In smaller
10 new construction or renovation projects, a lead might come through a vendor of one
11 discipline, for example an electric contractor seeking information on rebates for lighting
12 systems. The Company would then have to find out the scope of the project so
13 opportunities in building envelope and HVAC can be addressed. Thus, gas and electric
14 programs and services can be delivered seamlessly to customers.

15
16 In this section, descriptions of electric and gas programs appear separately. This is
17 practical for a regulatory filing because there is a need to tie budget line items to their
18 description in this filing. Even though the public will see these as integrated, electric
19 measures will be funded through the electric energy efficiency program; while natural
20 gas measures will be funded through the natural gas energy efficiency program. National
21 Grid is committed to full, appropriate integration of gas and electric efficiency programs.
22 However, given the current infrastructure, organization, and implementation procedures,
23 this will be an on-going process. We have taken significant steps in this direction in this
24 Plan, but also commit to working closely over 2009 with the Subcommittee and EERMC
25 Consultant team to achieve much more comprehensive integration of efficiency services.

¹ Electric programs have historically been delivered by Company staff while gas programs are primarily outsourced except for larger and more comprehensive projects.

1 **Electric Programs**

2 **1. Design 2000*plus***

3 **Overview**

4 Offered to commercial and industrial customers since 1988, Design 2000*plus* encourages
5 energy efficiency in new construction, renovations, remodeling, planned replacement of
6 aging equipment and replacement of failed equipment through financial incentives and
7 technical assistance to developers, manufacturers, vendors, customers and design
8 professionals. Financial incentives reduce the incremental cost barrier to investing in
9 efficiency. Technical assistance reduces barriers to more efficient design by providing
10 education and information to participants in the use of energy-efficient engineering
11 practices, including identifying and analyzing potential efficiency opportunities. Design
12 2000*plus* will be integrated with the Commercial Energy Efficiency and High Efficiency
13 Heating Equipment (gas) programs that serve time dependent opportunities. Newly
14 constructed buildings in particular offer the greatest opportunity to integrate all gas and
15 electric energy efficiency offerings, as these projects need to purchase all new equipment.
16 However, even within existing buildings, the programs will now be able to address
17 multiple measures across energy types, including combined heat and power systems as
18 part of a single project.

19
20 **Eligible Population**

21 Design 2000*plus* is available to all non-residential customers. It is available for new
22 construction and remodeling projects such as a new building, expansion or renovation of
23 an existing building, change in the use or function of the building space, new equipment
24 or systems for a new process or expanded operation, replacement of failed equipment, or
25 planned replacement of equipment or systems.

26

1 **Program Design**

2 Design 2000*plus* provides technical consulting and incentives for the installation of many
3 different kinds of energy efficient equipment and systems. Energy efficiency measures
4 which are eligible for incentives include premium efficiency lighting, motors, variable
5 speed drives, heating, ventilating and air conditioning systems (HVAC), refrigeration,
6 industrial process, compressed air, combined heat and power (gas), or any other
7 qualifying efficiency improvement.

8

9 Incentives

10 There are three specific types of incentives. (1) Prescriptive incentives are standardized
11 in terms of incentive level and minimum efficiency criteria, and address specific
12 equipment measures addressing lighting, motors, DHW (gas), compressed air, and
13 HVAC. Incentives for high efficiency alternative equipment and systems are offered to
14 customers on a per unit basis. (2) Custom incentives are offered for any qualifying cost-
15 effective efficiency opportunity, based on the unique energy savings and cost criteria of a
16 project. (3) Comprehensive incentives are based upon evaluation of the whole building
17 and the benefits that come from examining an integrated engineering approach. The
18 latter are primarily, but not solely, applicable to new construction and major renovation
19 among large (>75,000 sq. ft.) buildings. In general, incentives are designed either to
20 cover 60 to 75% of the incremental cost between standard and premium efficiency
21 equipment and systems or to buy down the cost of equipment to the customer to a one
22 and a half year payback, whichever is less. For Comprehensive Design Approach and
23 Comprehensive Chiller projects (described below), incentives cover up to 80% of the
24 incremental cost or buy the cost of the equipment and systems down to a one year
25 payback, whichever is less. Core Performance is a comprehensive track under Design
26 2000plus but for smaller buildings. Core performance is described later in this section.

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1 Most incentives will be unchanged in 2009. Attachment 3 details specific changes to
2 measure incentives. The Company will also explore offering upstream incentives to
3 design professionals which will be design to foster more comprehensive projects sooner
4 in the design process.

5

6 Marketing

7 The Company markets Design 2000*plus* through extensive personal communication by
8 account managers with customers, vendors, contractors, design professionals and,
9 seminars, training sessions and other direct marketing approaches. For 2009 the
10 Company will continue to build on this marketing effort by implementing a broader
11 communications plan to customers to underscore the value of implementing energy
12 efficiency solutions in their facilities to control their electricity costs and reduce their
13 building operating costs. It is anticipated that circuit riders will be called on to actively
14 educate and train a large segments of these trade ally groups to ensure higher levels of
15 participation and savings results. The ceiling for achieving greater results has been
16 raised and the necessity of increasing the number of trade allies through increased direct
17 contact will be critical to success. Development of these approaches coupled with direct
18 mail and response campaigns will be part of the overall communications and outreach
19 initiatives planned for 2009.

20

21 In 2009, the Company will also be targeting specific customer segments and building
22 types that might have both unique needs and significant opportunity to reduce energy
23 consumption. With greater need for improved processing of information, it is expected
24 that data centers furnishing this information will offer chances to reduce energy use
25 through improved ventilation and cooling. The Company is currently developing
26 program elements that will look at laboratories and data centers. We will add to these
27 target markets as new ones are identified.

1 The proposed changes to the Design 2000*plus* program for 2008 are summarized in
2 Attachment 3.

3
4 A. Services

5 For new construction and major renovation, the earlier in the design process the
6 Company becomes involved, the more likely it is that a comprehensive solution will be
7 possible. For example, if the customer begins participation in Design 2000*plus* before
8 making final design decisions, there is the advantage that comes from investigating
9 reduced cooling requirements through improved lighting systems. Moreover this
10 improvement may lead to selecting smaller HVAC equipment and contribute to greater
11 efficiency and lower building operating costs. Once the Company identifies an
12 appropriate Design 2000*plus* project, the Company offers technical assistance services,
13 integrated with the customer's design team if they have one.

14
15 The Company will focus on developing a marketing and outreach plan as previously
16 discussed in order to significantly increase our penetration of the new construction and
17 equipment replacement market. It is expected that aside from direct account management
18 contact that a host of media approaches including direct advertising and solicitations will
19 be used to stimulate even more activity and participation by a larger cross section of
20 commercial and municipal customers.

21
22 These technical assistance services include gas and electric engineering evaluations that
23 support best practices in building design and consider energy efficient measure
24 identification, equipment metering or monitoring, improved technical design solutions,
25 customer presentations, and design and construction assistance. Technical assistance
26 provides customers and their design professionals, if any, with detailed engineering

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1 studies that identify alternative energy systems that support lower operating costs in the
2 buildings and the operational benefits that come from this selection. The costs of these
3 energy efficiency studies are usually cost shared at 50% with customers. Technical
4 assistance is available for all customers. While the focus is often early engagement with
5 customers and their design teams for new construction and major renovation, TA studies
6 are also done that focus on specific equipment or systems for existing customers.

7
8 To ensure that energy savings features are installed and operated as designed, the
9 Company provides a commissioning service. This service is an independent third party
10 verification that complex building systems, such as HVAC projects involving energy
11 management systems or other controls, are operating as designed.

12
13 In some circumstances customers may wish to use their own engineer in lieu of a
14 technical assistance (TA) vendor supplied by the Company. In these cases, these
15 companies must adhere to the same standards and criteria for a technical analysis as
16 engineers supplied by National Grid and their work will be reviewed and approved by the
17 Company's technical support consultant.

18
19 Financing for the customer portion of the Design 2000*plus* project is available to
20 customers. Financing is generally arranged with Citicorp Vendor Financing, and
21 includes nominal application and documentation fees, a limited up-front cash requirement
22 of no more than the first month's lease payment, flexible repayment terms of two to
23 seven years, and a simple application process. The amounts available range from \$5,000
24 to \$4,000,000. This arrangement benefits not only the specific customer in need of
25 financing, but also more generally is introducing energy efficiency lending to the
26 financial community, which considers this type of loan unconventional.

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

The Company offers the Project Expediter service, which uses pre-qualified contractors to market efficiency services to customers, audit customers' facilities and arrange for the purchase and installation of energy efficient equipment. Under this service, Project Expeditors are authorized by the Company to analyze projects and offer customers incentives without Company preapproval. Project Expeditors are firms that have proven to the Company they do good quality work, understand the Company programs, and accurately make offers and promises to customers. The Company maintains lists of qualified Project Expeditors and makes referrals to customers as appropriate, as well as provides a list on its website. As with most of the other services listed here, Project Expediter is available for both Design 2000*plus* and Energy Initiative, described below. Usually, these installations are retrofits, however, and therefore qualify under Energy Initiative.

B. Best Practices Initiatives

a. Advanced Buildings, LEED and Sustainable Design

The Company is supporting Core Performance developed by the New Buildings Institute (NBI) in cooperation with US EPA, ASHRAE, the US Green Buildings Council and the national Building Operators and Managers Association. Core Performance is a suite of technical resources and design guides that help design professionals create commercial buildings that are energy efficient and provide a healthy work environment for occupants. Core Performance complements the Comprehensive Design Approach and Commercial Energy Efficiency Program (gas) with a special emphasis on smaller buildings. Core

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1 Performance also serves to promote better commercial design practices such that
2 advancements in the Rhode Island building code can be implemented at an accelerated
3 rate. The Company has played a lead role nationally in the development and refinement
4 of Advance Buildings along with other stakeholders and utilities. For 2009, the
5 Company will continue to build on the success of the Core Performance we have been
6 promoting for three years in Rhode Island to address the efficiency needs of new
7 construction projects for commercial buildings less than 75,000 sf. National Grid
8 launched this effort in 2006 with several training programs on the topic offered in RI.
9 Numerous projects have been design in the state using Core Performance and we expect
10 the number to grow as architects and their clients realize that buildings designed this way
11 are practical and cost effective.

12
13 The program will continue to be expanded in 2009 to reach more projects and more
14 design firms with additional staff and through further training and promotional efforts.
15 Also, National Grid continues to work closely with the New Buildings Institute the
16 national organization that manages and promotes and maintains Advanced Buildings
17 across the country to add powerful new features to the program that will increase its
18 appeal and market penetration.

19
20 National Grid will support customers with designs that incorporate the U.S. Green
21 Building Council's "Leadership in Energy and Environmental Design (LEED) Green
22 Building Rating System™" in their new construction projects using our staff LEED
23 Accredited professionals. For many this will include providing them a basic
24 understanding of LEED requirements and guiding them through the process of
25 assembling a qualified design team. Beyond this we will guide customers to the best
26 path for achieving LEED points for Energy and Atmosphere, by providing technical
27 support along with financial incentives.

1

2 The Company expects to incorporate a major outreach effort to architects and other trade
3 allies in its marketing plan under development. This will be necessary to ramp up
4 penetration of Core Performance into the New Construction market. This outreach will
5 include relying on both in-house and outsourced professionals calling on architectural
6 and engineering firms directly as well as providing support materials that identify the
7 value of better performing buildings and the practices necessary to achieve these cost
8 reduction results.

9

10 Core Performance is also supported by the Company's gas Commercial Energy
11 Efficiency Program.

12

13 b. Comprehensive Chiller Program

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

21

22

23

24 c. Economic Development

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1 Design 2000*plus* offers a significant opportunity for economic development in Rhode
2 Island by helping businesses save on their electric costs while at the same time
3 supporting them in their investments in new energy efficient equipment and system
4 improvements to their facilities. To this end, for 2009 the Company will continue to
5 work closely with various economic development groups in the state, including the
6 Rhode Island Economic Development Corporation (RIEDC), to seek ways the Company
7 may provide focused efficiency services. This effort builds on the relationships first
8 established in 2005, and may create a more favorable climate for doing business in Rhode
9 Island. In addition, this effort has afforded the opportunity to coordinate with the gas
10 Economic Development effort. Businesses moving to Rhode Island and businesses that
11 might be expanding, for example, are referred to the Company by the RIEDC. The
12 Company will explain its energy efficiency programs and offer to provide technical
13 assistance and other services.

14
15 Another economic development initiative the Company will undertake in 2009 is to help
16 expand the capability of business that serve the energy efficiency industry in Rhode
17 Island. This will be necessary in order to meet ever increasing demand for our energy
18 efficiency programs.

19
20 This is an effort that will look at the energy efficiency services industry serving both
21 residential and commercial/industrial customers. This workforce development effort
22 will:

- 23
24 ▪ Identify commercial and residential companies, agencies and not-for-profit
25 organizations that are actively performing energy efficiency services in Rhode
26 Island.

- 1 ▪ Provide an estimate of additional companies, agencies and non-for-profit
2 organizations that are in industry categories that could potentially perform energy
3 efficiency services in Rhode Island.
4
- 5 ▪ Estimate the size and composition of Rhode Island's commercial and residential
6 "energy efficiency workforce" (based on returned employer surveys).
7
- 8 ▪ Identify specific job titles/professions which employers report are "in demand"
9 and a shortage of which might serve as a barrier to Rhode Island's efforts to
10 achieve energy efficiency objectives.
11
- 12 ▪ Provide recommendations to utilities, energy efficiency companies, state agencies
13 and the state's education/job training system re: meeting identified workforce
14 needs.
15

16 C. Market Transformation Initiatives

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

24 a. Regional Energy Efficient Motors and Unitary HVAC initiatives

25 As a feature of the Design 2000*plus* Program, the Company has supported the MotorUp
26 premium efficiency motor initiative since 1998, a regional market transformation
27 initiative that promotes motor management of high efficiency motors and quality repair

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1 of motors to maintain high efficiency. In the past, the MotorUp program was delivered
2 through a joint effort by participating utilities and energy efficiency agencies in New
3 England, New York and New Jersey through the Northeast Energy Efficiency
4 Partnerships. This extended regional group has decided to end the joint delivery of
5 MotorUp. In its place for 2007, a Motors program was developed by a group that
6 encompasses a smaller region consisting of Massachusetts and Rhode Island utilities.
7 The regional program also called MotorUp has continued to offer consistent equipment
8 efficiency requirements for qualifying "NEMA Premium" motors. Uniform rebates and
9 application forms are used throughout the region. For 2009, Massachusetts and Rhode
10 Island utilities will continue to coordinate the use of a contracted circuit rider to provide
11 outreach to motor dealers, trade allies, vendors and distributors. MotorUp also features a
12 1-800 number for technical assistance, and a central clearing house for application
13 processing. Since 2003, the regional initiative has provided instant rebates at motor
14 dealer sites through participation in MotorUp. The Company expects to continue with
15 this approach in 2009. Additionally, the Company is continuing an effort that was
16 initiated in 2006 and expanded in 2007 for smaller businesses, through the vendors that
17 provide Project Expeditor services, to transform their purchasing practices through motor
18 management best practices, to include larger C&I customers. The Company will work
19 with the customer to facilitate audits of their motor inventory and to develop a motor
20 management plan and purchasing policy to optimize energy efficiency by replacing new
21 or failed motors with a NEMA PremiumTM motor.

22
23 The Company has participated in Cool Choice since 1999, a regional program that
24 focuses on promoting the installation of energy efficient unitary HVAC equipment
25 through Design 2000*plus*. In 2007, the Company (as well as other regional sponsors)
26 decided to withdraw from Cool Choice. Since then, the Company has coordinated with
27 utilities in Massachusetts in their effort to operate a joint state-wide program, sharing a
28 rebate worksheet form, a single circuit rider, and a 1-800 information line, similar to

1 what is described above for motors. The program features consistent efficiency rebates
2 level revised to follow CEE's new Tier 2 specifications for <5.4 Ton to <20 Ton units.
3 Incentives are also offered for dual enthalpy economizer controls, demand control
4 ventilation electronically commutated motors (ECM fan motors) in packaged units. The
5 rebates are expected to remain unchanged in 2008.

6
7 The budgets for these initiatives are included in the overall Design2000*plus* program
8 budget.

9
10 b. High Performance Commercial Lighting Design/DesignLights™ Consortium

11 In an attempt to continue to promote high quality, high performance lighting with
12 commercial and industrial customers the Company will utilize a series of specialized
13 guidelines, called the *knowhow*™ series, that have been developed by the DesignLights
14 Consortium to help customers with their lighting design decisions. For 2009 the
15 Company will continue to provide additional outreach on the benefits of high quality
16 lighting design to various lighting equipment vendors throughout Rhode Island. The
17 Company proposes to accomplish this through visits, workshops and breakfast meetings
18 with these vendors and with lighting specifiers. These meetings will be educational but
19 also provide an opportunity for these market players to promote high quality, energy
20 efficient lighting that would be eligible for rebate to their customers. As part of this
21 outreach, the Company will also promote best design practices under development by the
22 Office of the Future collaboration and design tools being developed by the USDOE's
23 Commercial Lighting Initiative

24
25 In 2009, the Company will continue to seek out and promote emerging technologies for
26 energy efficient lighting technologies. For example, the Company is following advances

1 in LED lighting technology and is already granting rebates for LED lighting in grocery
2 store refrigeration units. As more of this technology emerges, the Company will promote
3 this to customers.

4
5 The company has been offering a “performance lighting” option which offers an
6 incentive based on the ability of a project to achieve lighting power densities (watts per
7 sq foot) more efficient than what’s required by the Rhode Island State Energy Code.
8 This program targets architect, building design engineers and lighting equipment
9 suppliers who have to ensure that installed lighting meets the code. Performance lighting
10 achieves two things: 1. makes the practitioner more aware of lighting power density
11 requirements in the code and 2. Introduces them to technologies and design that will help
12 their project deliver a lighting power density 15% or more less than code. The Company
13 will continue to offer a “performance lighting” option in 2009 but expand its penetration
14 in the new construction market by offering expanded technical assistance and outreach to
15 lighting practitioners.

16
17 The Company expects to hire a dedicated lighting program manager in 2009 to advance
18 the initiatives described above.

19
20 c. High Performance Schools

21 The Company proposes to continue offering a special initiative targeted to public schools
22 through Design 2000*plus*. While Design 2000*plus* has been effective in reaching public
23 schools, a majority of schools have not participated due to a broad range of market
24 barriers including limited funding and competitive bidding requirements. This program's
25 intent is to help schools minimize the hurdles posed by these market barriers during a

1 time when Rhode Island is seeing an unprecedented level of investment in new and
2 renovated schools.

3
4 The Company proposes to fund the full cost for technical assistance studies for new
5 construction or renovation under Design 2000*plus*. All qualifying cost-effective electric
6 energy saving measures would be addressed through comprehensive treatment. It is
7 anticipated that most projects will involve lighting. A key requirement for this initiative
8 is that lighting must follow the DesignLights™ Consortium guidelines for schools as
9 outlined in "Classroom Lighting knowhow™" guide published by the DesignLights™
10 Consortium and that projects follow the Comprehensive Design Approach (CDA) track
11 which entails an interactive analysis of proposed measures utilizing whole building
12 simulation tools. As an alternative to CDA, smaller school projects may follow the New
13 Buildings Institute Core Performance standards described previously.

14
15 The Company will also continue to participate in the Rhode Island High Performance
16 Schools working group. Its mission is to promote “green” schools design elements to
17 districts considering new schools and to the design community that serves Rhode Island.
18 A circuit rider, funded through a grant from the Henry P. Kendall Foundation and the
19 Company, will work with prospective districts that are considering a high performance
20 school.

21
22 Funding for this initiative is included in the overall Design2000*plus* program budget.

23
24 d. Building Codes and State Standards

25 The Parties agree to support work at national and local levels to develop codes and
26 standards that continue to upgrade building energy efficiency. In cooperation with the

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1 codes community, including the Building Code Commission, the Company will work
2 with this and other agencies to offer continued improvement on proposed building codes
3 and standards that lead to the future revisions of the Rhode Island State Building Code.

4
5 Continually refining these codes and standards, which complement existing programs
6 such as Design 2000*plus* and Energy Initiative, has a significant impact on
7 institutionalizing progress made through utility programs. Therefore, this initiative
8 focuses on (1) working with national code development organizations such as ASHRAE
9 to upgrade building efficiency codes and (2) working at the local level with Rhode Island
10 and other states in the development of state efficiency codes and standards. The
11 Company will offer support to this effort which will be coordinated primarily through the
12 Northeast Energy Efficiency Partnership (NEEP) and the New Buildings Institute (NBI),
13 organizations with the goal of assisting states and others with the development of codes
14 and standards that are practical and enforceable. For instance, in 2007 Rhode Island
15 upgraded its state energy code to the “2006 International Energy Conservation Code”
16 (IECC-2006) with amendments drafted by NBI. The Company will continue to pursue
17 additional upgrades to the present code through NBI. Part of this effort includes
18 facilitating and supporting the training and education efforts for code enforcers, designers
19 and builders.

20
21 e. Federal Standards

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

1

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

8

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

14

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

16

17 **2. Energy Initiative**

18 **Overview**

19 Offered since 1988, Energy Initiative encourages the replacement of existing equipment
20 and systems with energy efficient alternatives. Its structure is very similar to Design
21 2000*plus*, offering financial incentives, technical assistance, and other ancillary services
22 such as commissioning, comprehensive chiller assistance, financing, and ballast disposal.

23

1 **Eligible Population**

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

5

6 **Program Design**

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

17

18 As stated under Design 2000*plus*, the Company will look at targeting opportunities for
19 specific market segments and building types. The Company is developing programs
20 around opportunities in laboratories and data center where there is potential to achieve
21 significant energy savings.

22

23 The Office of Energy Resources (RIOER) continues to promote an Energy Services
24 Company (ESCO) initiative to encourage efficiency improvements in Rhode Island's
25 state and municipal facilities. The Company will continue to support the delivery of this
26 service by coordinating its Energy Initiative program services (including incentives) with

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1 the ESCOs as they develop technical assessments for these customers. For 2009, the
2 RIOER and the Company will explore ways to help municipalities participate in this
3 initiative. Our gas energy efficiency program offerings will help ESCOs broaden the
4 scope of their services.

5
6 New for 2009 will be an option for on-bill finance option for cities and towns. Through
7 this finance option, customers are able to pay their balance for the cost of their work for
8 up to 24 month period in equal monthly installments on their bill. In addition, the
9 incentive will be increased to up to 70% of the total installed cost of measures for cities
10 and towns. This is similar to the on-bill financing and incentives provided by the
11 Small/Medium Business program. Municipal facilities with and average monthly
12 demand of 200 kW or less will still be treated under the Small/Medium Business
13 program.

14
15 The proposed changes to Energy Initiative for 2009 are shown in Attachment 3.

16
17 A. Services

18 Technical Assistance services are also available to participants in Energy Initiative.
19 These technical assistance services include engineering evaluations of unique or complex
20 process and system improvements. Technical assistance provides customers with
21 detailed engineering studies that provide customers with detailed engineering studies that
22 identify cost effective energy efficient improvements that can be made to building
23 systems and industrial processes. Energy efficient gas opportunities may be addressed
24 simultaneously.

25
26 B. Best Practices Initiatives

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1 Energy Initiative offers a significant opportunity for economic development in Rhode
2 Island by helping businesses save on their electric costs while at the same time
3 supporting them in their investments in new energy efficient equipment and system
4 improvements to their facilities. To this end, for 2009 the Company intends to continue
5 to work closely with various economic development groups in the state including the
6 Rhode Island Economic Development Corporation in an attempt to provide focused
7 efficiency services. This effort may lead to fostering a more favorable business climate
8 in Rhode Island to retain businesses in the state. This effort is being coordinated closely
9 with the Economic Development initiative offered under the gas energy efficiency
10 programs.

11
12 The Company also will continue a public education campaign to promote energy
13 efficiency, especially during peak periods. The Company expects to develop brochures
14 and other informational literature and disseminate these to C&I customers through bill
15 inserts, direct mail, e-mail equipment vendors and account managers. Some of the
16 literature and information that can be used is already available from E Source and the
17 American Council for an Energy Efficient Economy, organizations that feature the
18 benefits to customers available from improving their energy use practices.

19
20 C. Market Transformation Initiatives

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

23
24 a. Compressed Air Challenge

25 The Company will continue its active sponsorship of the national Compressed Air
26 Challenge (CAC). The CAC is a broad based collaborative of government agencies,

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1 compressed air specialists, equipment manufacturers, end-use consumers and utilities
2 whose objective is to promote the substantial energy savings improvements available by
3 means of a comprehensive, systems approach to compressed air system design and
4 operation. The CAC educational and technical materials being disseminated by the
5 Company are intended to increase customer awareness of, and demand for, products and
6 services that encompass a comprehensive, “systems optimization” approach. Coupled
7 with this increased demand for enhanced services from customers, regional compressed
8 air equipment and service vendors will be exposed in depth to the technical approaches
9 promoted by the CAC.

10

11 Over the past few years the Company has been actively coordinating local workshops
12 that have been developed by the CAC. These workshops reflect consensus approaches to
13 a variety of technical issues associated with the comprehensive system approach to
14 compressed air quality, reliability, and efficiency. The first workshop, entitled
15 “Fundamental of Compressed Air Systems,” has been very well received by industrial
16 customers and vendors who have attended to date. The second is a more advanced two-
17 day workshop entitled “Advanced Management of Compressed Air Systems.” This
18 complementary workshop is primarily targeted at larger, more sophisticated customers as
19 well as regional vendors and engineering consultants. The Company anticipates that
20 these workshops will result in an increased number of applications under the Company’s
21 programs that address more comprehensive solutions to system efficiency. The Company
22 expects to hold one Level 1 workshop in Rhode Island. We will also target Rhode Island
23 Customers and compressed air vendors for Level 1 and Level 2 classes that are offered in
24 Eastern Massachusetts.

25

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

4
5 The budget for this initiative is included in the overall budget for Energy Initiative

6
7 b. Compressed Air Operations & Maintenance Improvement Program

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

15
16 This program will provide participating customers with financial and technical assistance
17 in making low cost system improvements and help customers establish a long term leak
18 management program at their facilities. Participation in the program will include: a
19 compressed air system survey, identification of leakage and other potentially low cost
20 O&M improvements, staff training in leak repairs and planning for continuous system
21 monitoring. Eligible customers must have a minimum of 100 horsepower of compressed
22 air load in their facility. The customer will sign a memorandum of understanding with
23 the Company detailing the responsibilities of both parties.

24
25 The budget for this initiative is included in the overall budget for Energy Initiative.

1 c. Building Operator Training and Certification (BOTC)

2 The Building Operator Training and Certification (BOTC) initiative is a collaborative
3 effort among gas and electric utilities in the region. Through this effort a training and
4 certification program is administered and conducted by a third party and offered to
5 commercial and industrial customers. The Company has offered Level 1 of the BOTC
6 initiative for the past six years. . The Company hosted one class in Massachusetts in
7 2008 that was open to Rhode Island customers and plans for 2009 to offer at a minimum
8 one BOTC class.

9
10 The BOTC's objectives include:

- 11 • Increasing O&M personnel knowledge and skills in operating and maintaining
12 commercial and industrial buildings for efficiency, comfort, and safety.
- 13 • Expanding market awareness of the benefits of improved building performance.
- 14 • Building market demand for resource-efficient O&M services.
- 15 • Distinguishing resource-efficient practices, service providers, and knowledgeable
16 building operators in the marketplace.
- 17 • Establishing a Training and Certification program that will become financially self-
18 sustaining in the future.

19
20 In 2007, the Northeast Energy Efficiency Partnerships decided not renew its license for
21 BOC. The company is currently exploring the continuation of a program like BOC
22 along with other energy efficiency program providers in the region and expects to offer a
23 program in 2009. Funding will also be available through the gas energy efficiency
24 program budget

1

2 d. Whole Building Assessment and Retro-Commissioning

3 In 2009, the Company will continue to benchmark the energy use of large Commercial
4 and Municipal customers through the Whole Building Assessment initiative to assist
5 them in setting priorities and promote the installation of energy efficiency measures in
6 their facilities. Also, the Company will continue offering a retro-commissioning
7 initiative to help commercial and industrial customers understand how their equipment is
8 operating and make adjustments to improve performance and efficiency

9

10 Whole Building Assessment starts by “benchmarking” the customer’s energy use and
11 comparing it to their peers’ or their own historic consumption characteristics. By
12 gathering their current and historical energy use from the Company’s billing data systems
13 and presenting it in an insightful manner, new energy efficiency strategies may be readily
14 identified, and an action plan leading to an installation can be developed. This initiative
15 provides the opportunity to promote this service in Rhode Island, with the focus on the
16 creation of applications for energy efficiency incentives directly resulting from the
17 findings of the benchmarking exercise.

18

19 As companies become more aware of how and when they use energy in their facilities,
20 they are in a position to assess where the best opportunities lie to develop better operating
21 and maintenance practices. Through benchmarking, building owners and operators
22 achieve a better understanding of the energy related cost of their buildings. Moreover it
23 leads them to reduce operating costs, increase energy efficiency and promote
24 environmentally-friendly operations.

25

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

- 6
- 7 • The Company's *Energy Profiler On-Line (EPO)*. This is a tool that is used
8 effectively to identify energy use patterns within large commercial or industrial
9 facilities. It helps to identify energy and demand savings potential by offering
10 detail on current load duration and daily and historical building energy use. EPO
11 can provide an account manager an accurate snapshot of the facility before
12 meeting with the customer. The service can frame discussions to influence better
13 energy use practices and /or further technical assistance to validate the potential
14 of new energy efficient strategies and opportunities.

- 15
- 16 • *Commercial and Municipal Benchmarking Services* available through the EPA's
17 Energy Star Portfolio Manager. This is a tool that provides a comparison of the
18 level of annual energy consumption for commercial or institutional customers to
19 that of other facilities with the same function. The buildings are ranked in
20 comparison to the other buildings in a national database, corrected for climate and
21 other key variables. The analysis considers all purchased energy types used in the
22 facility. The customer will be responsible for providing the utility data, and
23 tracking resource consumption and costs. The EPA's ENERGY STAR
24 Benchmarking system utilizing Portfolio Manager is used for this effort. The
25 Company utilizes the benchmarking data to qualify the customer and access the
26 energy intensity of the building. The Company then arranges a lighting and
27 mechanical walk through of the building. The Company then furnishes a written

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

8

9

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

16

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

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

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

- 24 • Reduce operating costs during peak and off peak periods

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- Develop a comprehensive and acceptable operation and maintenance plan
- Identify capital projects that can lead to substantial energy savings
- Educate the building personal how to operate the building efficiently

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

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

The expected cost of these retro-commissioning projects is \$40,000. These funds will pay for technical assistance on retrocommissioning studies. Where efficiency opportunities are identified in the studies, they will be processed through the appropriate rebate program.

Experience gained by the company over the past several years in offering to over 50 customers across New England these expanded services suggest that continuing to develop and enhance Whole Building Assessment and retro-commissioning services to customers to help identify more efficiency options in operating their facilities that will provide additional savings that may be missed without a targeted whole building effort.

1 Many of the measures identified offer immediate to six months paybacks, are low costs
2 and generally involve some degree of control strategies for the buildings. To build on
3 these early results the company plans to continue to offer customers incentives for Whole
4 Building Assessment and retro-commissioning measures that may have less than a 2 year
5 simple payback- a threshold that is currently in place to be eligible for incentives. In
6 addition we believe it makes sense to also include a demand response evaluation to see if
7 we can bundle both Whole Building Assessment and retro-commissioning services with
8 demand response opportunities in the facility studies. We are also interested in
9 determining for 2009 the benefits of working with customer's controls company that
10 would combine a full assessment that includes gas and electrical savings and demand
11 response. This approach will bundle services under one project working with a controls
12 vendor.

13
14 C. Small and Medium Business Program

15 **Overview**

16 For over ten years, this program has provided direct retrofit installation of energy
17 efficient lighting, refrigeration and other energy efficient measures to small commercial
18 and industrial customers, including houses of worship and other smaller non-profit
19 organizations.

20
21 **Eligible Population**

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

24

1 Program Design

2 The Small/Medium Business Program offers incentives for the installation of energy
3 efficient fluorescent ballasts, lamps, and fixtures; hard-wired and screw-in compact
4 fluorescent systems; high intensity discharge systems; LED lighting, occupancy sensors;
5 energy management systems; and refrigeration measures such as evaporator fan controls,
6 efficient evaporator fan motors, automatic door closers and door heater control devices
7 for walk-in coolers. The Company arranges the equipment purchase through a material
8 vendor and installation with an administrative contractor. Continuing for 2009, the
9 Small/Medium Business Program creates broader program depth and appeal to customers
10 by offering the more comprehensive energy efficiency opportunities. This expansion
11 provides customers the benefit to build on their potential energy savings by examining a
12 broader array of energy efficient opportunities outside the current available measures.
13 For example, LED lighting measures are being offered for customers with case/display
14 refrigeration units as a custom option which will be expanded in 2009.

15
16 Rebates cover 70% of both labor and material costs. Customers may finance the
17 remainder for up to 24 months interest-free through their electric bill. If customers pay
18 their portion up front, they receive a 15% discount off the amount due.

19
20 The Small/Medium Business Program leverages the audit conducted as part of the
21 electric energy efficiency program to identify opportunities for customer participation in
22 the gas energy efficiency programs. Electric program staff have been trained to identify
23 opportunities for gas efficiency, and arrangements are made for follow-up in-depth gas
24 efficiency evaluations where customer interest warrants. (The gas program does not
25 offer a direct install program similar to the electric program.) In the case of measures
26 like energy management systems that can result in both gas and electric savings, the

customer is provided a single analysis, quantifying the combined project savings and payback.

In 2009, the Small/Medium Business Services program will continue to offer a broad selection of comprehensive measures. While potential for significant energy savings in small/medium business rests on improving lighting energy use, the proposed improvements to the program support more comprehensiveness in customers' facilities and build on the experience gained from delivering these services in prior years. These additional energy efficiency measures will include but not be limited to non-prescriptive lighting measures, motor and drive power improvements and other custom energy efficiency opportunities.

Gas Programs

1. Commercial Energy Efficiency Program

Overview

The Commercial Energy Efficiency Program is designed to provide support services and financial incentives that encourage the Company's commercial and industrial customers to install energy efficient natural gas equipment. Virtually any energy efficient gas fueled technology or system design that exceeds the minimum requirements of the local energy code, and which is not covered by another Company program offering, may be eligible for an incentive under this program. This program complements the Company's Design 2000plus.

Eligible Population

1 The program will be open to all gas sales customers on a commercial tariff, including
2 multifamily facilities. Incentives provided through the program must be pre-approved by
3 the Company and/or the administrative vendor prior to delivery or installation of
4 product(s) or service(s).

5
6 **Program Design**

7
8 This program will provide financial assistance to customers to help defray the cost of an
9 energy audit by providing co-funding for engineering studies and financial incentives to
10 help fund qualifying energy saving measures. Customers may apply for program
11 services or incentives via a variety of channels including Company representatives,
12 plumbing and heating contractors, engineering firms, energy service companies or
13 equipment vendors. After reviewing the customer's energy efficiency needs, the
14 customer will be offered the appropriate program services. There are three specific
15 categories of incentives. (1) Prescriptive incentives are available for common energy
16 efficiency measures including programmable thermostats, boiler reset controls, steam
17 trap replacements, pipe and/or duct insulation, and building shell (walls, roof, floor,
18 crawlspace) insulation. (2) Prescriptive incentives are available for energy efficient gas
19 fired commercial kitchen equipment. (3) Custom Incentives will be available for
20 projects that demonstrate the use of natural gas more efficiently than typical industry
21 practices, or more efficiently than the minimum building code requirements.

22
23 Prescriptive incentives will be targeted toward all commercial and industrial customers.
24 The Company will rely primarily upon contractors and trade allies to locate candidate
25 facilities and to install the eligible prescriptive measures. This effort will be supported
26 by an extensive outreach and education effort to these trade allies, as well as promotions
27 directed to the customers themselves. Energy audits will not be required for

1 participation. However, pre-approval of the contractor's proposals and the available
2 prescriptive incentive will be required.

3
4 Prescriptive incentives are available to institutional, hospitality and restaurants for high
5 efficient gas steamers and gas fryers. These offerings may be expanded as new
6 technologies are identified through the Building Practices and Demonstration Program
7

8 Custom incentives will be limited to no more than 50% of the eligible installed project
9 costs, and the Company's contribution will be capped at \$100,000 per site and/or
10 project, up to \$250,000 for new construction comprehensive and up to \$150,000 per
11 eligible CHP project.

12
13 Custom Incentives will be classified as either Level One or Level Two. Level One
14 projects will involve less complex technologies and/or highly cost effective
15 technologies and will receive incentives based upon \$1.50 per first year of estimated
16 therm savings². Examples of Level One projects are redesigns of HVAC systems,
17 energy recovery ventilation, most heat recovery applications, building
18 automation/energy management systems, and advanced technology burners and/or
19 burner controls.

20
21 Level Two projects are solar heating technologies and will receive incentives based upon
22 \$3.00 per first year of estimated therm savings. Few applications are expected to reach
23 this threshold. In Program Year 1 the Company will build upon its experiences in other
24 jurisdictions and offer customers the opportunity to incorporate solar thermal
25 technologies such as solar DHW heating, solar pool heating, and solar space heating into

² The Company analyzed the relatively low level of penetration in 2007/08 and determined that the incentive rate of \$0.50/therm was only covering about 20% to 25% of the typical project cost. The increase in incentive is designed to cover more of the project cost and increase penetration.

1 the program. Incentives may not be applied toward normal maintenance costs and must
2 offset existing or potential gas usage. .

3
4 The Company recognizes the need to promote cost effective gas fired co-generation
5 systems, also called combined heat and power (CHP) where the heat by-product of a gas
6 reciprocating engine or gas turbine can be used to supplement a process heat load in an
7 industrial or institutional facility and also provides electric energy.

8
9 The Company will offer a modified custom incentive for eligible CHP installations.
10 Under this application, CHP systems will receive incentives based upon \$0.75 per first
11 year of estimated therm savings with a project cap of \$100,000. Higher efficiency CHP
12 systems, will receive an incentive of \$1.50 per first year of estimated therm savings with
13 a project cap of \$150,000.

14
15 In 2008, a CHP Task Force made up of outside parties and the Company was convened to
16 develop eligibility criteria for CHP for projects.

17
18 In order to qualify for Tier 1, the project must meet the following requirements:

- 19 ▪ The project must be cost effective
- 20 ▪ The project must lead to improvements in energy efficiency or reduction in
- 21 energy consumption in comparison to a typical facility using New England
- 22 grid power and an average new boiler (this requirement will be implemented
- 23 when more data becomes available from studies on the regional power grid
- 24 that will be published later this year.)

- The system must be designed to demonstrate that a minimum of 10% of the thermal energy output is utilized in an effective manner and optimized to increase the efficiency beyond what it would be under a standard design with separate heating system and electric utility distribution

In order for a project to qualify for Tier 2, Tier 1 requirements must be met in addition to the following:³

- Sum of all usable thermal energy products must constitute at least 20% of the technology's total usable energy output
- Sum of all usable electric energy must constitute at least 20% of the technology's total usable energy output.
- The project must be an application of technologies that achieve an average annual fuel conversion efficiency meeting or exceeding the following levels:
 - For systems with a total usable energy output of less than 1 MWt+e (thermal plus electric) per hour, an efficiency of 60%
 - For systems with a total usable energy output of 1 MWt+e, but less than 100 MWt+e, and efficiency of 63%
 - For systems with a total usable energy output of 100 MWt+e or greater, an efficiency of 66%

The company will spend no more than \$300,000 per year in incentives for all CHP projects in Rhode Island.

A. Services

³ From: USCHPA and ACEEE, Proposed Legislation for Combined Heat and Power: Introduction and Legislative Language.

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1 Energy Auditing services are for customers intending to proceed with energy efficiency
2 improvements but who require assistance estimating savings and incentive levels. Most
3 participants in this category will be small to medium customers with energy efficiency
4 applications, or large customers with relatively simple energy efficiency projects. It is
5 not required for customers to obtain an energy audit before proceeding with prescriptive
6 energy efficiency measures, nor does the Company intend to provide Energy Auditing
7 services for such projects. This service is provided with no direct cost to the customer.

8

9 Technical Assistance services will be used to evaluate more complex projects that
10 involve technologies associated with mechanical equipment, process equipment, and/or
11 underutilized or emerging green technologies. These types of technologies may include
12 boiler or chiller plant redesigns, heat recovery systems, digital energy management
13 systems, process efficiency improvement projects, and Comprehensive Design Approach
14 or Core Performance projects with associated green building technologies. Services
15 provided under the program will include technical analysis and engineering support for
16 medium to large customers who need assistance evaluating and/or designing complex
17 projects. The Company will cost share these services with the customer up to 50% of the
18 reasonable fees related to the efficiency project, not to exceed \$10,000. An
19 administrative vendor will be capable of providing Engineering services to the customer
20 under contract with the Company at negotiated rates to be established via a competitive
21 bid process.

22

23 Where electric and gas energy savings opportunities exist, such as through a
24 Comprehensive Design Approach or Core Performance project, the Technical Assistance
25 service will address these opportunities simultaneously as mentioned previously in the
26 electric program descriptions.

27

28 B. Economic Redevelopment Program

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1 The Economic Redevelopment Program is designed to improve energy efficiency and
2 reduce energy costs while also helping to foster the rehabilitation of buildings, storefronts
3 and neighborhoods in areas that are in need. Additionally, the program can provide
4 financial incentives and resources to help community based organizations and non-profits
5 increase the energy efficiency of their facilities and reduce their operating costs. Through
6 the program, the Company will work with Chambers of Commerce, economic
7 redevelopment organizations, non-profit organizations, as well as private development
8 corporations and businesses to facilitate the installation of eligible building shell and
9 other measures that increase the energy efficiency of business districts, K-12 public
10 school systems, and public and private subsidized housing. One of the program's
11 objectives is to leverage energy efficiency funds with other investments that are being
12 made for community development purposes.

13
14 Funding through the Economic Redevelopment Program will focus on projects that
15 demonstrate a strong community impact. A project has a strong community impact when
16 it provides for site rehabilitation, creates jobs, provides housing solutions or is integral in
17 providing community based programs.

18
19 The program will be open to all Company multifamily, commercial and industrial
20 customers that meet the program's intent. Maximum funding per project will be
21 \$100,000, with a minimum of 50% matching funds requirement by customer.
22 Applications for funding must include a description of the redevelopment project,
23 information on the sponsoring organization, identification of additional funding sources,
24 types of energy conserving measures to be installed, estimated energy savings and project
25 schedule. Each application for funding will be evaluated and an analysis will be
26 performed to identify cost-effective opportunities for reducing a customer's energy
27 usage. The analysis performed will lead to a report summary of recommendations and a

1 detailed description of the alternatives evaluated, including: total installation costs,
2 annual energy costs, annual savings and simple payback periods.

3
4 C. Market Transformation Initiatives

5 a. Trade Ally Training Program

6 Energy efficiency awareness by the Company's trade allies is crucial to reducing barriers
7 to energy efficiency and increasing acceptance of new technologies. Education activities
8 to this segment will be a critical piece of the Company's promotion efforts.

9
10 The Company will support and undertake a wide range of training events in collaboration
11 with GasNetworks⁴, the ENERGY STAR® Homes Joint Management Committee,
12 Northeast Energy Efficiency Partnerships (NEEP), manufacturing training
13 representatives and other trade allies. Outreach will extend to contractors, engineers,
14 builders, landlords, realtors, facility managers and housing authorities.

15
16 Training activities will be promoted via Company newsletters and direct mail campaigns
17 to contractors, in addition to meeting with trade allies at public events. The GasNetworks
18 website (www.gasnetworks.com) will also be used as a vehicle for promotion, offering
19 trade allies a central source of information on special event training efforts, in addition to
20 joint energy efficiency programs.

21

⁴ GasNetworks is a regional collaborative of natural gas distribution companies that coordinate natural gas energy efficiency programs throughout Maine, Massachusetts and New Hampshire. The benefit of GasNetworks membership is that it allows each participating company to offer regional programs at a lower overall cost to its customers. The GasNetworks programs are consistent wherever they have been offered. The GasNetworks programs have received several national awards from the American Council for an Energy Efficient Economy as exemplary examples of natural gas energy efficiency programs.

1 The budget for the Trade Ally Training Program will be included within each program's
2 budget

3
4 *b. Steam Assessment and Savings Program*

5
6 Over 45% of all the fuel burned by U.S. manufacturers is consumed to raise steam.
7 Steam is used to heat raw materials and treat semi-finished products. It is also a power
8 source for equipment, as well as for building heat and electricity generation. Many of
9 these facilities can recapture energy through the installation of more efficient steam
10 equipment and processes. The Steam Assessment and Savings program has been
11 developed to help these facilities manage their utility expenses through capital
12 improvements via incentives on high efficiency equipment as well as through proper
13 maintenance "best practices" by providing incentives for steam system & steam trap
14 surveys.

15
16 *c. Building Operator Training and Certification (BOTC)*

17
18 Funding through the gas program budget is available to support the BOCT. This program
19 is described previously under the electric program descriptions under Energy Initiative.

20 **2. Commercial High-Efficiency Heating Program**

21 **Overview**

22 The Commercial High-Efficiency Heating program will provide incentives to
23 commercial, industrial, governmental, institutional, non-profit and multifamily facilities
24 that install high-efficiency heating equipment. The incentives will be provided to reduce
25 the incremental cost between standard and high-efficiency equipment.

1

2 **Eligible Population**

3

4 The program will be open to all gas sales customers on a commercial tariff, including
5 multifamily facilities. Incentives provided through the program must be pre-approved by
6 the Company and/or the administrative vendor prior to delivery or installation of
7 product(s) or service(s)

8

9 **Program Design**

10 The Commercial High-Efficiency Heating program is a lost opportunity program
11 intended to provide prescriptive incentives for new heating equipment during a planned
12 replacement or for new construction. Prescriptive incentives are available for furnaces,
13 boilers, infrared heaters and domestic hot water systems.

14

15 The Commercial High-Efficiency Heating program will be promoted primarily to
16 architects, engineers, equipment vendors, contractors and other trade allies. Since many
17 of the trade allies overlap in the residential and smaller multifamily and commercial
18 markets, the program will often be promoted together with the Residential High-
19 Efficiency Heating program. Trade ally awareness will be increased through direct mail,
20 trade publications, newspapers, trade shows/seminars, and site visits. A lot of outreach
21 for this program will be accomplished through Trade Ally Training Program, described
22 previously under the Commercial Energy Efficiency Program.

23

1 The program's incentive schedule will apply to a variety of product types and a broad
2 range of equipment sizes that are appropriate for the commercial market segments. This
3 range provides an opportunity to participate regardless of customer size. There will also
4 be incentives for natural gas fired, low intensity infrared heaters, high efficiency
5 condensing unit heaters and direct fired make-up air systems that are appropriate for the
6 larger commercial and industrial segments. Boiler incentives will be available in a two-
7 tiered matrix: Tier One for high-efficiency non-condensing boilers and Tier Two for
8 high-efficiency fully condensing boilers.

9
10 The Commercial High-Efficiency Heating Incentive Program efficiency ratings for
11 smaller heating equipment (up to 300,000 Btuh input) are measured using AFUE ratings.
12 Efficiency ratings for larger heating equipment, which exceeds the size ranges for AFUE,
13 are measured using a thermal efficiency or steady state rating.

14 15 **3. Building Practices and Demonstration Program**

16
17 The purpose of the Building Practices and Demonstration Program is to establish
18 successful applications of new or underutilized energy efficient procedures, processes, or
19 technologies. Interested parties may file applications for financial and technical
20 assistance directly with the Company. Applications must include a description of the
21 scope of work and an estimate of the savings and benefits to be realized. Participants are
22 required to allow monitoring of the installation and/or results, tours of the installation by
23 potential users or other interested stakeholders, and publication of the results in case
24 study format.

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1 To market the program, the Company will rely on industry vendors developing and/or
2 offering new or underutilized natural gas energy efficiency technologies as well as the
3 efforts of Company employees.

4
5 The focus will be technologies that have low customer awareness or market penetration,
6 and the end uses may include cooling, refrigeration, process heat, cooking, thermal
7 measures, cogeneration, load control, or heat recovery. The program may also look at
8 exemplary energy efficient designs or practices as demonstrations.

9
10 Some of the technologies and practices being examined for 2009 include:

- 11 ▪ High efficiency convection ovens
- 12 ▪ High efficiency combination ovens
- 13 ▪ Transport membrane condensers for large steam boilers

14
15 Other new energy efficient gas technologies will be addressed as they are identified

16
17 The Company will develop relationships with key partners and organizations like the
18 Consortium for Energy Efficiency (CEE) Commercial Kitchens Group and the Energy
19 Solutions Center (ESC), to increase its access to new technology information.

**Table E-1
National Grid
Electric DSM Funding Sources in 2009 by Sector**

| | Projection |
|--|----------------------|
| Projected kWh Sales¹: | |
| Low Income Residential | 207,328,343 |
| Non-Low Income Residential | 2,920,487,437 |
| Commercial & Industrial | <u>4,747,631,672</u> |
| Total | 7,875,447,453 |
| DSM Revenue per kWh (proposed in LCP) | \$0.0032 |
| Projected DSM Revenues (\$000) | |
| Low Income Residential | \$663.4 |
| Non-Low Income Residential | \$9,345.5 |
| Commercial & Industrial | <u>\$15,192.4</u> |
| Total | \$25,201.3 |
| Other Sources of DSM Revenues (\$000): | |
| Projected DSM Fund Balance Interest in 2009 ² | |
| Low Income Residential | \$0.0 |
| Residential | \$217.6 |
| Commercial & Industrial | <u>\$330.4</u> |
| Total | \$548.0 |
| Projected Co-Payments by Customers in 2009: | |
| Low Income Residential | \$0.0 |
| Residential | \$0.0 |
| Commercial & Industrial | <u>\$1,165.4</u> |
| Total | \$1,165.4 |
| Projected DSM Commitments at Year-End 2008: | |
| Low Income Residential | \$0.0 |
| Residential | \$0.0 |
| Commercial & Industrial | <u>\$4,500.0</u> |
| Total | \$4,500.0 |
| Projected 2008 Fund Balance ² : | |
| Low Income Residential | \$0.0 |
| Residential | (\$1,449.1) |
| Commercial & Industrial | <u>\$1,323.5</u> |
| Total ³ | (\$125.6) |
| Projected Payments During Transition Period From ISO-NE ⁴ : | |
| Low Income Residential | \$28.5 |
| Residential | \$401.5 |
| Commercial & Industrial | <u>\$652.7</u> |
| Total | \$1,082.7 |
| Subtotal - Other Sources of DSM Revenues: | |
| Low Income Residential | \$28.5 |
| Residential | -\$830.0 |
| Commercial & Industrial | <u>\$7,972.0</u> |
| Total | \$7,170.5 |
| Total funding available in 2009 minus commitments | |
| Low Income Residential | \$691.9 |
| Residential | \$8,515.5 |
| Commercial & Industrial | <u>\$18,664.4</u> |
| Total | \$27,871.8 |
| Projected Total Funding Available in 2009: | |
| Low Income Residential | \$691.9 |
| Residential | \$8,515.5 |
| Commercial & Industrial | <u>\$23,164.4</u> |
| Total | \$32,371.8 |

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.

² Fund Balance currently tracked by Residential and Commercial and Industrial Sectors; Low-income fund balance and interest not separated out. Fund balance data from September 2008.

³ A projected negative fund balance at year end indicates that projected spending and commitments for 2008 are greater than the actual funding available in 2008.

⁴ The total projection of FCM revenue is allocated by kWh sales to each sector.

Table E-2
National Grid 2009 Electric Energy Efficiency Program Budget (\$000)

| | Program Planning & Administration | | Marketing | Rebates and Other Customer Incentives | Evaluation & Market Research | Grand Total |
|---|-----------------------------------|------------------|----------------|--|------------------------------------|-------------------|
| | External | Internal | | | | |
| Non-Low Income Residential | | | | | | |
| ENERGY STAR [®] Homes | \$49.0 | \$31.7 | \$21.0 | \$758.9 | \$19.2 | \$879.8 |
| ENERGY STAR [®] Central Air Conditioning | \$15.0 | \$22.7 | \$38.7 | \$352.7 | \$9.7 | \$438.7 |
| ENERGY STAR [®] Heating | \$0.0 | \$6.9 | \$1.5 | \$201.5 | \$0.0 | \$209.9 |
| EnergyWise | \$225.0 | \$97.3 | \$100.0 | \$2,627.8 | \$94.9 | \$3,145.0 |
| ENERGY STAR [®] Lighting | \$100.0 | \$32.4 | \$177.8 | \$669.9 | \$22.0 | \$1,002.0 |
| ENERGY STAR [®] Appliances | \$18.4 | \$34.0 | \$212.0 | \$1,208.3 | \$53.9 | \$1,526.5 |
| EERMC - Residential | \$125.1 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$125.1 |
| Energy Efficiency Educational Programs | \$50.0 | \$0.9 | \$50.0 | \$0.0 | \$0.0 | \$100.9 |
| Shareholder Incentive | \$0.0 | \$339.1 | \$0.0 | \$0.0 | \$0.0 | \$339.1 |
| Subtotal - Non-Low Income Residential | \$582.5 | \$564.8 | \$600.9 | \$5,819.0 | \$199.7 | \$7,767.0 |
| Low Income Residential | | | | | | |
| Single Family - Low Income Services | \$35.7 | \$78.9 | \$60.0 | \$2,453.7 | \$67.3 | \$2,695.6 |
| Shareholder Incentive | \$0.0 | \$100.2 | \$0.0 | \$0.0 | \$0.0 | \$100.2 |
| Subtotal - Low Income Residential | \$35.7 | \$179.1 | \$60.0 | \$2,453.7 | \$67.3 | \$2,795.7 |
| Commercial & Industrial | | | | | | |
| Design 2000 <i>plus</i> ¹ | \$340.5 | \$502.4 | \$21.7 | \$6,575.6 | \$122.2 | \$7,562.4 |
| Energy Initiative ¹ | \$350.8 | \$535.5 | \$13.5 | \$5,996.7 | \$168.1 | \$7,064.5 |
| Small and Medium Business Program | \$240.4 | \$83.4 | \$50.0 | \$5,878.2 | \$142.9 | \$6,395.0 |
| EERMC - C&I | \$189.9 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$189.9 |
| Shareholder Incentive | \$0.0 | \$596.8 | \$0.0 | \$0.0 | \$0.0 | \$596.8 |
| Subtotal - Commercial & Industrial | \$1,121.6 | \$1,718.1 | \$85.1 | \$18,450.5 | \$433.2 | \$21,808.5 |
| Grand Total | \$1,739.8 | \$2,461.9 | \$746.0 | \$26,723.3 | \$700.2 | \$32,371.2 |

Notes:

¹ Includes commitments for Design 2000*plus* and for Energy Initiative:

Total Commitments for 2009 are expected to be \$6,310,700. The allocation between Energy Initiative and Design 2000*plus* is

Design 2000*plus* Commitments: \$4,210.7

Energy Initiative Commitments: \$2,100.0

These commitments reflect agreements with customers to provide funding for approved energy efficiency projects that will be completed after year-end 2009.

The split of commitments between the large C&I programs reflects the thinking that more of the commitments will be made in Design 2000 *plus*

as projects become more comprehensive. This assumption will be re-assessed through the year.

Table E-3
Proposed 2009 Budget Compared to Approved 2008 Budget (\$000)

| | Proposed Budget (2009) | Approved Budget (2008) | Change Compared to 2008 |
|---|---------------------------------------|---------------------------------------|--|
| Non-Low Income Residential | | | |
| ENERGY STAR [®] Homes | \$860.6 | \$716.3 | \$144.2 |
| ENERGY STAR [®] Central Air Conditioning | \$429.0 | \$297.8 | \$131.2 |
| ENERGY STAR [®] Heating | \$209.9 | \$99.6 | \$110.3 |
| EnergyWise | \$3,050.1 | \$1,662.7 | \$1,387.4 |
| ENERGY STAR [®] Lighting | \$980.0 | \$625.9 | \$354.1 |
| ENERGY STAR [®] Appliances | \$1,472.6 | \$309.1 | \$1,163.5 |
| EERMC - Residential ¹ | \$125.1 | \$124.1 | \$1.0 |
| Energy Efficiency Educational Programs | \$100.9 | \$31.2 | \$69.7 |
| Subtotal - Non-Low Income Residential | \$7,228.2 | \$3,866.8 | \$3,361.4 |
| | | | |
| Low Income Residential | | | |
| Single Family - Low Income Services | \$2,628.3 | \$1,475.1 | \$1,153.1 |
| | | | |
| Commercial & Industrial | | | |
| Design 2000plus | \$7,440.2 | \$3,828.9 | \$3,611.2 |
| Energy Initiative | \$6,896.4 | \$6,340.5 | \$556.0 |
| Small and Medium Business Program | \$6,252.1 | \$4,263.9 | \$1,988.2 |
| EERMC - C&I | \$189.9 | \$192.3 | (\$2.4) |
| Subtotal Commercial & Industrial | \$20,778.6 | \$14,625.6 | \$6,153.0 |
| | | | |
| OTHER EXPENSE ITEMS | | | |
| Company Incentive | \$1,036.0 | \$647.7 | \$388.3 |
| Program Design, Evaluation and Planning | \$700.2 | \$400.0 | \$300.2 |
| Subtotal Other Items | \$1,736.2 | \$1,047.7 | \$688.5 |
| TOTAL BUDGET | \$32,371.2 | \$21,015.2 | \$11,356.0 |

¹ Includes EERMC allocation for Low Income Residential

Table E-4
Calculation of 2009 Program Year Cost-Effectiveness
Summary of Benefit, Expenses, Evaluation Costs (\$000)

| | TRC Benefit/ Cost (2) | Total Benefit | Program Implementation Expenses | Customer Contribution (3) | Evaluation Cost | Shareholder Incentive (4) | ¢/Lifetime kWh |
|--|-----------------------------|--------------------|---------------------------------------|------------------------------|--------------------|------------------------------|----------------|
| Commercial & Industrial | | | | | | | |
| Design 2000 <i>plus</i> | 4.82 | \$19,544.0 | \$3,229.5 | \$703.3 | \$122.2 | NA | 2.5 |
| Energy Initiative | 4.01 | \$43,858.7 | \$4,796.4 | \$5,971.9 | \$168.1 | NA | 3.0 |
| Small and Medium Business (1) | 3.14 | \$19,691.4 | \$4,746.4 | \$1,373.0 | \$142.9 | NA | 4.7 |
| Energy Efficiency and Resources Management Council - Large C | NA | NA | 189.9 | NA | NA | NA | NA |
| SUBTOTAL | 3.77 | \$83,094.1 | \$12,962.2 | \$8,048.1 | \$433.2 | \$596.8 | 3.4 |
| Low Income Residential | | | | | | | |
| Single Family - Low Income Services | 1.59 | \$4,450.9 | \$2,628.3 | \$0.0 | \$67.3 | \$100.2 | 19.2 |
| Non-Low Income Residential | | | | | | | |
| ENERGY STAR [®] Homes | 3.00 | \$2,639.3 | \$860.6 | \$0.0 | \$19.2 | NA | 12.1 |
| ENERGY STAR [®] Central Air Conditioning | 1.16 | \$500.4 | \$429.0 | -\$8.7 | \$9.7 | NA | 33.6 |
| ENERGY STAR [®] Heating | 1.34 | \$299.3 | \$209.9 | \$14.0 | \$0.0 | NA | 15.0 |
| EnergyWise | 1.66 | \$5,173.9 | \$3,050.1 | -\$27.7 | \$94.9 | NA | 5.7 |
| ENERGY STAR [®] Lighting | 11.85 | \$17,046.9 | \$980.0 | \$436.0 | \$22.0 | NA | 0.9 |
| ENERGY STAR [®] Appliances | 1.71 | \$4,197.0 | \$1,472.6 | \$930.0 | \$53.9 | NA | 6.9 |
| Energy Efficiency Education Programs | NA | NA | \$100.9 | NA | NA | NA | NA |
| Energy Efficiency and Resources Management Council - Residen | NA | NA | \$125.1 | NA | NA | NA | NA |
| SUBTOTAL | 3.28 | \$29,856.8 | \$7,228.2 | \$1,343.6 | \$199.7 | \$339.1 | 3.4 |
| TOTAL | 3.46 | \$117,401.8 | \$22,818.7 | \$9,391.7 | \$700.2 | \$1,036.0 | 3.6 |

Notes:

- 1) Small Business program expenses are net of the projected customer co-pay for 2009 installations (\$1,505,699). These costs are included in the Customer Contribution column.
- 2) TRC B/C Test = (Energy + Capacity + Resource Benefits) / (Program Implementation + Evaluation Costs + Customer Contribution + Shareholder Incentive)
Also includes effects of free-ridership and spillover
- 3) Negative customer contribution reflects interaction of free-ridership and spillover costs
- 4) See Table E-9

Table E-5
2009 Program Year Goals
Summary of Benefits, kW, and kWh by Program

| | Benefits (000's) | | | | | | | | | | | Load Reduction in kW | | | | | MWh Saved | |
|---------------------------------------|------------------|------------|--------|---------|---------|---------|----------|----------|----------|----------|--------------|----------------------|---------|--------|----------|----------------|-----------|--------------|
| | Total | Capacity | | | Energy | | | | | | Non Electric | | Summer | Winter | Lifetime | Maximum Annual | Lifetime | |
| | | Generation | | Trans | MDC | DRIPE | Winter | | Summer | | DRIPE | Resource | | | | | | Non Resource |
| | | Summer | Winter | | | | Peak | Off Peak | Peak | Off Peak | | | | | | | | |
| Commercial & Industrial | | | | | | | | | | | | | | | | | | |
| Design 2000plus | \$19,544 | 3,827 | \$0 | \$811 | \$1,914 | \$636 | \$5,060 | \$2,138 | \$2,686 | \$1,022 | \$1,388 | \$0 | \$61 | 2,301 | 1,251 | 37,016 | 10,423 | 162,348 |
| Energy Initiative | 43,859 | 6,327 | 0 | 1,388 | 3,277 | 1,334 | 11,964 | 4,851 | 6,298 | 2,307 | 3,851 | 500 | 1,762 | 4,823 | 3,642 | 60,154 | 28,808 | 358,575 |
| Small and Medium Business | 19,691 | 3,324 | 0 | 734 | 1,734 | 730 | 5,465 | 1,096 | 2,869 | 522 | 1,568 | 0 | 1,650 | 2,641 | 1,525 | 31,585 | 11,030 | 131,920 |
| SUBTOTAL | \$83,094 | \$13,478 | \$0 | \$2,933 | \$6,925 | \$2,701 | \$22,488 | \$8,086 | \$11,852 | \$3,850 | \$6,807 | \$500 | \$3,473 | 9,764 | 6,418 | 128,754 | 50,261 | 652,843 |
| Low Income Residential | | | | | | | | | | | | | | | | | | |
| Single Family - Low Income Services | 4,451 | 158 | \$0 | \$35 | \$84 | \$37 | \$151 | \$161 | \$330 | \$306 | \$174 | \$2,174 | \$840 | 137 | 303 | 1,567 | 1,340 | 14,542 |
| SUBTOTAL | \$4,451 | \$158 | \$0 | \$35 | \$84 | \$37 | \$151 | \$161 | \$330 | \$306 | \$174 | \$2,174 | \$840 | 137 | 303 | 1,567 | 1,340 | 14,542 |
| Non-Low Income Residential | | | | | | | | | | | | | | | | | | |
| ENERGY STAR® Homes | 2,639 | 406 | \$0 | \$84 | \$198 | \$55 | \$118 | \$118 | \$113 | \$109 | \$82 | \$1,319 | \$38 | 197 | 149 | 4,217 | 648 | 7,253 |
| ENERGY STAR® Central Air Conditioning | 500 | 197 | \$0 | \$44 | \$105 | \$45 | \$18 | \$4 | \$54 | \$14 | \$15 | \$0 | \$3 | 173 | 6 | 1,973 | 93 | 1,280 |
| ENERGY STAR® Heating | 299 | 19 | \$0 | \$4 | \$10 | \$3 | \$57 | \$14 | \$24 | \$6 | \$11 | \$151 | \$0 | 10 | 1 | 188 | 83 | 1,493 |
| EnergyWise | 5,174 | 544 | \$0 | \$120 | \$283 | \$117 | \$1,120 | \$1,198 | \$632 | \$556 | \$532 | \$21 | \$51 | 424 | 1,151 | 5,244 | 4,392 | 54,420 |
| ENERGY STAR® Lighting | 17,047 | 1,123 | \$0 | \$262 | \$618 | \$328 | \$1,963 | \$1,930 | \$3,792 | \$3,735 | \$2,332 | \$0 | \$964 | 1,184 | 4,457 | 10,864 | 18,074 | 165,147 |
| ENERGY STAR® Appliances | 4,197 | 517 | \$0 | \$123 | \$291 | \$161 | \$435 | \$429 | \$837 | \$830 | \$573 | \$0 | \$0 | 582 | 443 | 5,040 | 4,439 | 35,784 |
| SUBTOTAL | \$29,857 | \$2,807 | \$0 | \$637 | \$1,504 | \$709 | \$3,711 | \$3,693 | \$5,451 | \$5,252 | \$3,545 | \$1,491 | \$1,057 | 2,572 | 6,208 | 27,527 | 27,729 | 265,377 |
| TOTAL | \$117,402 | \$16,443 | \$0 | \$3,605 | \$8,513 | \$3,446 | \$26,350 | \$11,941 | \$17,633 | \$9,409 | \$10,526 | \$4,164 | \$5,370 | 12,473 | 12,929 | 157,848 | 79,331 | 932,762 |

Table E-6
Comparison of Goals to Prior Year

| | Proposed 2009 | | 2008 | | Difference | |
|---|---------------------------------|---------------|---------------------------------|---------------|-----------------------------|---------------|
| | Annual Energy Savings (MWh) (1) | Participants | Annual Energy Savings (MWh) (1) | Participants | Annual Energy Savings (MWh) | Participants |
| Program | | | | | | |
| Commercial & Industrial | | | | | | |
| Design 2000 <i>plus</i> | 10,423 | 239 | 9,157 | 159 | 1,267 | 80 |
| Energy Initiative | 28,808 | 245 | 21,039 | 145 | 7,769 | 100 |
| Small and Medium Business | 11,030 | 835 | 8,698 | 542 | 2,332 | 293 |
| SUBTOTAL | 50,261 | 1,319 | 38,894 | 846 | 11,367 | 473 |
| Low Income Residential | | | | | | |
| Single Family - Low Income Services | 1,340 | 1,439 | 945 | 806 | 395 | 633 |
| SUBTOTAL | 1,340 | 1,439 | 945 | 806 | 395 | 633 |
| Non-Low Income Residential | | | | | | |
| ENERGY STAR® Homes | 648 | 380 | 534 | 335 | 114 | 45 |
| ENERGY STAR® Central Air Conditioning Program | 93 | 546 | 116 | 620 | (23) | (74) |
| ENERGY STAR® Heating | 83 | 250 | 50 | 423 | 33 | (173) |
| EnergyWise | 4,392 | 6,194 | 1,875 | 2,962 | 2,517 | 3,232 |
| ENERGY STAR® Lighting | 18,074 | 68,548 | 11,974 | 51,650 | 6,100 | 16,898 |
| ENERGY STAR® Appliances | 4,439 | 7,600 | 415 | 3,750 | 4,024 | 3,850 |
| SUBTOTAL | 27,729 | 83,518 | 14,964 | 59,740 | 12,766 | 23,778 |
| TOTAL | 79,331 | 86,276 | 54,803 | 61,392 | 24,528 | 24,883 |

(1) Net Savings for 2008 calculated under "Rhode Island Benefit/Cost Test"; Net savings for 2009 calculated under Total Resource Cost Test.

Table E-7
Annual Electric Avoided Costs for Rhode Island

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|----|------|-----------------------------------|--|-----------------------------------|---------------------------------------|---------------------------------|---------------------------------|------------------------------|---|---|--|--|-------------------------|-------------------------|
| | | Winter Peak Energy (\$/kWh) | Winter Off- Peak Energy (\$/kWh) | Summer Peak Energy (\$/kWh) | Summer Off Peak Energy (\$/kWh) | Summer Generation (\$/kW) | Winter Generation (\$/kW) | Capacity DRIPE (\$/kW) | Winter Peak Energy DRIPE (\$/kW) | Winter Off- Peak Energy DRIPE (\$/kWh) | Summer Peak Energy DRIPE (\$/kWh) | Summer Off Peak Energy DRIPE (\$/kWh) | Transmission (\$/kW) | Distribution (\$/kW) |
| 1 | 2009 | \$0.100 | \$0.077 | \$0.101 | \$0.070 | \$0.00 | \$0.00 | \$0.00 | \$0.015 | \$0.012 | \$0.025 | \$0.011 | \$24.74 | \$58.42 |
| 2 | 2010 | \$0.099 | \$0.074 | \$0.101 | \$0.067 | \$62.82 | \$0.00 | \$0.00 | \$0.044 | \$0.036 | \$0.073 | \$0.033 | \$24.74 | \$58.42 |
| 3 | 2011 | \$0.095 | \$0.070 | \$0.099 | \$0.065 | \$113.30 | \$0.00 | \$0.00 | \$0.042 | \$0.034 | \$0.069 | \$0.031 | \$24.74 | \$58.42 |
| 4 | 2012 | \$0.091 | \$0.067 | \$0.094 | \$0.063 | \$126.76 | \$0.00 | \$145.37 | \$0.025 | \$0.021 | \$0.042 | \$0.019 | \$24.74 | \$58.42 |
| 5 | 2013 | \$0.084 | \$0.060 | \$0.089 | \$0.059 | \$134.61 | \$0.00 | \$93.45 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 6 | 2014 | \$0.087 | \$0.059 | \$0.088 | \$0.058 | \$134.61 | \$0.00 | \$41.53 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 7 | 2015 | \$0.083 | \$0.058 | \$0.090 | \$0.055 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 8 | 2016 | \$0.084 | \$0.059 | \$0.090 | \$0.058 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 9 | 2017 | \$0.086 | \$0.059 | \$0.092 | \$0.057 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 10 | 2018 | \$0.083 | \$0.058 | \$0.088 | \$0.056 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 11 | 2019 | \$0.082 | \$0.055 | \$0.090 | \$0.054 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 12 | 2020 | \$0.080 | \$0.055 | \$0.089 | \$0.054 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 13 | 2021 | \$0.081 | \$0.056 | \$0.092 | \$0.053 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 14 | 2022 | \$0.085 | \$0.056 | \$0.094 | \$0.055 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 15 | 2023 | \$0.087 | \$0.057 | \$0.096 | \$0.056 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 16 | 2024 | \$0.088 | \$0.058 | \$0.097 | \$0.057 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 17 | 2025 | \$0.090 | \$0.059 | \$0.099 | \$0.058 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 18 | 2026 | \$0.091 | \$0.060 | \$0.101 | \$0.059 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 19 | 2027 | \$0.093 | \$0.061 | \$0.102 | \$0.061 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 20 | 2028 | \$0.094 | \$0.062 | \$0.104 | \$0.062 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 21 | 2029 | \$0.096 | \$0.063 | \$0.106 | \$0.063 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 22 | 2030 | \$0.098 | \$0.065 | \$0.108 | \$0.064 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 23 | 2031 | \$0.099 | \$0.066 | \$0.110 | \$0.065 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 24 | 2032 | \$0.101 | \$0.067 | \$0.111 | \$0.066 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |
| 25 | 2033 | \$0.103 | \$0.068 | \$0.113 | \$0.068 | \$134.61 | \$0.00 | \$0.00 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$24.74 | \$58.42 |

ENERGY AND GENERATION CAPACITY VALUES (Columns 1 through 11) FROM 2007 AVOIDED ENERGY SUPPLY COMPONENT STUDY, EXHIBIT E-1 RI-C\$
TRANSMISSION AND DISTRIBUTION CAPACITY VALUES (12 and 13) FROM COMPANY ANALYSIS, IN 2007\$
All values escalated 1.9% real to 2009\$ and loss factors added

Table E-8
Derivation of the 2009 Spending Budget for Shareholder Incentive Calculation

| | Proposed 2009 Budget (\$000) | Commitments and Copays (\$000) | Other Funding Excluded From the Eligible Spending Budget | Eligible Sector Spending Budget (\$000) |
|---|---|---|---|--|
| Non-Low Income Residential | | | | |
| ENERGY STAR® Homes | \$879.8 | | | |
| ENERGY STAR® Central Air Conditioning | \$438.7 | | | |
| ENERGY STAR® Heating | \$209.9 | | | |
| EnergyWise | \$3,145.0 | | | |
| ENERGY STAR® Lighting | \$1,002.0 | | | |
| ENERGY STAR® Appliances | \$1,526.5 | | | |
| EERMC - Residential | \$125.1 | | \$125.1 | |
| Energy Efficiency Educational Programs | \$100.9 | | | |
| Shareholder Incentive | \$339.1 | | \$339.1 | |
| Subtotal - Residential | \$7,767.0 | \$0.0 | \$464.2 | \$7,302.8 |
| Low Income Residential | | | | |
| Single Family - Low Income Services | \$2,695.6 | | | |
| Shareholder Incentive | \$100.2 | | \$100.2 | |
| Subtotal - Low Income Residential | \$2,795.7 | \$0.0 | \$100.2 | \$2,695.6 |
| Commercial & Industrial | | | | |
| Design 2000plus | \$7,562.4 | \$4,210.7 | | |
| Energy Initiative | \$7,064.5 | \$2,100.0 | | |
| Small and Medium Business | \$6,395.0 | \$1,165.4 | | |
| EERMC - C&I | \$189.9 | | \$189.9 | |
| Shareholder Incentive | \$596.8 | | \$596.8 | |
| Subtotal - Commercial & Industrial | \$21,808.5 | \$7,476.1 | \$786.7 | \$13,545.8 |
| Grand Total | \$32,371.2 | \$7,476.1 | \$1,351.0 | \$23,544.2 |

Table E-9
Target 2009 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 |
| Low Income Residential | \$2,695,573 | | \$101,432 | \$0 | \$101,432 | 1,340,133 | 804,080 | \$0.076 | \$126,790 |
| Non-Low Income Residential | \$7,302,804 | | \$334,797 | \$60,000 | \$274,797 | 27,729,471 | 16,637,683 | \$0.010 | \$343,496 |
| Commercial & Industrial | \$13,545,787 | | \$599,714 | \$90,000 | \$509,714 | 50,261,312 | 30,156,787 | \$0.010 | \$637,143 |
| Total | \$23,544,164 | 4.40% | \$1,035,943 | \$150,000 | \$885,943 | 79,330,917 | 47,598,550 | | \$1,107,429 |

Notes:

- (1) Sector budget net of projected commitments and copays. See Table E-8
- (2) 4.40% of the sector spending budget.
- (3) Target Incentive Total = Incentive Rate x Spending Budget Total (Column (1)).
- (4) \$30,000 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. This may be adjusted at year end for evaluation results and actual spending relative to the spending budget.
If goal is adjusted, values in columns (7), (8), and (9) will be adjusted as well.
- (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.

Table G-1
Funding Sources by Sector
2009-2011

| | 2009 | 2010 | 2011 | Total 2009-2011 |
|--|--------------------|--------------------|--------------------|---------------------|
| Gas Energy Efficiency Surcharge per Dth | \$0.150 | \$0.150 | \$0.150 | |
| Forecasted Use (Dth): | | | | |
| TOTAL THROUGHPUT | | | | |
| Low Income Residential Non-Heating | 46,696 | 46,188 | 45,657 | 138,541 |
| Low Income Residential Heating | 1,459,104 | 1,444,929 | 1,431,119 | 4,335,152 |
| Low-Income subtotal | 1,505,801 | 1,491,117 | 1,476,776 | 4,473,693 |
| Residential Non-Heating | 517,104 | 484,039 | 451,362 | 1,452,505 |
| Residential Heating | 16,579,696 | 16,716,729 | 16,852,211 | 50,148,636 |
| Residential subtotal | 17,096,800 | 17,200,768 | 17,303,573 | 51,601,141 |
| Small C&I | 2,370,642 | 2,397,012 | 2,423,243 | 7,190,896 |
| Medium C&I | 5,300,473 | 5,423,110 | 5,545,745 | 16,269,328 |
| Large LLF | 2,655,646 | 2,655,646 | 2,674,059 | 7,985,351 |
| Large HLF | 1,034,400 | 1,034,400 | 1,040,961 | 3,109,762 |
| Extra Large LLF | 1,206,657 | 1,206,657 | 1,569,327 | 3,982,641 |
| Extra Large HLF | 4,948,537 | 4,950,777 | 5,806,625 | 15,705,938 |
| Opt out eligible | (1,193,497) | (1,193,497) | (1,193,497) | (3,580,491) |
| C&I Subtotal | 16,322,858 | 16,474,104 | 17,866,463 | 50,663,425 |
| TOTAL THROUGHPUT | 34,925,459 | 35,165,989 | 36,646,811 | 106,738,259 |
| Collections by Sector: | | | | |
| Uncollectible percentage (from Gas Rate Case) | 2.46% | 2.46% | 2.46% | |
| Residential Low Income Surcharge Collections | \$220,300 | \$218,100 | \$216,000 | \$654,400 |
| Low Income Weatherization in Base Rates | \$200,000 | \$200,000 | \$200,000 | \$600,000 |
| Total Collections - Low-Income Residential | \$420,300 | \$418,100 | \$416,000 | \$1,254,400 |
| Total Collections - Non-Low Income Residential | \$2,501,400 | \$2,516,600 | \$2,531,600 | \$7,549,600 |
| Total Collections - Commercial and Industrial | \$2,388,100 | \$2,410,300 | \$2,614,000 | \$7,412,400 |
| TOTAL PROJECTED COLLECTIONS | \$5,309,800 | \$5,345,000 | \$5,561,600 | \$16,216,400 |
| OTHER SOURCES OF FUNDING | | | | |
| Prior Year Fund Balance by Sector¹ | | | | |
| Low Income Residential | \$0 | \$0 | \$0 | \$0 |
| Non-Low Income Residential | \$0 | \$0 | \$0 | \$0 |
| Commercial and Industrial | \$1,673,200 | \$0 | \$0 | \$1,673,200 |
| Projected DSM Fund Balance Interest in Year | | | | |
| Low Income Residential | \$0 | \$0 | \$0 | \$0 |
| Non-Low Income Residential | \$91,500 | \$91,500 | \$91,500 | \$274,500 |
| Commercial and Industrial | \$168,400 | \$168,400 | \$168,400 | \$505,200 |
| Projected DSM Commitments at Prior Year-End | | | | |
| Low Income Residential | \$0 | \$0 | \$0 | \$0 |
| Non-Low Income Residential | \$0 | \$0 | \$0 | \$0 |
| Commercial and Industrial | \$378,000 | \$1,184,000 | \$445,000 | \$2,007,000 |
| SUBTOTAL OTHER SOURCES | | | | |
| Low Income Residential | \$0 | \$0 | \$0 | \$0 |
| Non-Low Income Residential | \$91,500 | \$91,500 | \$91,500 | \$274,500 |
| Commercial and Industrial | \$2,219,600 | \$1,352,400 | \$613,400 | \$4,185,400 |
| POTENTIAL TOTAL FUNDING AVAILABLE MINUS COMMITMENTS | | | | |
| Low Income Residential | \$420,300 | \$418,100 | \$416,000 | \$1,254,400 |
| Non-Low Income Residential | \$2,592,900 | \$2,608,100 | \$2,623,100 | \$7,824,100 |
| Commercial and Industrial | \$4,229,700 | \$2,578,700 | \$2,782,400 | \$9,590,800 |
| | \$7,242,900 | \$5,604,900 | \$5,821,500 | \$18,669,300 |
| POTENTIAL TOTAL FUNDING AVAILABLE | | | | |
| Low Income Residential | \$420,300 | \$418,100 | \$416,000 | \$1,254,400 |
| Non-Low Income Residential | \$2,592,900 | \$2,608,100 | \$2,623,100 | \$7,824,100 |
| Commercial and Industrial | \$4,607,700 | \$3,762,700 | \$3,227,400 | \$11,597,800 |
| | \$7,620,900 | \$6,788,900 | \$6,266,500 | \$20,676,300 |

¹ Fund Balance currently tracked by Residential and Commercial and Industrial Sectors; Low-income fund balance and interest not separated out. Fund balance data from October 2008.
\$1,673,200

Table G-2
National Grid Gas Energy Efficiency Program Budget (\$000)
2009

| Program | External | Internal | Marketing | Rebates and Other Customer Incentives | Evaluation & Market Research | Grand Total |
|--|----------|----------|-----------|--|------------------------------------|-------------|
| NON LOW-INCOME RESIDENTIAL: | | | | | | |
| ENERGY STAR® Homes | 15,000 | 187 | | | 2,032 | 17,219 |
| Building Practices and Demonstration Program | 2,000 | 4,170 | 10,000 | 22,000 | 21,010 | 59,180 |
| Residential High-Efficiency Heating Program | 15,100 | 50,935 | 293,028 | 552,780 | 18,170 | 930,013 |
| Energy Star Heating System | | 38,249 | 175,508 | 418,860 | 18,170 | 650,787 |
| High-Efficiency Water Heating Program | 9,600 | 6,778 | 71,200 | 112,500 | | 200,078 |
| ENERGY STAR® Programmable Thermostat Program | 5,500 | 5,908 | 25,000 | 21,420 | | 57,828 |
| Gas Networks | | | 21,320 | | | 21,320 |
| EnergyWise | 13,785 | 55,411 | 47,500 | 915,505 | 41,538 | 1,073,739 |
| EERMC - Residential | | | | | | 54,434 |
| Shareholder Incentive | | | | | | 91,527 |
| Subtotal - Non-Low Income Residential | 45,885 | 110,703 | 350,528 | 1,323,722 | 82,750 | 2,226,112 |
| LOW-INCOME RESIDENTIAL: | | | | | | |
| Single Family Low Income Services | | 17,502 | | 1,323,722 | 44,767 | 1,385,991 |
| Shareholder Incentive | | | | | | 60,984 |
| Subtotal - Low Income Residential | 0 | 17,502 | 0 | 1,323,722 | 44,767 | 1,446,975 |
| COMMERCIAL AND INDUSTRIAL: | | | | | | |
| Commercial High Efficiency Heating Program | 43,500 | 42,620 | 56,000 | 239,250 | 23,333 | 404,703 |
| Commercial Energy Efficiency Program | 260,000 | 204,305 | 169,165 | 1,420,000 | 49,544 | 2,103,014 |
| Building Practices & Demonstration Program | 4,400 | 6,121 | 4,000 | 58,333 | 21,010 | 93,864 |
| EERMC - C&I | | | | | | 47,762 |
| Commitments | | | | 1,184,000 | | 1,184,000 |
| Shareholder Incentive | | | | | | 114,470 |
| Subtotal - Commercial & Industrial | 307,900 | 253,045 | 229,165 | 2,901,583 | 93,887 | 3,947,812 |
| Grand Total | 353,785 | 381,250 | 579,693 | 5,549,028 | 221,404 | 7,620,899 |

Table G-3
Proposed 2009 Budget Compared to Approved 2008 Budget (\$000)

| | Proposed Budget (2009)¹ | Approved Budget (2008) | Change Compared to 2008 |
|--|---|-----------------------------------|--|
| Non-Low Income Residential | | | |
| Residential High-Efficiency Heating, Water-Heating, Controls Program | \$911.9 | \$601.2 | \$310.6 |
| EnergyWise | \$1,032.2 | \$631.8 | \$400.4 |
| Building Practices and Demonstration Program | \$38.2 | \$35.7 | \$2.5 |
| ENERGY STAR [®] Homes | \$15.2 | \$141.4 | (\$126.2) |
| EERMC - Residential | \$54.4 | \$52.2 | \$2.2 |
| Subtotal - Non-Low Income Residential | \$2,051.8 | \$1,462.3 | \$589.6 |
| | | | |
| Low Income Residential | | | |
| Low Income | \$1,341.2 | \$933.5 | \$407.8 |
| Subtotal - Low Income Residential | \$1,341.2 | \$933.5 | \$407.8 |
| | | | |
| Commercial & Industrial | | | |
| Commercial High Efficiency Heating Equipment | \$381.4 | \$268.1 | \$113.3 |
| Commercial Energy Efficiency Program | \$2,053.5 | \$1,169.2 | \$884.2 |
| Comm Building Practices & Demonstration Program | \$72.9 | \$201.1 | (\$128.2) |
| EERMC - C&I | \$47.8 | \$36.5 | \$11.3 |
| Subtotal Commercial & Industrial | \$2,555.5 | \$1,674.9 | \$880.6 |
| | | | |
| OTHER EXPENSE ITEMS | | | |
| Company Incentive | \$267.0 | \$179.4 | \$87.6 |
| Program Design, Evaluation and Planning | \$221.4 | \$95.5 | \$125.9 |
| Subtotal Other Items | \$488.4 | \$274.9 | \$213.5 |
| TOTAL BUDGET | \$6,436.9 | \$4,345.5 | \$2,091.4 |

¹ Does not include commitments. Commitments projected to be \$1,184,000 in 2009

Table G-4
Calculation of Program Year Cost-Effectiveness
Values in \$000

| | TRC Benefit/ Cost(1) | Total Benefit | Program Implementation Expenses(2) | Customer Contribution | Evaluation Expenses(2) | Shareholder Incentive(3) |
|--|----------------------------|-------------------|--|--------------------------|---------------------------|-----------------------------|
| Commercial & Industrial | | | | | | |
| Commercial Energy Efficiency Program | 2.45 | \$8,763.2 | \$2,053.5 | \$1,468.7 | \$49.5 | NA |
| Commercial High Efficiency Heating Equipment | 1.85 | \$919.3 | \$381.4 | \$93.5 | \$23.3 | NA |
| Comm Building Practices & Demonstration Program | 1.48 | \$175.7 | \$72.9 | \$25.0 | \$21.0 | NA |
| EERMC - C&I | NA | NA | \$47.8 | NA | NA | NA |
| SUBTOTAL | 2.27 | \$9,858.2 | \$2,555.5 | \$1,587.2 | \$93.9 | \$114.5 |
| Low Income Residential | | | | | | |
| Low Income | 1.79 | \$2,487.6 | \$1,341.2 | \$0.0 | \$44.8 | NA |
| EERMC - Low Income Residential | | | \$4.4 | | | |
| SUBTOTAL | 1.71 | 2,487.6 | 1,345.6 | 0.0 | 44.8 | 61.0 |
| Non Low Income Residential | | | | | | |
| Energy Star Homes | NA | NA | \$15.2 | \$0.0 | \$2.0 | NA |
| Energy Wise | 2.07 | \$2,967.9 | \$1,032.2 | \$361.4 | \$41.5 | NA |
| Residential High-Efficiency Heating, Water-Heating, Controls Progr | 2.35 | \$3,814.1 | \$911.9 | \$690.2 | \$18.2 | NA |
| Building Practices and Demonstration Program | NA | NA | \$38.2 | \$0.0 | \$21.0 | NA |
| EERMC - Residential | NA | NA | \$50.0 | NA | NA | NA |
| SUBTOTAL | 2.07 | \$6,781.9 | \$2,047.4 | \$1,051.6 | \$82.8 | \$91.5 |
| TOTAL | 2.11 | \$19,127.6 | \$5,948.5 | \$2,638.8 | \$221.4 | \$267.0 |

Notes:

- 1) The TRC Test is equal to the expected dollar value of lifetime resource benefits divided by the sum of Implementation Expenses, Customer Contribution, Evaluation Expenses, and the target shareholder incentive.
- 2) Equal to the Net Present Value of the budget amounts provided in Table G-2 excluding Commitments. Subtotal and Total rows include expenses for all line items except Commitments whether or not benefits have been quantified.
- 3) See Table G-9

Table G-5
Summary of Benefits and Savings by Program

| | Benefits (\$000) | | | MMBTU Gas Saved | |
|--|---------------------|---------------------|-------------------------|-----------------|------------------|
| | Total(1) | Natural Gas(2) | Participant Resource(3) | Annual(4) | Lifetime(5) |
| Commercial & Industrial | | | | | |
| Commercial Energy Efficiency Program | \$8,763,158 | \$8,763,158 | \$0 | 82,198 | 986,381 |
| Commercial High Efficiency Heating Equipment | \$919,267 | \$919,267 | \$0 | 5,683 | 113,664 |
| Comm Building Practices & Demonstration Program | \$175,735 | \$175,735 | \$0 | 1,451 | 20,317 |
| EERMC - C&I | NA | NA | NA | NA | NA |
| SUBTOTAL | \$9,858,159 | \$9,858,159 | \$0 | 89,333 | 1,120,361 |
| Low Income Residential | | | | | |
| Low Income | \$2,487,554 | \$2,487,554 | \$0 | 13,690 | 246,418 |
| SUBTOTAL | \$2,487,554 | \$2,487,554 | \$0 | 13,690 | 246,418 |
| Non Low Income Residential | | | | | |
| Energy Star Homes | \$0 | \$0 | \$0 | 0 | 0 |
| Energy Wise | \$2,967,877 | \$2,967,877 | \$0 | 15,020 | 300,394 |
| Residential High-Efficiency Heating, Water-Heating, Controls Program | \$3,814,054 | \$3,715,117 | \$98,938 | 22,641 | 374,263 |
| Building Practices and Demonstration Program | \$0 | \$0 | \$0 | 0 | 0 |
| EERMC - Residential | NA | NA | NA | NA | NA |
| SUBTOTAL | \$6,781,931 | \$6,682,993 | \$98,938 | 37,660 | 674,657 |
| TOTAL | \$19,127,644 | \$19,028,707 | \$98,938 | 140,683 | 2,041,436 |

Notes:

- 1) Equal to the sum of Natural Gas benefits and Participant Resource benefits.
- 2) The value of lifetime natural gas savings valued using the avoided gas costs quantified in "Avoided Energy Supply Costs in New England," August, 2007, prepared by Synapse Energy Economics for the Avoided-Energy-Supply-Component Study Group. This is also the source of the electric avoided costs that have been used to assess electric energy efficiency program cost-effectiveness.
- 3) Participant Resource Benefits are equal to the dollar value of expected electricity savings that have not been included in National Grid's electric energy efficiency plans for 2009
- 4) The projection of annual savings reflects results attained for similar programs in other jurisdictions.
- 5) Lifetime savings are equal to annual savings multiplied by the expected life of measures expected to be installed in each program.

Table G-6
Comparison of Goals with Prior Year

| Program | Proposed 2009 | | Proposed 2008 (2) | | Difference | |
|--|---|--------------|---|--------------|--|--------------|
| | Annual Energy Savings (MMBTU Natural Gas)(1)(3) | Participants | Annual Energy Savings (MMBTU Natural Gas)(1)(3) | Participants | Annual Energy Savings (MMBTU Natural Gas)(1) | Participants |
| Commercial & Industrial | | | | | | |
| Commercial Energy Efficiency Program | 82,198 | 305 | 59,819 | 462 | 22,379 | -157 |
| Commercial High Efficiency Heating Equipment | 5,683 | 150 | 5,667 | 150 | 17 | 0 |
| Comm Building Practices & Demonstration Program | 1,451 | 1 | 6,769 | 3 | -5,318 | -2 |
| EERMC - C&I | NA | NA | NA | NA | NA | NA |
| SUBTOTAL | 89,333 | 456 | 72,255 | 615 | 17,078 | -159 |
| Low Income Residential | | | | | | |
| Low Income | 13,690 | 319 | 9,643 | 224 | 4,047 | 95 |
| SUBTOTAL | 13,690 | 319 | 9,643 | 224 | 4,047 | 95 |
| Non-Low Income Residential | | | | | 0 | 0 |
| Energy Star Homes | 0 | 0 | NA | NA | NA | NA |
| Energy Wise | 15,020 | 2,243 | 28,421 | 1,259 | -13,401 | 984 |
| Residential High-Efficiency Heating, Water-Heating, Controls Progr | 22,641 | 2,370 | 22,047 | 2,167 | 593 | 203 |
| Building Practices and Demonstration Program | 0 | 10 | 239 | 3 | -239 | 7 |
| EERMC - Residential | NA | NA | NA | NA | NA | NA |
| SUBTOTAL | 37,660 | 4,623 | 50,707 | 3,429 | -13,046 | 1,194 |
| TOTAL | 140,683 | 5,398 | 132,605 | 4,267 | 8,078 | 1,130 |

Note:

- 1) MMBtu savings for 2009 from Table G-5 and for 2008 from Attachment 8 (Compliance Filing), Page 2 of 3.
- 2) 2008 was an 18 month filing (July 2007-December 2008); for comparison with 2009, values here are 2/3 of what 18 month targets were
- 3) Net Savings for 2008 calculated under "Rhode Island Benefit/Cost Test"; Net savings for 2009 calculated under Total Resource Cost Test.

Table G-7
Natural Gas Avoided Costs for Rhode Island
Used in B/C Model for Rhode Island

| | RESIDENTIAL | | | COMMERCIAL & INDUSTRIAL | | |
|------|-------------|---------|--------|-------------------------|---------|--------|
| | Existing | New | Hot | Non | | |
| | Heating | Heating | Water | Heating | Heating | All |
| | 3-mon. | 5-mon. | annual | annual | 5-mon. | 6-mon. |
| Year | \$/Dth | \$/Dth | \$/Dth | \$/Dth | \$/Dth | \$/Dth |
| 2009 | 14.47 | 14.23 | 12.91 | 10.80 | 12.12 | 11.72 |
| 2010 | 13.85 | 13.61 | 12.34 | 10.23 | 11.50 | 11.12 |
| 2011 | 13.31 | 13.08 | 11.84 | 9.73 | 10.97 | 10.60 |
| 2012 | 12.91 | 12.68 | 11.46 | 9.35 | 10.57 | 10.20 |
| 2013 | 12.16 | 11.94 | 10.77 | 8.66 | 9.83 | 9.48 |
| 2014 | 12.23 | 12.01 | 10.84 | 8.73 | 9.90 | 9.55 |
| 2015 | 12.18 | 11.95 | 10.79 | 8.68 | 9.84 | 9.50 |
| 2016 | 12.34 | 12.11 | 10.94 | 8.83 | 10.00 | 9.65 |
| 2017 | 12.64 | 12.41 | 11.21 | 9.10 | 10.30 | 9.94 |
| 2018 | 12.55 | 12.32 | 11.13 | 9.02 | 10.21 | 9.85 |
| 2019 | 12.49 | 12.26 | 11.08 | 8.97 | 10.15 | 9.80 |
| 2020 | 12.64 | 12.41 | 11.21 | 9.10 | 10.29 | 9.94 |
| 2021 | 12.76 | 12.53 | 11.32 | 9.21 | 10.41 | 10.06 |
| 2022 | 13.06 | 12.82 | 11.60 | 9.49 | 10.71 | 10.35 |
| 2023 | 13.19 | 12.95 | 11.72 | 9.58 | 10.82 | 10.45 |
| 2024 | 13.32 | 13.08 | 11.83 | 9.68 | 10.93 | 10.56 |
| 2025 | 13.45 | 13.21 | 11.95 | 9.78 | 11.04 | 10.66 |
| 2026 | 13.59 | 13.34 | 12.07 | 9.88 | 11.15 | 10.77 |
| 2027 | 13.72 | 13.48 | 12.19 | 9.97 | 11.26 | 10.88 |
| 2028 | 13.86 | 13.61 | 12.31 | 10.07 | 11.37 | 10.98 |
| 2029 | 14.00 | 13.75 | 12.44 | 10.17 | 11.48 | 11.09 |
| 2030 | 14.14 | 13.88 | 12.56 | 10.28 | 11.60 | 11.20 |
| 2031 | 14.28 | 14.02 | 12.69 | 10.38 | 11.71 | 11.32 |
| 2032 | 14.42 | 14.16 | 12.81 | 10.48 | 11.83 | 11.43 |
| 2033 | 14.57 | 14.31 | 12.94 | 10.59 | 11.95 | 11.54 |

Avoided Cost of Natural Gas Delivered to Retail Customers in Southern N.E. by End Use in 2009\$
FROM 2007 AVOIDED ENERGY SUPPLY COMPONENT STUDY
2007\$ escalated 1.9% real to 2009\$

Table G-8
Summary of Gas Program Benefit, Costs, Savings (\$000)
2009-2011 Energy Efficiency Procurement Plan

| | Total Portfolio | | | |
|---------------------------------------|-----------------|-----------|-----------|--------------|
| | 2009 | 2010 | 2011 | 3 Year Total |
| NPV Net Benefits (\$000) | \$10,052 | \$10,421 | \$10,890 | \$31,363 |
| NPV Utility Costs (\$000) | \$6,170 | \$5,896 | \$5,646 | \$17,711 |
| TRC Benefit / Cost | 2.11 | 2.20 | 2.30 | 2.20 |
| | | | | |
| Annual Energy Savings (MMBTUs) | 140,683 | 139,779 | 139,209 | 419,671 |
| Lifetime MMBTUs | 2,041,436 | 2,026,309 | 2,016,026 | 6,083,771 |
| Cost / Lifetime MMBTUs | \$4.446 | \$4.300 | \$4.165 | \$4.304 |

net benefits = benefits - (participant costs + utility costs+incentive)

utility costs exclude shareholder incentive

Table G-9
Target 2009 Shareholder Incentive

Incentive Rate: 4.40%

| | (1) | (2) | (3) | (4) | (5) |
|----------------------------|-------------|------------------|-----------------------------|---------------------------|----------------------------|
| Sector | Budget | Target Incentive | Annual Savings Goal (MMBTU) | Threshold Savings (MMBTU) | Target Incentive Per MMBTU |
| Low Income Residential | \$1,385,991 | \$60,984 | 13,690 | 8,214 | \$4.455 |
| Non-Low Income Residential | \$2,080,160 | \$91,527 | 37,660 | 22,596 | \$2.430 |
| Commercial & Industrial | \$2,601,580 | \$114,470 | 89,333 | 53,600 | \$1.281 |
| Total | \$6,067,731 | \$266,981 | 140,683 | 84,410 | |

Notes:

- (1) Sector budget excluding the EERMC Assessment, Shareholder Incentives, and Commitments. See Table G-2
- (2) Equal to the incentive rate (4.40%) x Column (1).
- (3) See Table G-5
- (4) 60% of Column (3). No incentive is earned on annual MMBTU savings in the sector unless the Company achieves at least this threshold level of performance.
- (5) Column (2)/Column (3)

| Program | Study | Process/ Impact/ Other | New or Carryover | National Grid Estimated Consultant Cost in 2009 | RI? | RI | |
|-----------------------------|---|------------------------------|---------------------|---|----------|------------|------------------------|
| Residential Electric | | | | | Y | | |
| ES Appliances | Process and cost-effectiveness evaluation of new measures | P | New | \$70,000 | Y | \$15,400 | |
| Ewise | Impact Evaluation (Gas and Electric) | I | N | \$100,000 | Y | \$22,700 | |
| C&I Electric | | | | | Y | | |
| Lighting | Lighting Persistence (EM&V Forum) | I | C | \$25,000 | Y | \$5,500 | |
| EI | Benchmarking Process Evaluation | P | C | \$40,000 | Y | \$8,800 | |
| Custom | 2006 CDA | I | C | \$15,000 | Y | \$3,300 | |
| Custom | 2007 Process | I | C | \$70,000 | Y | \$15,400 | |
| Custom | 2008 Lighting | I | N | \$50,000 | Y | \$11,000 | |
| Custom | 2008 Process | I | N | \$80,000 | Y | \$17,600 | |
| Custom | 2008 HVAC | I | N | \$67,500 | Y | \$14,900 | will carryover to 2010 |
| Custom | Sample Design/Data Analysis | I | | \$25,000 | Y | \$5,500 | |
| SBS | Plug Load Study | O | N | \$25,000 | Y | \$5,500 | |
| Other Electric | | | | | Y | | |
| | Portfolio Level Precision and Confidence | O | | \$30,000 | Y | \$6,600 | |
| | Savings Load Shape (EM&V Forum) | O | | \$35,000 | Y | \$7,700 | |
| | Aquidneck Island/Community Evaluation | O | | \$50,000 | Y | \$50,000 | |
| | 2009 Avoided Energy Supply Component Study (75% Elec) | O | | \$60,000 | Y | \$13,200 | |
| Gas | | | | | Y | \$0 | |
| CEEP | Commercial Energy Efficiency Program (CEEP) | I/P | N | \$100,000 | Y | \$26,000 | |
| HEHE | Res High Eff Heating Equipment (HEHE) | I/P | N | \$30,000 | Y | \$7,800 | |
| | Free ridership and spillover | O | N | \$100,000 | Y | \$26,000 | |
| Weatherization | Res Wx | I/P | N | \$100,000 | Y | \$26,000 | |
| | Combined Heat and Power (CHP) | I | | \$50,000 | Y | \$14,600 | |
| | MicroCHP Evaluation | I | | \$50,000 | Y | \$14,600 | |
| | Building Practices & Demonstration | I | | \$50,000 | Y | \$14,600 | |
| Ewise | Ewise Impact Evaluation | I | N | \$25,000 | Y | \$25,000 | |
| | 2009 Avoided Energy Supply Component Study (25% gas) | O | | \$20,000 | Y | \$5,200 | |
| | Total | | | \$1,687,500 | | \$362,900 | |
| | Electric Subtotal | | | \$1,162,500 | | \$203,100 | |
| | Gas Subtotal | | | \$525,000 | | \$154,600 | |

Note: RI Tech Pot Study being paid for through EERMC.

2009 PERFORMANCE METRICS

Introduction

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

For 2009, the Company proposes performance metrics for five initiatives. For four of these, the essential objective of the individual initiative is not changing from 2008. This reflects the Parties agreement that the metrics are still valid as well as the fact that, for many such initiatives, progress is achieved over time and that it is worthwhile to maintain the focus of program implementation on the policy objective defined by the metric over more than one year.

The Company proposes the performance targets for 2009 described on the following pages. The proposed targets reflect current market conditions and will require significant Company effort to achieve desired results.

Final Metric Targets

Threshold performance for all five metrics will be based on 2008 results. As 2008 results are not yet available, this Attachment provides a process and framework for the calculation of metric targets once results are available. For three metrics (ENERGY STAR® Homes, High Performance Schools, and Core Performance Buildings), the targets may be set early in 2009. For the other two metrics, preliminary MWh targets are included here consistent with the program savings estimates provided in the Settlement, Table E-5.

1 However, if the assumptions used to develop metric MWh targets change as the result of
2 completed evaluation studies, the Parties agree that the performance metric MWh targets
3 may be adjusted accordingly. The Company will recalculate metric targets to account for
4 those evaluation findings and provide them to the Collaborative for review. If the
5 adjusted metric MWh targets vary by more than 5% from the targets included below,
6 Division review and approval will be required. The incorporation of evaluation study
7 results is typically not completed until August of the program year, i.e., the results from
8 evaluation of the 2008 programs will not be incorporated until August 2009. Therefore,
9 the Company proposes to calculate and file revised metric targets, if any, no later than
10 September 30, 2009.

11
12 **Partial Credit**

13
14 The Parties agree that, for three of the metrics, partial credit will be awarded for
15 performance that does not meet the specific numeric target, in recognition of the
16 Company's effort and in recognition that Rhode Island consumers benefit from even
17 partial progress toward the metric's objective. No extra incentive will be awarded for
18 exceeding the numeric target.

19
20 The performance level at which partial achievement will be credited is the "threshold."
21 For the three metrics structured with partial credit in 2009, the threshold will be greater
22 than or equal to final 2008 performance after consideration of the unique attributes of the
23 metric. This provides continuity in the structure of the metric at the same time as
24 creating a clear standard for the Company from which it must improve in order to receive
25 an incentive. .

26
27 The performance level at which the full incentive will be credited is the "target." The
28 incentive for two metrics will be linearly scaled between the threshold and the target. For

1 the schools metric that does not allow for this kind of scaling, the incentive will be
2 credited for incremental levels of performance.

3
4 **Residential Metric 1: ENERGY STAR® Homes**

5 Metric: In 2009, the Company will conduct plans analyses and home ratings and sign
6 ENERGY STAR® builders' agreements for new homes being built in Rhode Island. It
7 will increase the penetration of signed builders agreements in 2009 by 3 percentage
8 points compared to the penetration achieved in 2009. Penetration will be calculated as
9 the number of signed agreements divided by the number of permits for new dwelling
10 units issued.

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

14
15 Discussion: In 2006 the ENERGY STAR® Homes program was redesigned at the
16 national level to increase efficiency requirements. Signing up builders and home buyers
17 to the more stringent updated ENERGY STAR® Homes program requires builders to
18 agree to a significant change in their building practices, so the trend in penetration can be
19 viewed beginning with that year. Penetration levels for 2006 and 2007 were 15.8% and
20 19.6% respectively. Note that these values include only those who sign ENERGY
21 STAR® agreements; participants through the Code Plus feature of the program will not be
22 counted toward the metric.

23 For 2009, the threshold for this metric is set at 1 percentage point greater than 2008 year-
24 end penetration and the target level of performance is an increase of 3 percentage points
25 over the penetration achieved in 2008. The increase of 3% over year end 2008
26 penetration is comparable to the penetration increase that was observed in 2001-03, when
27 the previous program design was in its initial years of deployment.

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

| ENERGY STAR [®] HOMES | | | |
|--------------------------------|----------------------------------|-----------|----------------|
| | Penetration % | Incentive | % of Incentive |
| Threshold | XX.X% (2008 penetration + 1%) | \$10,000 | 33% |
| Target | XX.X% (2008 penetration +3%) | \$30,000 | 100% |

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

Metric: The Company will achieve a target amount of MWh savings from residential non-low income programs other than Residential Lighting in 2009. The target will be calculated as the net annual MWh savings goal for all residential non-low income programs excluding the net annual MWh savings from the Residential Lighting program.

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

Discussion: The Company's proposed savings goals for 2009 include objectives that focus on energy efficiency opportunities beyond energy efficient lighting in the Residential Lighting Program. This metric complements and reinforces these other objectives by focusing Company efforts on all residential non-low income programs. The metric incentive will be earned only if savings from programs other than Residential Lighting meet or exceed the combined threshold savings goal for those programs.

Annual MWh savings will be counted for all residential non-low income programs, excluding Residential Lighting. The proposed target is set at 100% of the net annual

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MWh savings goal from programs other than Residential Lighting. The goal is set as a MWh target for savings from programs other than Residential Lighting, rather than a percentage of sector savings, because of the individual characteristics of the various programs. There is no threshold for this metric. Without a threshold, this becomes an “all-or-nothing” performance metric. The parties propose this treatment because it efficiently complements the MWh savings incentive for this sector. Recognizing the difficulty in predicting customer demand for program services in these residential programs, this will be a challenging goal to achieve.

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

| RESIDENTIAL OTHER PROGRAM SAVINGS | | | |
|-----------------------------------|---|-----------|----------------|
| Performance | Annual MWh Savings | Incentive | % of Incentive |
| Target | 9,655 MWh (100% of MWh goal) ¹ | \$30,000 | 100% |

There is no threshold for this metric.

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

Metric: The Company will achieve a target amount of MWh savings from subprograms other than prescriptive lighting in the Energy Initiative program in 2009. The target will be calculated as the net annual MWh savings from all other subprograms² estimated as part of the planned savings for the Energy Initiative program in 2009.

¹ This target is based on program savings estimates contained in Table E-5; it may be changed by September 30, 2009, as noted above.

² For the 2009 Energy Initiative Program, subprograms include Compressed Air, Custom, HVAC, Lighting, Motors, and VSDs.

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

Discussion: The percentage of savings from prescriptive lighting in the Energy Initiative Program has been increasing over the past few years. This type of measure distribution has helped the Company achieve savings goals but this has perhaps been achieved at the expense of measure diversity. This metric complements and reinforces the overall program savings goals by establishing a performance metric focusing on other subprogram savings. The metric incentive will only be earned only if other subprogram savings meets or exceeds 100% of the kWh savings built into the savings goals.

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

Metric Performance: The following is for achievement of the target savings from Energy Initiative other than prescriptive-lighting.

| ENERGY INITIATIVE OTHER SUBPROGRAM SAVINGS | | | |
|--|------------------------------------|-----------|----------------|
| Performance | MWh Savings | Incentive | % of Incentive |
| Target | 5,254 MWh (2009 plan) ³ | \$30,000 | 100% |

³ This target is based on program savings estimates embedded in Table E-5; it may be changed by September 30, 2009, as noted above. There is no threshold for this metric.

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

2
3 Metric: The Company will contract with public or private school projects through
4 Design 2000*plus* to provide full incremental cost for high performance design and
5 construction practices for new construction or major renovations with a special focus on
6 high quality energy efficient lighting. It shall contract with 2 schools in 2009 more than
7 were contracted with in 2008.

8
9 Objective: This market capitalizes on the window of opportunity available when school
10 facilities are being built or renovated to increase program participation and energy
11 savings. It assists a portion of the municipal sector that faces continuing funding
12 challenges.

13
14 Discussion: Schools present unique opportunities to not only adopt energy efficiency but
15 to enhance student learning through better classroom design. This metric provides
16 technical and financial support from the very beginning of school construction projects,
17 emphasizes thermal, acoustic, and visual comfort, especially in lighting design, and helps
18 cities and towns construct new schools that are high quality, environmentally sensitive,
19 and cost less to operate.

20
21 According to documents from the Department of Education, on average, funding is
22 approved for approximately 15 public school projects per year. In the period 2001
23 through 2006, 11 schools, or 12% (of approximately 90 schools), have participated in the
24 Schools Initiative.⁴

25

⁴ 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 new construction or major renovation. These may be for partial facility construction, minor 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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The Company placed under contract 1 school in each of 2004 and 2005, zero schools in 2006, and two schools in 2007. This indicates the continuing difficulty in recruiting customers to this initiative considering the small number of new schools built each year, the long project development schedules, and the current economic climate, particularly for municipalities. The parties agree to set the threshold equal to the final number of number of schools placed under contract in 2008 and the target at the 2008 participation level plus two additional schools.

For 2009, the Company will continue to work with the Rhode Island Department of Elementary and Secondary Education to help identify additional participants. The Company has not yet been able to identify a single source of data that tracks funding of private school construction. Nevertheless, the Company will use the same level of effort to offer the program to private schools as to public schools and include contracts with private schools in the performance metric for 2009.

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

| SCHOOLS INITIATIVE | | | |
|--------------------|--------------------------------|-----------|----------------|
| Performance | Signed Agreements | Incentive | % of Incentive |
| Threshold | 2008 participation | \$10,000 | 50% |
| Intermediate | 2008 participation + 1 school | \$20,000 | 75% |
| Target | 2008 participation + 2 schools | \$30,000 | 100% |

1 **C&I Metric 3: Core Performance Buildings**

2
3 Metric: The Company will contract with design professionals (architects, engineers,
4 builders) to commit to apply the Core Performance guidelines in the design and
5 construction of new commercial buildings less than 75,000 square feet in area. The
6 Company will sign agreements covering 4 buildings in 2009.

7
8 Objective: The metric supports market transformation in the construction of small to
9 medium size commercial facilities which have not received as much energy efficiency
10 attention as larger construction projects. By introducing the Core Performance guidelines
11 to and securing commitments with design professionals, this effort will affect other
12 facilities with which these professionals are involved.

13
14 Discussion: As noted in Attachment 4, Core Performance is a suite of technical resources
15 and design guides that help design professionals create commercial buildings that are
16 energy efficient and provide a healthy work environment for occupants. The Company
17 has been promoting Core Performance in Rhode Island since 2006 to address the
18 efficiency needs of new construction projects for commercial buildings less than 75,000
19 sf. This effort has featured several training programs on the topic offered in RI.

20
21 For 2009, we expect the number to grow as architects and their clients realize that
22 buildings designed this way are practical and cost effective. The program will continue
23 to be expanded in 2009 to reach more projects and more design firms through further
24 training and promotional efforts. Also, National Grid continues to work closely with the
25 New Buildings Institute, the national organization that manages and promotes and
26 maintains Advanced Buildings across the country to add powerful new features to the
27 program that will increase its appeal and market penetration. Furthermore, the Company
28 is revising the incentive structure for Core Performance to be on a \$/sq. ft. basis—the

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same benchmark used by developers. The Company plans to monitor the effectiveness of reaching developers through this new this new incentive strategy and use data gathered to inform future program and metric design.

The Company projects that it will sign one agreement during 2008. The threshold for the 2009 performance metric builds on this achievement and the target establishes a stretch goal to sign additional agreements.

Partial Performance: The following is proposed for partial achievement toward the target.

| CORE PERFORMANCE BUIDLINGS | | | |
|----------------------------|-------------------|-----------|----------------|
| Performance | Signed Agreements | Incentive | % of Incentive |
| Threshold | 2 | \$10,000 | 33% |
| Target | 4 | \$30,000 | 100% |

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