

December 7, 2010

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4209 Energy Efficiency Program Plan for 2011
Responses to Commission Data Requests – Set 1**

Dear Ms. Massaro:

On behalf of National Grid¹, enclosed please find ten (10) copies of the Company's responses to the Commission's First Set of Data Requests in the above-referenced proceeding.

This transmittal contains all responses except for Commission 1-4. The Company will be providing its response to Commission 1-4 shortly.

Thank you for your attention to this matter. If you have any questions regarding this revision, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

Cc: Docket 4209 Service List
Leo Wold, Esq.
Steve Scialabba, Division

¹ The Narragansett Electric Company d/b/a National Grid ("Company").

Commission 1-1

Request:

Table 2 on page 7 of the introduction and summary states in part: "The Company will continue this program (weatherization and heating system retrofits) in 2011, but it requires no additional funding." Please explain how the program will be continued with no additional funding.

Response:

In 2010, the Company applied for and received Rhode Island Office of Energy Resources (OER) Federal Stimulus funds to manage the Weatherization of Dwelling Units Heated with Deliverable Fuels program. If a customer who heats with oil or propane receives an electric energy audit through the EnergyWise program, they become eligible for weatherization and heating system rebates through the Deliverable Fuel program. These weatherization and heating system rebates specifically for deliverable fuel dwellings will continue without funding from the Electric or Gas DSM programs because OER provides the federal stimulus funds until they are depleted.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-2

Request:

Page 13 of the introduction and summary states that the Company had received only \$3.9 million of the proceeds from RGGI auctions 1 through 5. It is also stated that the Company anticipates receiving \$3.2 million from auctions 6-10 and \$4.7 million from auctions 1-10. When does the company anticipate receiving these additional funds? Has the company experienced any difficulty receiving RGGI auction proceeds in a timely manner?

Response:

At the November 4, 2010 EERMC meeting, the OER Administrator informed the Council that a portion of the \$4.7 million "40%" RGGI funds, totaling \$2.6 million, is expected to be released by the end of December 2010. It is uncertain when the Company will receive the remaining portion of the \$4.7 million "40%" or the \$3.2 million of the "60%" RGGI funds.

RGGI auctions have occurred quarterly since September 2008, and Rhode Island's auction proceeds allocation rules have been in place since October 2009. Unfortunately, the Company has experienced difficulty receiving RGGI auction proceeds in a timely manner.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-3

Request:

Please explain the potential 2011 change in rules for distribution of auction proceeds referred to on page 14 of the introduction and summary.

Response:

At in the October 14, 2010 EERMC meeting, the OER Administrator informed the Council that OER plans to draft new rules for the distribution of RGGI proceeds. The new rules are under development by the OER, and the Company has not yet been apprised of their details.

Under the rules currently in effect, the Company believes that 100% of auction proceeds after expenses would flow to the Company's existing programs or innovative programs. However, in light of the uncertainty concerning the expected rules changes, the Company made the conservative assumption that 80% of the auction proceeds, after expenses, would flow to its existing programs.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-5

Request:

Please provide details relating to the proposed Residential Behavior Pilot.

Response:

The proposed pilot will analyze a customer's energy usage and then encourage participants to reduce their energy consumption through specific recommendations such as behavior change or efficiency retrofits offered through one of National Grid's other residential programs. The recommendations will be provided either through direct mail, a dedicated website, in-home monitoring equipment, or all of the above.

In December 2010, National Grid issued a Request For Information (RFI) asking prospective vendors/providers to identify: 1) the program design; 2) data required for analysis and recommendations; 3) whether in-home monitoring equipment is required (AMI, programmable thermostat, outlet monitor, etc); and 4) the expected average energy savings per participant and cumulative program savings over time.

By the second quarter of 2011, National Grid plans to select a contractor and begin implementation of the behavioral marketing pilot targeting electric residential customers.

Prepared by or under the supervision of: Brian Kearney

Commission 1-6

Request:

With regard to the Residential Products Pilot, please explain the “innovative technologies” that will be tested.

Response:

The Residential Products Pilot has identified for testing various products that are new in the marketplace, including programmable communicating thermostats, electric and gas heat pump dryers, solar thermal technologies in combination with an alternative fuel, and drain water heat-recovery systems. The pilot will investigate other potential technologies to include as they emerge and are evaluated.

Prepared by or under the supervision of: Brian Kearney

Commission 1-7

Request:

With regard to the Heat Loan Program, please explain:

- a. The types of energy efficiency upgrades that will qualify.
- b. How the term (payback period) of the loan will be determined.
- c. How the loan will be repaid. (Will the customer receive a payment book? Will it be repaid through the utility bill?...)
- d. What are the consequences (to the customer and the company) if the customer defaults on the loan?

Response:

- a. The following types of energy efficiency retrofits will qualify for the Heat Loan Program:
 1. Insulation and/or Air Sealing Upgrades
 2. Duct Sealing and Duct Insulation
 3. Energy Star Thermostats
 4. Energy Efficient Heating System Replacements
 5. Energy Efficient Domestic Hot Water Systems
 6. Energy Star Window Replacements (Replacement of single pane or single pane with storm windows where all other thermal measures have been previously satisfied)
- b. Qualified customers who live in one- to four-unit single family residences will be eligible for a 0% interest loan for a minimum of \$2,000 up to \$15,000. The term of the loan are determined by the customer, up to seven years.
- c. The loan will be repaid via a payment book for repayment to the lending institution.
- d. The loan is a personal loan between the customer and the lender so there is minimal or no consequence to the Company if the customer defaults. The consequence to the customer would be the same as for any other personal loan and would be between the customer and the lender.

Commission 1-8

Request:

A November 5, 2010 article on projo.com discusses a grant of \$10 million of federal stimulus money made to Rhode Island to be used for the purpose of home weatherization. Is this \$10 million included in the proposed \$65.5 million (\$54 electric + \$11.5 gas) 2011 EEPP?

Response:

The \$10 million is not included in the 2011 EEPP budget. The Rhode Island OER manages federal stimulus money, which comes with strict guidelines and regulations that do not allow the Rhode Island OER to use that money to fund the programs being proposed in the 2011 EEPP. The \$10 million referenced in the November 5 article refers to federal stimulus funds that can only be used for the OER's low income weatherization program which has always been separate from the Company's low income program.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-9

Request:

If the company's proposals are approved, please provide:

- a. The amount of money that would be collected via the energy efficiency surcharge from low income electric customers.
- b. The amount of money that would be spent on electric low income efficiency programs.
- c. The amount of money that would be collected via the energy efficiency surcharge from low income gas customers.
- d. The amount of money that would be spent on gas low income efficiency programs.

Response:

- a. Based on Company kilowatt-hour forecasts for calendar year 2011, the estimated amount of revenue billed via the proposed energy efficiency program charge of 0.526¢ per kWh to electric customers receiving service on rate A-60 during calendar year 2011 is \$1,321,945
- b. The total amount that would be spent on electric low income efficiency programs is \$5,977,300, including the shareholder incentive for the sector, as seen in Attachment 5, Table E-2.
- c. Based upon the most recent estimate of low income customer usage of approximately 1,414,010 dth for calendar year 2011 and the proposed energy efficiency surcharge rate of \$0.411 per dth, a total of \$581,158 would be collected from low income customers.
- d. The total amount that would be spent on gas low income efficiency programs is \$1,959,500, including the shareholder incentive for the sector, as seen in Revised Attachment 6, Table G-2.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-10

Request:

Please explain the rationale for removing performance metrics from the electric shareholder incentive calculation.

Response:

Parties to the Settlement agreed that the actions typically incentivized by performance metrics need to be integrated into program design and implementation as a matter of course to reach aggressive savings goals and would thus need to be embedded in the 2011 Plan to meet the aggressive savings goals in 2011 and beyond. The parties plan to work together on forward looking actions in 2011. Therefore, the parties agreed to remove performance metrics from the shareholder incentive mechanism and to instead dedicate the entire shareholder incentive to incentivizing the Company to meet the 2011 savings goal. For a further discussion, please see response to Commission 1-11.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-11

Request:

Please provide the pros and cons that were weighed in making the decision to remove performance metrics from the electric energy efficiency plan.

Response:

Advocates for the removal of performance metrics gave the following arguments in favor of removal: (1) actions typically targeted by metrics need to be integrated into program design and implementation as a matter of course to reach aggressive savings goals; (2) parties had had some difficulty in recent years in designing meaningful metrics that were not already captured by actions intended to reach savings goals; and (3) removing performance metrics provided a greater focus on meeting the 2011 savings goal.

Advocates for the retention of performance metrics pointed to their use in Rhode Island over the past several years.

Both sides acknowledged that, given the magnitude of the savings goals in 2011, the absence of metrics in 2011 does not necessarily make it easier for the Company to earn the full target shareholder incentive in 2011.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-12

Request:

Table G-8, Avoided Costs 2011 utilizes data from a 2009 Avoided Costs Study. Please update Table G-8 as well as Table G-6, Summary of Benefits and Savings using current projections for gas pricing.

Response:

The 2009 Avoided Cost Study developed avoided costs for cost-effectiveness analysis of energy efficiency programs in 2010 and 2011. The values presented in Table G-8 from the 2009 Study are in 2009 dollars and only escalated to 2011 dollars in the cost effectiveness calculations.

The Company believes it is appropriate to use the values from the Avoided Cost Study for benefits and savings calculations in the 2011 EEPP. As noted in the 2009 Study report, the report does not forecast short-term variation in energy prices due to the volatility in those markets. Instead, the Avoided Cost Study provides long-term projections of marginal energy supply costs which will be avoided due to reductions in the use of electricity, natural gas and other fuels. There will always be variations in the short-term projections of prices and it would be difficult and confusing to perform frequent benefits updates using latest projections. Therefore, while short-term natural gas prices may be different from projections in the study, there is a tendency for them to balance out to where the long-term projections are a reliable indicator of the value of energy efficiency. Sponsors and users of the Avoided Cost Study have found that a biannual update of avoided costs is a good interval. The next update is planned to be completed in the summer of 2011 for application in 2012 and 2013.

Prepared by or under the supervision of: Jeremy Newberger

Commission 1-13

Request:

Please provide an Excel spreadsheet (listing gas and electric separately) summarizing the Company's proposed and approved energy efficiency plans on an annual basis, along with the results of these investments. The plan years should be listed horizontally and should cover the period of 2000 through the proposed 2011 plan (from inception through the present for gas). Vertically, please provide the following information:

- a. The Company's proposed implementation spending
- b. The Company's approved spending level
- c. The Company's actual spending level
- d. Target incentive level
- e. Maximum possible incentive
- f. Actual incentive earned.
- d. Proposed Annual MWh (MMBtu)savings
- e. Actual MWh (MMBtu) savings achieved
- f. Proposed Total Benefits (in \$)
- g. Actual Total Benefits achieved (in \$)
- h. Proposed TRC B/C Ratio
- i. Actual TRC B/C Ratio achieved
- j. Number of participants

For 2010, please provide estimates where actuals are not available. For 2011, please use amounts included in the proposed settlement.

The Company may devise a similar matrix of its own choosing to allow for annual comparisons of this or related information that shows investment and benefit trends over time. If necessary for comparability, please construct separate charts for each sector (i.e. low income, non-low income, C&I, etc.).

In its email response to this request, the Company should include the Excel spreadsheet with all formulae intact.

Response:

Please see Attachment 1-13 and associated excel spreadsheets.

Prepared by or under the supervision of: Jeremy Newberger

Rhode Island Energy Efficiency 2000 - 2011

Electric	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Proposed Implementation Spending (\$000) ¹				\$15,772	\$15,194	\$14,991	\$16,144	\$16,284	\$14,461	\$22,819	\$28,333	\$45,643
Approved Implementation Spending (\$000)	\$18,762	\$21,447	\$16,989	\$16,179	\$17,552	\$17,034	\$16,184	\$15,962	\$14,145	\$22,504	\$28,274	-
Actual Implementation Spending (\$000) ²	\$14,983	\$16,742	\$16,360	\$15,997	\$14,824	\$16,278	\$17,426	\$16,380	\$14,933	\$24,377	\$24,576	-
Target Incentive Level	\$660,809	\$726,050	\$692,139	\$712,557	\$781,959	\$774,689	\$726,627	\$722,958	\$647,689	\$1,035,943	\$1,267,043	\$1,992,513
Maximum Incentive ³	\$660,809	\$726,050	\$692,139	\$712,557	\$781,959	\$949,611	\$888,284	\$878,698	\$784,612	\$1,257,429	\$1,546,303	\$2,490,641
Actual Incentive	\$596,322	\$726,050	\$692,139	\$712,557	\$604,876	\$795,648	\$760,623	\$716,075	\$675,282	\$1,085,888	\$1,379,855	-
Proposed Annual MWh	44,551	51,870	45,059	43,577	40,943	48,850	52,439	62,575	54,803	79,331	75,866	102,627
Actual MWh	47,192	61,455	50,658	54,378	51,397	66,093	70,650	64,995	60,053	81,543	66,457	-
Proposed Total Benefits (\$000)				\$43,661	\$34,865	\$47,740	\$64,640	\$62,835	\$80,935	\$117,402	\$160,918	\$178,160
Actual Total Benefits (\$000)	\$34,188	\$40,619	\$43,372	\$51,709	\$42,283	\$57,321	\$74,516	\$62,832	\$98,786	\$123,045	\$138,524	-
Proposed B/C Ratio				2.59	2.15	2.99	3.75	3.62	5.22	3.46	4.25	2.86
Actual B/C Ratio ⁴	2.28	2.40	2.50	3.03	2.69	3.29	4.03	3.62	6.21	3.02	4.05	-
Number of Participants ⁵	55,336	81,643	70,175	92,907	92,080	138,553	66,020	76,363	48,446	106,525	134,677	225,438

Gas	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Proposed Implementation Spending (\$000)	-	-	-	-	-	-	-	-	\$6,227	\$5,949	\$4,402	\$10,690
Approved Implementation Spending (\$000)	-	-	-	-	-	-	-	-	\$6,227	\$5,846	\$4,294	-
Actual Implementation Spending (\$000) ²	-	-	-	-	-	-	-	-	\$6,725	\$6,226	\$4,674	-
Target Incentive Level	-	-	-	-	-	-	-	-	\$288,734	\$266,981	\$199,743	\$476,300
Maximum Incentive ³	-	-	-	-	-	-	-	-	\$288,734	\$266,981	\$249,679	\$595,375
Actual Incentive	-	-	-	-	-	-	-	-	\$288,734	\$262,121	\$213,580	-
Proposed Annual MMBtu	-	-	-	-	-	-	-	-	198,908	140,683	110,516	173,379
Actual MMBtu	-	-	-	-	-	-	-	-	216,512	195,200	127,605	-
Proposed Total Benefits (\$000) ⁶	-	-	-	-	-	-	-	-	\$22,765	\$19,128	\$18,781	\$34,964
Actual Total Benefits (\$000)	-	-	-	-	-	-	-	-	\$67,943	\$26,071	\$23,753	-
Proposed B/C Ratio	-	-	-	-	-	-	-	-	3.43	2.11	2.40	2.28
Actual B/C Ratio	-	-	-	-	-	-	-	-	9.67	2.83	2.90	-
Number of Participants ⁵	-	-	-	-	-	-	-	-	8,100	8,339	6,874	12,151

Notes:

- (1) From 2000 to 2002, PUC Orders 16350, 16798, and 17106 did not include proposed implementation spending separate from renewables or commitments, proposed total benefits or B/C Ratio,
- (2) For 2010, Actual Implementation Spending, Actual incentive, Actual MWh, Actual Total Benefits and Participants are based on preliminary estimates projected to year end.
- (3) The maximum incentive was equal to the target incentive prior to 2005 for electric programs and prior to 2010 for gas programs.
- (4) Prior to 2009, the Utility Test was used instead of the TRC for calculating the B/C.
- (5) For 2011, participants are based on the 2011 Plan.
- (6) 2011 Gas Proposed Total Benefits, Proposed B/C Ratio and Number of Participants are based on Revised Attachment 6