

December 18, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4116 - The Narragansett Electric Company, d/b/a National Grid
Energy Efficiency Program Plan for 2009
Responses to Record Requests**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's responses to the Commission's Record Requests that came out of the Technical Session in this matter held on December 15, 2009.

Also enclosed please find the Company's response to Commission Data Request 5-1, which was issued on December 16.

Thank you for your attention to this transmittal. Please contact me if you have any questions at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 4116 Service List

Certificate of Service

I hereby certify that a copy of the cover letter and/or any foregoing attachments accompanying this certificate were electronically submitted, hand delivered, and/or mailed to the individuals listed below.

Joanne M. Scanlon

December 18, 2009
Date

**National Grid - 2010 Energy Efficiency Program Plan – Docket No. 4116
Service list updated 11/20/09**

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Record Request No. 1

Request:

Please reconcile the program implementation expenses of \$31.0 million in Table E-4 with the derivation of the spending budget of \$33.9 million in Table E-8.

Response:

Table RR-1 reconciles the Program Implementation expenses of \$31.0 million in Table E-4 with Spending Budget in E-8.

Table RR-1

	E-4 Implementation Expenses (\$000)	E-8 Spending Budget (\$000)
E-2 Proposed Budget	\$43,636.9	\$43,636.9
<i>Deductions</i>		
D2000 Commitments	\$5,567.3	\$5,567.3
EI Commitments	\$2,100.0	\$2,100.0
SRPP	\$425.0	\$425.0
Incentive	\$1,477.7	\$1,477.7
Evaluation	\$998.0	
Small and Medium Business Co-pays	\$2,063.3	
EERMC		\$500.1
Total	\$31,005.7	\$33,566.8

As seen in Table RR-1, the differences between the derivation of Implementation Expenses and the Spending Budget are the treatment of Evaluation costs, Copayments, and EERMC costs.

Implementation expenses are the funds that are spent by the Company to create energy savings. Evaluation is excluded from implementation expenses in Table E-4 but is included in the benefit cost analysis. Co-payments are not excluded from the spending budget because the Company must spend the funds in order to achieve energy savings.

Please note that in developing the responses to Record Requests 1 and 2, National Grid made the following changes to Attachment 5:

Record Request No. 1

- Lowered RGGI proceeds in Table E-1 based on findings in the response to RR-2 (See the response to RR-2 for specific changes.)
- Corrected the Energy Star Homes Budget in E-2 to match the budget in E-4, deducting \$286,000 from External PP&A.
- Corrected the calculation of the Shareholder Incentive in the budget in Table E-2 to exclude SRPP costs.

Attachment RR-1a is a revised version of Attachment 5. In this final version of Attachment 5, savings (Table E-5), as well as the avoided costs (Table E-7) are unchanged from the version distributed at the Technical Session of December 15. The other tables contained in Attachment 5 have been updated.

Attachment RR-1b is an updated Table 1 from the main text.

The Company notes that in this reconciliation process, the total estimated funding for the electric programs is slightly greater than the amount budgeted by \$18,300.

**Table E-1
National Grid
Electric DSM Funding Sources in 2010 by Sector**

	Projection
Projected kWh Sales:¹	
Low Income Residential	220,730,591
Non-Low Income Residential	2,816,251,537
Commercial & Industrial	<u>4,530,622,566</u>
Total	<u>7,567,604,695</u>
DSM Revenue per kWh²	\$0.0038
Projected DSM Revenues (\$000)	
Low Income Residential	\$838.7
Non-Low Income Residential	\$10,701.7
Commercial & Industrial	<u>\$17,216.3</u>
Total	<u>\$28,756.7</u>
Other Sources of DSM Revenues (\$000):	314
Projected DSM Fund Balance Interest in 2010	
Low Income Residential	\$0.0
Residential	\$18.2
Commercial & Industrial	<u>\$461.7</u>
Total	<u>\$479.9</u>
Projected Co-Payments by Customers in 2010 ³	
Low Income Residential	\$0.0
Residential	\$0.0
Commercial & Industrial	<u>\$0.0</u>
Total	<u>\$0.0</u>
Projected DSM Commitments at Year-End 2009:	
Low Income Residential	\$0.0
Residential	\$0.0
Commercial & Industrial	<u>\$5,310.7</u>
Total	<u>\$5,310.7</u>
Projected 2009 Fund Balance: ⁴	
Low Income Residential	\$0.0
Residential	(\$2,343.0)
Commercial & Industrial	<u>\$3,686.3</u>
Total	<u>\$1,343.3</u>
Projected Payments from ISO-NE During Transition Period and FCA1:	
Low Income Residential	\$40.6
Residential	\$517.8
Commercial & Industrial	<u>\$833.1</u>
Total ⁵	<u>\$1,391.5</u>
Projected Payments from RGGI in 2010:	
Low Income Residential	\$191.2
Residential	\$2,358.0
Commercial & Industrial	<u>\$3,823.9</u>
Total ⁶	<u>\$6,373.1</u>
Subtotal - Other Sources of DSM Revenues:	
Low Income Residential	\$231.8
Residential	\$551.0
Commercial & Industrial	<u>\$14,115.7</u>
Total	<u>\$14,898.5</u>
Total funding available in 2010 minus commitments coming in	
Low Income Residential	\$1,070.5
Residential	\$11,252.7
Commercial & Industrial	<u>\$26,021.3</u>
Total	<u>\$38,344.5</u>
Projected Total Funding Available in 2010:	
Low Income Residential	\$1,070.5
Residential	\$11,252.7
Commercial & Industrial	<u>\$31,332.0</u>
Total	<u>\$43,655.2</u>

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 DSM revenue per kWh is below the LCPP estimate of \$0.0044 for 2010.

³ Company accounting for copayments changed in 2009.

⁴ Fund Balance currently tracked by Residential and Commercial and Industrial Sectors; Low-income fund balance and interest not separated out, data is from July 2009. A projected negative fund balance at year end indicates that projected spending and commitments for 2009 are greater than the actual funding available in 2009.

⁵ The total projection of FCM revenue is allocated by kWh sales to each sector.

⁶ Projected 60% RGGI Funding Revised December 17, 2009; Includes \$2.65 anticipated 2009 carryover, revision incorporates RGGI, Inc. and OER costs

Table E-2
National Grid 2010 Electric Energy Efficiency Program Budget (\$000)

	Program Planning & Administration					Grand Total
	External	Internal	Marketing	Rebates and Other Customer Incentives	Evaluation & Market Research	
Non-Low Income Residential						
ENERGY STAR [®] Homes	\$58.8	\$34.2	\$29.4	\$670.0	\$36.1	\$828.5
ENERGY STAR [®] Central Air Conditioning	\$23.4	\$9.2	\$63.0	\$602.7	\$27.2	\$725.5
ENERGY STAR [®] Heating	\$0.0	\$78.8	\$50.0	\$156.5	\$22.3	\$307.6
EnergyWise	\$442.0	\$88.8	\$100.0	\$4,310.1	\$22.3	\$4,963.2
ENERGY STAR [®] Lighting	\$240.0	\$99.4	\$329.3	\$1,010.0	\$177.7	\$1,856.5
ENERGY STAR [®] Appliances	\$277.0	\$94.7	\$365.0	\$963.0	\$83.5	\$1,783.2
EERMC - Residential	\$155.8	\$0.0	\$0.0	\$0.0	\$0.0	\$155.8
Energy Efficiency Educational Programs	\$100.0	\$1.3	\$0.0	\$0.0	\$0.0	\$101.3
Pilots	\$20.0	\$12.2	\$9.0	\$296.0	\$145.9	\$483.1
Shareholder Incentive	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$443.6
Subtotal - Non-Low Income Residential	\$1,317.0	\$418.6	\$945.7	\$8,008.3	\$515.1	\$11,648.4
Low Income Residential						
Single Family - Low Income Services	\$51.0	\$118.5	\$85.8	\$3,473.9	\$22.3	\$3,751.5
Shareholder Incentive	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$143.2
Subtotal - Low Income Residential	\$51.0	\$118.5	\$85.8	\$3,473.9	\$22.3	\$3,894.8
Commercial & Industrial						
Design 2000 <i>plus</i> ¹	\$425.2	\$538.5	\$28.2	\$8,646.7	\$256.8	\$9,895.3
Energy Initiative ¹	\$456.1	\$565.5	\$37.6	\$7,165.7	\$147.8	\$8,372.6
Small and Medium Business Program	\$312.5	\$90.4	\$65.0	\$7,641.7	\$56.0	\$8,165.6
EERMC - C&I	\$344.3	\$0.0	\$0.0	\$0.0	\$0.0	\$344.3
Shareholder Incentive	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$890.9
Subtotal - Commercial & Industrial	\$1,538.1	\$1,194.4	\$130.7	\$23,454.1	\$460.5	\$27,668.7
SRPP²						\$425.0
Grand Total³	\$2,906.0	\$1,731.6	\$1,162.2	\$34,936.3	\$998.0	\$43,636.9

Notes:

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

Total Commitments for 2010 are expected to be \$7,667,300. The allocation between Energy Initiative and Design 2000*plus* is

Design 2000*plus* Commitments: \$5,567.3

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.

(2) System Reliability Procurement Plan (SRPP) budget is for the C/I Audit and Automation Demand Response activities described in Docket 3931, page 22.

For more information, please see page 10 in this plan.

(3) Energy Action: Aquidneck Island budget for 2010 comes from 2009 RGGI funds, it is therefore not reflected in the 2010 budget.

**Table E-3
Proposed 2010 Budget Compared to Approved 2008 Budget (\$000)**

	Proposed Budget (2010)	Approved Budget (2009)	Change Compared to 2009
Non-Low Income Residential			
ENERGY STAR [®] Homes	\$792.4	\$860.6	(\$68.2)
ENERGY STAR [®] Central Air Conditioning	\$698.3	\$429.0	\$269.3
ENERGY STAR [®] Heating	\$285.3	\$209.9	\$75.4
EnergyWise	\$4,940.9	\$3,050.1	\$1,890.8
ENERGY STAR [®] Lighting	\$1,678.8	\$980.0	\$698.8
ENERGY STAR [®] Appliances	\$1,699.7	\$1,472.6	\$227.1
EERMC - Residential ¹	\$155.8	\$125.1	\$30.7
Energy Efficiency Educational Programs	\$101.3	\$100.9	\$0.4
Pilots	\$337.2	NA	NA
Subtotal - Non-Low Income Residential	\$10,689.7	\$7,228.2	\$3,461.5
Low Income Residential			
Single Family - Low Income Services	\$3,729.2	\$2,628.3	\$1,100.9
Commercial & Industrial			
Design 2000plus	\$9,638.5	\$7,440.2	\$2,198.3
Energy Initiative	\$8,224.9	\$6,896.4	\$1,328.4
Small and Medium Business Program	\$8,109.6	\$6,252.1	\$1,857.6
EERMC - C&I	\$344.3	\$189.9	\$154.4
Subtotal Commercial & Industrial	\$26,317.3	\$20,778.6	\$5,538.7
OTHER EXPENSE ITEMS			
Company Incentive	\$1,477.7	\$1,036.0	\$441.8
Program Design, Evaluation and Planning	\$998.0	\$700.2	\$297.8
SRPP ²	\$425.0	\$0.0	\$425.0
Subtotal Other Items	\$2,900.7	\$1,736.2	\$1,164.6
TOTAL BUDGET	\$43,636.9	\$32,371.2	\$11,265.7

¹ Includes EERMC allocation for Low Income Residential

² See notes on E-2

Table E-4
Calculation of 2010 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>	6.13	\$32,015.2	\$4,071.210	\$891.4	\$256.8	NA	2.2
Energy Initiative	4.49	\$63,707.8	\$6,124.941	\$7,907.2	\$147.8	NA	3.3
Small and Medium Business ¹	4.04	\$31,282.4	\$6,046.476	\$1,641.4	\$56.0	NA	4.1
Energy Efficiency and Resources Management Council - Large C&I			\$344.300	\$0.0	\$0.0	NA	
SUBTOTAL	4.48	\$127,005.4	\$16,586.9	\$10,440.0	\$460.5	\$890.9	3.3
Low Income Residential							
Single Family - Low Income Services	2.08	\$8,114.9	\$3,729.3	\$0.0	\$22.3	\$143.2	16.7
Non-Low Income Residential							
ENERGY STAR [®] Homes	2.44	\$2,992.1	\$792.387	\$400.2	\$36.1	NA	21.5
ENERGY STAR [®] Central Air Conditioning	1.28	\$956.7	\$698.351	\$19.5	\$27.2	NA	12.9
ENERGY STAR [®] Heating	3.58	\$1,107.3	\$285.341	\$1.5	\$22.3	NA	187.1
EnergyWise	1.68	\$8,413.0	\$4,941.057	\$37.9	\$22.3	NA	6.7
ENERGY STAR [®] Lighting	5.81	\$13,135.6	\$1,678.814	\$404.4	\$177.7	NA	2.2
ENERGY STAR [®] Products	1.85	\$3,859.7	\$1,699.765	\$299.9	\$83.5	NA	6.7
Energy Efficiency Education Programs			\$100.648	\$0.0	\$0.0	NA	NA
Energy Efficiency and Resources Management Council - Residential			\$155.800	\$0.0	\$0.0	NA	NA
Pilots			\$337.206	\$0.0	\$145.9	NA	
SUBTOTAL	2.38	\$30,464.4	\$10,689.369	\$1,163.4	\$515.1	\$443.6	5.8
TOTAL	3.67	\$165,584.7	\$31,005.633	\$11,603.4	\$998.0	\$1,477.7	4.1

Notes:

(1) Small Business program expenses are net of the projected customer co-pay for 2010 installations.

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

Table E-5
2010 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		Resource						Non Resource	
		Summer	Winter				Peak	Off Peak	Peak	Off Peak								DRIPE
Commercial & Industrial																		
Design 2000plus	\$32,015	1,638	\$0	\$1,424	\$3,362	\$1,224	\$8,309	\$3,824	\$4,254	\$1,806	\$6,117	\$0	\$58	3,463	2,059	54,066	15,208	236,437
Energy Initiative	63,708	2,852	0	2,559	6,043	2,745	14,974	7,010	7,612	3,300	13,710	725	2,178	7,762	4,439	96,534	34,344	425,927
Small and Medium Business	31,282	1,379	0	1,246	2,941	1,364	8,211	1,875	4,171	883	6,598	0	2,615	3,857	2,098	46,450	15,690	188,941
SUBTOTAL	\$127,005	\$5,869	\$0	\$5,229	\$12,346	\$5,333	\$31,494	\$12,709	\$16,037	\$5,990	\$26,425	\$725	\$4,851	15,082	8,595	197,050	65,242	851,305
Low Income Residential																		
Single Family - Low Income Services	8,115	89	\$0	\$54	\$126	\$67	\$526	\$614	\$259	\$291	\$636	\$3,477	\$1,976	199	386	2,573	1,887	23,331
SUBTOTAL	\$8,115	\$89	\$0	\$54	\$126	\$67	\$526	\$614	\$259	\$291	\$636	\$3,477	\$1,976	199	386	2,573	1,887	23,331
Non-Low Income Residential																		
ENERGY STAR® Homes	2,992	234	\$0	\$119	\$281	\$79	\$126	\$149	\$65	\$71	\$138	\$1,705	\$24	223	160	4,964	414	5,704
ENERGY STAR® Central Air Conditioni	957	127	\$0	\$79	\$187	\$90	\$206	\$54	\$148	\$46	\$137	-\$134	\$17	274	44	3,788	340	5,775
ENERGY STAR® Heating	1,107	0	\$0	\$0	\$0	\$0	\$5	\$4	\$2	\$2	\$4	\$1,091	\$0	0	3	8	9	165
EnergyWise	8,413	236	\$0	\$95	\$225	\$193	\$1,619	\$1,980	\$888	\$912	\$1,993	\$152	\$119	547	1,361	7,103	5,622	74,417
ENERGY STAR® Lighting	13,136	358	\$0	\$33	\$316	\$422	\$2,342	\$2,721	\$1,146	\$1,281	\$3,804	\$0	\$713	1,194	2,389	11,032	11,173	102,929
ENERGY STAR® Appliances	3,860	41	\$0	\$27	\$64	\$43	\$703	\$808	\$370	\$389	\$1,415	\$0	\$0	155	160	1,170	4,952	31,286
SUBTOTAL	\$30,464	\$996	\$0	\$354	\$1,075	\$828	\$5,001	\$5,716	\$2,618	\$2,701	\$7,491	\$2,813	\$872	2,393	4,117	28,064	22,509	220,277
TOTAL	\$165,585	\$6,953	\$0	\$5,636	\$13,548	\$6,228	\$37,020	\$19,039	\$18,913	\$8,981	\$34,552	\$7,015	\$7,699	17,674	13,098	227,688	89,637	1,094,913

Table E-6
Comparison of Goals to Prior Year

Program	Proposed 2010		2009		Difference	
	Annual Energy Savings (MWh) (1)	Participants	Annual Energy Savings (MWh) (1)	Participants	Annual Energy Savings (MWh)	Participants
Commercial & Industrial						
Design 2000 <i>plus</i>	15,208	348	10,423	239	4,784	110
Energy Initiative	34,344	292	28,808	245	5,537	47
Small and Medium Business	15,690	1,188	11,030	835	4,659	353
SUBTOTAL	65,242	1,828	50,261	1,319	14,980	509
Low Income Residential						
Single Family - Low Income Services	1,887	2,161	1,340	1,439	547	722
SUBTOTAL	1,887	2,161	1,340	1,439	547	722
Non-Low Income Residential						
ENERGY STAR® Homes	414	300	648	380	(234)	(80)
ENERGY STAR® Central Air Conditioning Program	340	1,487	93	546	247	941
ENERGY STAR® Heating	9	314	83	250	(74)	64
EnergyWise	5,622	8,122	4,392	6,194	1,229	1,928
ENERGY STAR® Lighting	11,173	110,330	18,074	68,548	(6,902)	41,782
ENERGY STAR® Appliances	4,952	11,150	4,439	7,600	513	3,550
SUBTOTAL	22,509	131,703	27,729	83,518	-5,221	48,185
TOTAL	89,637	135,693	79,331	86,276	10,306	49,417

Notes:

- (1) Net Savings calculated under Total Resource Cost Test.
- (2) Lower MWh per participant for Low Income Services due to 2009 evaluation findings.
- (3) Lower MWh per participant for Energy Star Heating due to a correction in measure mix.
- (4) Lower MWh per participant for Energy Star Lighting due to lower inputs for free-ridership, spillover rate, and in-service rate.

Table E-7
Annual Electric Avoided Costs for Rhode Island

Units: Period:	Rhode Island					DRIPE for Installations in 2010				
	Winter Peak Energy	Winter Off-Peak Energy	Summer Peak Energy	Summer Off-Peak Energy	Annual Market Capacity Value	Winter Peak Energy	Winter Off-Peak Energy	Summer Peak Energy	Summer Off-Peak Energy	Annual Market Capacity Value
	\$/kWh	\$/kWh	\$/kWh	\$/kWh	\$/kW-yr	\$/kWh	\$/kWh	\$/kWh	\$/kWh	\$/kW-yr
2009	0.000	0.000	0.000	0.000						
2010	0.072	0.056	0.075	0.055	65.84	0.076	0.054	0.074	0.046	
2011	0.078	0.061	0.080	0.058	50.58	0.078	0.056	0.075	0.047	
2012	0.086	0.066	0.084	0.061	35.74	0.086	0.061	0.079	0.050	
2013	0.081	0.065	0.079	0.061	16.85	0.039	0.029	0.036	0.024	110.00
2014	0.080	0.066	0.080	0.062	16.85	0.033	0.024	0.031	0.021	135.00
2015	0.080	0.066	0.082	0.061	18.14	0.028	0.021	0.028	0.018	81.00
2016	0.080	0.067	0.083	0.062	19.44	0.025	0.019	0.024	0.016	0.00
2017	0.084	0.070	0.086	0.065	19.44	0.022	0.016	0.021	0.014	
2018	0.086	0.071	0.088	0.068	20.74	0.018	0.013	0.018	0.012	
2019	0.087	0.072	0.089	0.068	20.74	0.014	0.011	0.014	0.009	
2020	0.086	0.070	0.087	0.067	22.03	0.010	0.008	0.010	0.007	
2021	0.083	0.069	0.085	0.065	23.33	0.007	0.005	0.007	0.004	
2022	0.083	0.070	0.086	0.065	24.62	0.003	0.003	0.003	0.002	
2023	0.084	0.070	0.088	0.067	25.92					
2024	0.088	0.072	0.093	0.070	27.22					
2025	0.089	0.073	0.094	0.070	40.18					
2026	0.089	0.073	0.095	0.071	53.14					
2027	0.090	0.074	0.096	0.072	66.10					
2028	0.091	0.075	0.097	0.072	79.06					
2029	0.092	0.076	0.098	0.073	92.02					
2030	0.093	0.076	0.099	0.074	103.68					
2031	0.094	0.077	0.100	0.075	103.68					
2032	0.095	0.078	0.101	0.075	103.68					
2033	0.096	0.079	0.102	0.076	103.68					
2034	0.097	0.079	0.103	0.077	103.68					
2035	0.098	0.080	0.104	0.078	103.68					
2036	0.099	0.081	0.105	0.078	103.68					
2037	0.100	0.082	0.106	0.079	103.68					
2038	0.101	0.083	0.107	0.080	103.68					
2039	0.102	0.083	0.108	0.081	103.68					

From the 2009 Avoided Cost Study

Table E-8
Derivation of the 2010 Spending Budget for Shareholder Incentive Calculation

	Proposed 2010 Budget (\$000)	Commitments (\$000)	Excluded From the Eligible Spending Budget (\$000)	Eligible Sector Spending Budget (\$000)
Non-Low Income Residential				
ENERGY STAR [®] Homes	\$828.5			
ENERGY STAR [®] Central Air Conditioning	\$725.5			
ENERGY STAR [®] Heating	\$307.6			
EnergyWise	\$4,963.2			
ENERGY STAR [®] Lighting	\$1,856.5			
ENERGY STAR [®] Appliances	\$1,783.2			
EERMC - Residential	\$155.8		\$155.8	
Energy Efficiency Educational Programs	\$101.3			
Pilots	\$483.1			
Shareholder Incentive	\$443.6		\$443.6	
Subtotal - Residential	\$11,648.4	\$0.0	\$599.4	\$11,049.0
Low Income Residential				
Single Family - Low Income Services	\$3,751.5			
Shareholder Incentive	\$143.2		\$143.2	
Subtotal - Low Income Residential	\$3,894.8	\$0.0	\$143.2	\$3,751.5
Commercial & Industrial				
Design 2000plus	\$9,895.3	\$5,567.3		
Energy Initiative	\$8,372.6	\$2,100.0		
Small and Medium Business	\$8,165.6	\$0.0		
EERMC - C&I	\$344.3		\$344.3	
Shareholder Incentive	\$890.9		\$890.9	
Subtotal - Commercial & Industrial	\$27,668.7	\$7,667.3	\$1,235.2	\$18,766.2
SRPP	\$425.0		\$425.0	
Grand Total	\$43,636.9	\$7,667.3	\$2,402.8	\$33,566.8

**Table E-9
Target 2010 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	\$3,751,525		\$148,303	\$0	\$148,303	1,886,826	1,132,095	\$0.079	\$185,379
Non-Low Income Residential	\$11,049,021		\$496,782	\$60,000	\$436,782	22,508,901	13,505,341	\$0.019	\$545,978
Commercial & Industrial	\$18,766,220		\$831,853	\$90,000	\$741,853	65,241,586	39,144,952	\$0.011	\$927,316
Total	\$33,566,767	4.40%	\$1,476,938	\$150,000	\$1,326,938	89,637,313	53,782,388		\$1,658,673

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 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.

Revised Table 1: 2010 Energy Efficiency Program Plan Summary

Electric Programs by Sector	Proposed Utility Spending in 2010 (\$000)	Annual MWh Savings	Annual kW Savings	Total Benefits (\$000)	B/C Ratio	cents/lifetime kWh
Low Income Residential	\$3,729	1,887	199	\$8,115	2.08	16.7
Non-Low Income Residential	\$10,689	22,509	2,393	\$30,464	2.38	5.8
Commercial and Industrial	\$16,587	65,242	15,082	\$127,005	4.48	3.3
Subtotal	\$31,006	89,637	17,674	\$165,585	3.67	4.1
Gas Programs by Sector	Proposed Utility Spending in 2010 (\$000)	Annual MMBtu Savings		Total Benefits (\$000)	B/C Ratio	
Low Income Residential	\$286	1,569		\$463	1.52	
Non-Low Income Residential	\$1,419	28,756		\$7,269	2.79	
Commercial and Industrial	\$2,896	90,823		\$13,008	2.48	
Subtotal	\$4,601	121,147		\$20,740	2.54	
Total for Plan	\$35,607			\$186,324	3.50	

Record Request No. 2

Request:

- a. Are the “Proceeds” listed in Response to DR Comm 2-1 net of costs?
- b. If not please re-submit this table showing net proceeds.
- c. If possible please provide the amount of accumulated interest on the proceeds from the RGGI auctions that have taken place to date.

Response:

- a. Commission Data Request Table 2-1 is not net of costs.
- b. According to RGGI Inc.’s 2009 Plan for the Allocation and Distribution of RGGI Auction Proceeds approved on September 30, 2009, RGGI Inc. will deduct dues, fees and auction expenses before transmitting the remainder of allowance funds. Consequently, actual RGGI Inc. costs to date have been deducted from the proceeds in the revised table below. RI is responsible for 1.41% of RGGI, Inc. program and operation costs, and projected RGGI Inc. costs are based on this percent. Additionally, OER will deduct administrative costs from the proceeds of five percent or \$300,000 on an annual basis, whichever is less.

Table RR-2

	Auction	Year	Gross Proceeds	RGGI, Inc. Admin Costs	OER Admin Costs	Net Proceeds	60%	National Grid Budget	Carry over for future Budget
Actual Proceeds	1	2008	\$1,347,036	\$46,150	\$0	\$1,300,886			
	2	2008	\$1,483,056	\$1,809	\$141,505	\$1,339,743			
	3	2009	\$1,640,469	\$0	\$0	\$1,640,469			
	4	2009	\$1,485,033	\$0	\$0	\$1,485,033			
	5	2009	\$1,022,455	\$0	\$207,398	\$815,057			
2008 - 2009 Total			\$6,978,049	\$47,959	\$348,902	\$6,581,188	\$3,948,713	\$1,300,000	\$2,648,713
	6	2009	\$944,535	0	\$47,227	\$897,308			
Projected Proceeds	7	2010	\$1,400,000	\$10,000	\$0	\$1,390,000			
	8	2010	\$1,400,000	\$0	\$0	\$1,400,000			
	9	2010	\$1,400,000	\$0	\$0	\$1,400,000			
	10	2010	\$1,400,000	\$0	\$280,000	\$1,120,000			
2010 Total			\$6,544,535	\$10,000	\$327,227	\$6,207,308	\$3,724,385	\$6,373,098	

Notes

- (1) Actual proceed data from http://www.rggi.org/docs/RI_Proceeds_by_Auction.pdf
- (2) Projected proceeds were based on 60% of an anticipated \$7M in auctions 6-10.
- (3) National Grid Budget includes any carryover from previous RGGI auctions
- (4) RGGI, Inc. actual Costs are based on invoices received by OER, projections based on RI's cost-share of 1.41% in 990 forms, available: <http://www.rggi.org/rggi/legal>
- (5) Based on OER Guidance, 5% of annual proceeds have been deducted for administrative costs

Record Request No. 2 (cont.)

Based on this information, RGGI proceeds available for 2010 (including carryover from 2009 proceeds) is \$6,373,098 compared to the estimate of \$6,665,000 used previously. The Company believes the updated estimate is more reasonable.

- c. According to OER, no interest was accumulated on these funds.

Record Request No. 3

Request:

- a. With reference to Table E-2, what percent of the \$3.2 million grand total for External program planning and administration is performed by Company employees?
- b. With reference to Table E-2, what percent of the \$1.2 million grand total for marketing is performed by Company employees?
- c. With reference to Table E-2, what percent of the \$998,000 grand total for Evaluation and Market Research is performed by Company employees?

Response:

- a. The Company states that 0% of the \$3.2 million grand total for External program planning and administration is for services performed by Company employees.
- b. The Company estimates that 1.3% of the \$1.2 million grand total for marketing is for services performed by Company employees.
- c. The Company estimates that 18.2% of the \$998,000 grand total for Evaluation and Market Research is for services performed by Company employees.

Record Request No. 4

Request:

Please confirm that the forecasted savings from the 2010 Energy Efficiency Program incorporated are included in the rate year?

Response:

The Company has accounted for the forecasted 2010 DSM savings during the rate year using the methodology described in the Company's response to Division Record Request 7 in Docket 4065.

Record Request No. 5

Request:

Provide backup calculations for the transmission and distribution capacity benefits of \$19.2 million shown in Table E-5.

Response:

The 2010 transmission avoided cost is \$25.79 per kW and the distribution avoided cost is \$60.89 per kW. These values were calculated consistent with the approach spelled out in pages 7 and 8 of Attachment C of the 2008 Least Cost Procurement Plan filing in Docket 3931 which states:

“Electric Transmission Capacity and Distribution Capacity Benefits.

We propose to value the electric transmission capacity and distribution capacity benefits in the TRC test using avoided transmission and distribution capacity values calculated in a spreadsheet tool that was developed in 2005 by ICF International, Inc., the consultant that performed the biennial avoided cost study for New England’s energy efficiency program administrators in that year. The tool calculates an annualized value of avoided transmission and distribution capacity values from company-specific inputs of historic and projected capital expenditures and loads, as well as a carrying charge calculated from applicable tax rates and Federal Energy Regulatory Commission (“FERC”) Form 1 accounting data. The resulting values are statewide averages. If there are locally constrained areas where the value avoided T&D may be higher, and which may be targeted for a concentrated energy efficiency implementation effort, we will develop a site-specific incremental value of avoided T and/or D capacity that may be added to the average value.

Capacity loss factors are applied to the avoided T&D capacity costs to account for local transmission and distribution losses from the point of delivery to the distribution company’s system to the ultimate customer’s facility. Thus, losses will be accounted for from the generator to the end use customer.

In theory, the T&D benefits could be allocated to summer and winter periods, depending on the relation between summer and winter peaks on the local system. However, the Company’s system has been summer peaking. Therefore, the T&D benefits will be exclusively associated with summer demand reduction and the dollar value will be calculated as follows:

Record Request No. 5 (cont.)

- Transmission Benefit (\$) = $(kWSum * Trans\$/kW_{(@Life)} * [1 + (Losses_{SumkWTrans})])$
- Distribution Benefit (\$) = $(kWSum * Dist\$/kW_{Life(@Life)} * [1 + (Losses_{SumkWDist})])$

Where $kWSum$ are the net summer demand savings from the measure, reflecting free ridership and spillover, and the notation “@Life” is an indication that the avoided value component for each benefit (e.g., electric energy, capacity, natural gas, etc.) is the cumulative net present value (in 2010 dollars) of lifetime avoided costs for each year of the planning horizon from the base year of 2010 over the life of the measure.

The Company develops an annualized cost of avoidable transmission and distribution capacity costs in the tool by dividing the sum of five years each of historic and forecast capital expenditures (equally weighted) by the sum of five years each of historic and forecast load growth (also equally weighted). A calculated carrying charge and an assumption of what percentage of capital expenditures is avoidable by the implementation of energy efficiency are also applied to determine the final annualized avoided costs. Values were escalated to 2010 dollars to be consistent with the other value components used in the benefit cost analysis.

The benefits as identified above are calculated for each measure in each proposed program, summed over the respective measure lives. Benefits for each program are the sum of T&D benefits for all the measures in the program. Therefore, the \$5.64 million of Transmission benefits and \$13.55 million of Distribution benefits shown in Table E-5 are the cumulative sum of the benefits for all the measures in each program over their respective measure lives based on the avoided transmission and distribution costs for 2010.

Record Request No. 6

Request:

If the Company meets the energy efficiency goals contained in the 2010 Energy Efficiency Program, what would be the impact on revenues?

Response:

Because the Company has accounted for the forecasted DSM savings in 2010, if the Company meets those forecasted savings, it should not impact revenues for that year.

Record Request No. 7

Request:

- a. Since energy efficiency savings have been included in the Company's forecasted usage for 2010, is it true that if the Company achieved 125% of its target savings under the plan and thus earned \$1.8 million in incentives, the Company would earn an incentive without having experienced a loss of distribution revenues?
- b. Wouldn't it be until after 2010 when the Company could lose distribution revenues from energy efficiency efforts?

Response:

- a. As an initial matter, it is accurate that the proposed performance incentive mechanism provides the Company with the opportunity to earn up to 125% of its target incentive related to savings if it exceeds its proposed savings targets by 25%. If the Company is successful in achieving this level of savings, and also achieves all objectives under its proposed performance metrics, its earned incentive would be approximately \$1.8 million.

A second issue involved in the question relates to the *purpose* of the performance incentive. From a public policy perspective, the DSM performance incentive is not designed or intended to provide the Company with remuneration for distribution revenues that are lost due to customer conservation through Company-sponsored DSM activities. The Rhode Island legislature has specifically provided for a performance incentive as part of system reliability and energy efficiency and conservation procurement. R.I.G.L. §39-1-27.7 (e). In Rhode Island, and throughout the various jurisdictions in which the Company provides DSM programs, performance incentives are incorporated into the energy efficiency plans to motivate the devotion of management resources, business expertise and customer care by National Grid to its energy efficiency programs. The policy underlying the performance incentive is to provide the utility with a stake in providing this service and a business justification for the focus and devotion of resources, which would not otherwise exist. Because the energy efficiency programs yield a substantial public benefit (even with the cost of the incentive included), it is directly in the public interest to conduct these programs. Therefore, because of the strong public interest benefit, public policy has favored the payment of performance incentives as part of the delivery of energy efficiency services by gas and electric distribution companies to motivate the aggressive promotion of these programs.

Record Request No. 7 (cont.)

As noted above, performance incentives are a time-tested and potent tool for focusing the entire organization on meeting – and exceeding – aggressive energy efficiency targets. Moreover, although the Company has thoroughly reviewed its costs in preparing the 2010 budget and believes that the budget is reasonable, the proposed incentive mechanism would reward the Company for meeting (or exceeding) its goals while spending less than budgeted. If goals are exceeded at a cost less than budget, a substantial benefit is realized by customers. While employees are motivated as a matter of personal pride and business practice to strive to do their best day-in and day-out, a shareholder incentive is a proven, objective and concrete device to drive performance to achieve all possible energy efficiency savings.

In terms of quantifying the public benefit, the Settlement Agreement, at Attachment 5, Table E-4, shows that the proposed portfolio of electric energy efficiency programs for 2010 is expected to have a benefit-cost ratio of 3.67. This means that, for each dollar invested in energy efficiency, a return of \$3.67 in energy savings is expected. In total, the Company's DSM programs are expected to produce over \$165 million in benefits, with the associated performance incentive of \$1.5 million (or less than 1%) returned to the Company for its efforts to achieve these benefits for Rhode Island consumers. If the Company exceeds its savings targets and is able to achieve 25% more savings than expected under the current budget, the value of these incremental additional savings far exceeds the cost associated with the incremental additional performance incentive that the Company might earn. For example, assume that exceeding savings targets by 25% results in the value of benefits increasing by the same amount¹. Under this example, the value of savings would increase to approximately \$206 million, which is an incremental increase of \$41 million, while the earned performance incentive would increase by \$0.3 million as compared to the target incentive. As a result, there is a direct and substantial public benefit associated with these programs, which results from the Company's activities to that end.

It should be noted that the proposed performance incentive mechanism is an integral part of the Company's proposed energy efficiency plans. These plans, including the performance incentive, are consistent with the energy efficiency plans embodied in the Commission-approved least cost procurement plan. In addition, the proposed performance incentive mechanism is broadly supported as part of a settlement agreement supported by the Division of Public Utilities and Carriers, the Energy Council of Rhode

¹ If savings in all programs exceeded targets by 25%, this would be the outcome. However, it is likely that the mix of measures actually installed in a year will differ from plans. As a result, the value of achieved savings might be higher or lower than what is used in this example.

Record Request No. 7 (cont.)

Island, Energy Consumers Alliance of New England d/b/a People's Power and Light, Environment Northeast, and the Energy Efficiency Resource Management Council.

Moreover, the Rhode Island Public Utilities Commission ("Commission") has historically recognized the importance of the performance incentive as a means to make successful energy efficiency efforts a win-win for both consumers in the state and company shareholders. The Commission's support is consistent with Rhode Island public policy as expressed in the following statutory and Commission pronouncements:

The Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006:

In R.I.G.L. §39-1-27.7 (e) the legislature mandates that, "The commission shall conduct a contested case proceeding to establish a *performance based incentive plan* which allows for additional compensation for each electric distribution company and each company providing gas to end-users and/or retail customers based on the level of its success in mitigating the cost and variability of electric and gas services through procurement portfolios." (emphasis added).

Commission Standards for Energy Efficiency and Conservation Procurement and System Reliability

Section 1.2.B (1): "Utility *shall have an opportunity to earn a shareholder incentive that is dependent on its performance* in implementing the approved EE Procurement Plan. The Utility, in consultation with the Council will propose in its EE Procurement Plan, an incentive proposal that is designed to promote superior Utility performance in cost-effectively and efficiently securing for customers all efficiency resources lower cost than supply. The Performance Incentive should be structured to reward program performance that makes significant progress in securing all cost-effective efficiency resources that are lower than supply while at the same time ensuring that those resources are secured as efficiently as possible....The incentive should be sufficiently to provide a high level of motivation for excellent Utility performance, but modest enough to ensure that customers receive most of the benefit from [sic] EEP implementation." Commission Docket 3931, Order 19344 (June 12, 2008). (emphasis added).

Record Request No. 7 (cont.)

It is important to note that the concept of Lost Base Revenue (“LBR”) is different from the concept of the performance incentive. LBR is viewed as a calculation to return to the Company the distribution revenues that are lost through customer conservation efforts attributable to the Company’s programs (which does not take into account conservation undertaken by customers outside of the Company’s programs). Where the performance incentive provides the Company with a payment *in addition to or outside of* base rates for its efforts to devote management resources to the provision of energy efficiency programs, LBR would provide the Company with a return of base revenues that it would otherwise be expecting to collect through rates established by the Commission to recover operating costs. In fact, there is no correlation between the amount of the performance incentive and the amount of lost base revenue arising from the Company’s DSM programs – this calculation has never been performed, nor would it be appropriate to do so because the two mechanisms serve differing purposes.

Therefore, in answer to the question above, the Company would earn an incentive in 2010 if it achieved the designated savings goals (as its incentive for devoting resources to the effort and achieving the desired level of savings), even though the reduced consumption associated with those energy savings are factored into rates through the sales forecast used to set rates in the Docket 4065 proceeding.

- b. The rates set in Docket 4065 will take effect for March 1, 2010. Any reduction in sales occurring after December 31, 2010 is not anticipated in the sales revenues used to set rates in Docket 4065.

Record Request No. 8

Request:

In Response to Commission Data Request 2-4, the Company has indicated that there would be a \$600,000 increase in salaries due to the addition of FTEs who work wholly or partially on RI energy efficiency. Please indicate what would be the impact on the energy efficiency budget of the 17 hires on a full year basis for 2010.

Response:

The Company is not able to disaggregate the \$600,000 increase in salaries in the manner requested to isolate the impact of the full year compensation of the 2009 new hires from the compensation of any new staff to be added in 2010 or any pay increases for staff employed prior to 2009. The Company thoroughly reviewed its staffing needs for 2009 and only added staff where it was needed. The Company anticipates performing a similar staffing review early in 2010 and determining whether additional staff is needed to meet the aggressive goals proposed for the year.