

January 21, 2011

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
Revised Budget for Gas Efficiency Programs**

Dear Ms. Massaro:

At its December 22, 2010 open meeting, the Rhode Island Public Utilities Commission (“Commission”) approved the gas component of the 2011 Energy Efficiency Program Plan up to \$0.15/dkthm, and the Commission directed the Company to file a revised budget for gas efficiency programs to reflect the its decision.

The Company has prepared and is submitting a revised Attachment 6 to comply with the Commission’s Order and Energy Efficiency Programs Charge of \$0.15/dekatherm.

As seen in the attachment, the revised gas programs’ cost effectiveness is 2.21, and the total benefits are \$11,355,400. The Company plans to serve 3,959 participants and save 56,145 MMBtu of natural gas. The spending budget and savings goal have decreased by approximately 65 percent from the original 2011 Annual Plan.

Due to the decrease in the funding to support gas program activities, the Company has made a number of changes to the scope and timing of programs found in the original 2011 Energy Efficiency Program Plan. The Company is delaying the Residential High Efficiency Heating Equipment Program until later in the year because there are not sufficient funds to meet overwhelming customer demand. Additionally, the Company will be able to serve only 132 Low Income Services participants who typically save \$250 annually in energy bills through our program, as opposed to the 948 participants originally proposed under full funding. The Company has also decreased participation in the Large Commercial New Construction and Retrofit programs from 818 to 367.

Furthermore, the Small Business Direct Install program and the Comprehensive Marketing campaign have been postponed indefinitely, and the Residential Products Pilot will not pilot several new technologies.

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

Very truly yours,



Thomas R. Teehan

Cc: Docket 4209 Service List

Table G-1
National Grid
Gas DSM Funding Sources in 2011 by Sector
\$(000)

	<u>Projections by Sector</u>			Total
	Low Income Residential	Non-Low Income Residential	Commercial & Industrial	
(1) Projected Budget (from G-2):				\$3,921.3
Sources of Other Funding:				
(2) Projected Year-End 2010 Fund Balance and Interest: \$	(55.1)	\$ (2,634.7)	\$ 1,870.2	\$ (819.6)
(3) Low Income Weatherization in Base Rates:	<u>\$ 200.0</u>			<u>\$ 200.0</u>
(4) Total Other Funding:	\$ 144.9	\$ (2,634.7)	\$ 1,870.2	\$ (619.6)
(5) Customer Funding Required:				\$ 4,540.9
(6) Forecasted Dth Sales:				
(7) Forecasted Dth Sales:	1,414,010	16,311,305	13,311,129	31,036,444
(8) Uncollectable Rate of 2.46%: ¹	<u>34,785</u>	<u>401,258</u>	<u>327,454</u>	<u>763,497</u>
(9) Total Forecasted Dth Sales:	1,379,225	15,910,047	12,983,675	30,272,947
(10) Energy Efficiency Program Charge per Dth:				\$ 0.150
(11) Currently Effective DSM Charge				\$ 0.150
(12) Adjustment to Reflect Fully Reconciling Funding Mechanism				\$ -

Notes:

¹ Uncollectible Rate comes from Gas Rate Case.

Table G-2
National Grid Gas Energy Efficiency Program Budget
2011

Program	Program Planning and Administration	Marketing	Rebates and Other Customer Incentives	Sales, Technical Assistance and Training	Evaluation & Market Research	Grand Total
NON LOW-INCOME RESIDENTIAL:						
Residential High-Efficiency Heating Program	\$106.9	\$66.8	\$766.0	\$62.6	\$0.0	\$1,002.4
EnergyWise	\$82.1	\$24.1	\$553.1	\$61.9	\$0.0	\$721.2
Residential Products Pilot	\$1.6	\$0.0	\$24.1	\$0.0	\$0.0	\$25.8
Comprehensive Marketing - Residential	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
EERMC - Residential	\$43.4	\$0.0	\$0.0	\$0.0	\$0.0	\$43.4
Shareholder Incentive	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$77.0
Subtotal - Non-Low Income Residential	\$234.0	\$90.9	\$1,343.3	\$124.6	\$0.0	\$1,869.7
LOW-INCOME RESIDENTIAL:						
Single Family Low Income Services	\$78.8	\$0.0	\$538.6	\$12.4	\$0.0	\$629.8
Shareholder Incentive						\$27.7
Subtotal - Low Income Residential	\$78.8	\$0.0	\$538.6	\$12.4	\$0.0	\$657.5
COMMERCIAL AND INDUSTRIAL:						
Large Commercial New Construction	\$77.7	\$37.8	\$301.2	\$90.6	\$36.1	\$543.3
Large Commercial Retrofit	\$140.0	\$48.5	\$363.4	\$148.9	\$68.0	\$768.7
Small Business Direct Install	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
EERMC - C&I	\$24.4	\$0.0	\$0.0	\$0.0	\$0.0	\$24.4
Comprehensive Marketing - C&I	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Shareholder Incentive	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$57.7
Subtotal - Commercial & Industrial	\$242.0	\$86.3	\$664.6	\$239.4	\$104.1	\$1,394.1
Grand Total	\$554.8	\$177.1	\$2,546.4	\$376.4	\$104.1	\$3,921.3

Table G-3
Derivation of the 2011 Spending & Implementation Budgets

	Proposed 2011 Budget From G-2 (\$000)	EERMC Costs (\$000)	Shareholder Incentive (\$000)	Evaluation Costs (\$000)	Eligible Sector Spending Budget for Shareholder Incentive on G-9 (\$000)	Implementation Expenses for Cost-Effectiveness on G-5 (\$000)²
NON LOW-INCOME RESIDENTIAL:						
Residential High-Efficiency Heating Program	\$ 1,002.4			\$ -		\$ 1,002.4
EnergyWise	\$ 721.2			\$ -		\$ 721.2
Residential Products Pilot	\$ 25.8			\$ -		\$ 25.8
Comprehensive Marketing - Residential	\$ -			\$ -		\$ -
EERMC - Residential	\$ 43.4	\$ 43.4		\$ -		\$ 43.4
Shareholder Incentive	\$ 77.0		\$ 77.0	\$ -		\$ -
Subtotal - Non-Low Income Residential	\$ 1,869.7	\$ 43.4	\$ 77.0	\$ -	\$ 1,749.3	\$ 1,792.7
LOW-INCOME RESIDENTIAL:						
Single Family Low Income Services	\$ 629.8			\$ -		\$ 629.8
Shareholder Incentive	\$ 27.7		\$ 27.7	\$ -		\$ -
Subtotal - Low Income Residential	\$ 657.5	\$ -	\$ 27.7	\$ -	\$ 629.8	\$ 629.8
COMMERCIAL AND INDUSTRIAL:						
Large Commercial New Construction	\$ 543.3			\$ 36.1		\$ 507.2
Large Commercial Retrofit	\$ 768.7			\$ 68.0		\$ 700.7
Small Business Direct Install	\$ -			\$ -		\$ -
EERMC - C&I	\$ 24.4	\$ 24.4		\$ -		\$ 24.4
Comprehensive Marketing - C&I	\$ -			\$ -		\$ -
Shareholder Incentive	\$ 57.7		\$ 57.7	\$ -		\$ -
Subtotal - Commercial & Industrial	\$ 1,394.1	\$ 24.4	\$ 57.7	\$ 104.1	\$ 1,312.0	\$ 1,232.3
Grand Total	\$ 3,921.3	\$ 67.7	\$ 162.4	\$ 104.1	\$ 3,691.1	\$ 3,654.8

Notes:

- (1) Spending Budget = Total Budget from G-2 minus EERMC Costs and Shareholder Incentive
(2) Implementation Expenses = Total Budget from G-2 minus evaluation costs and shareholder incentive

Table G-4
Proposed 2011 Budget Compared to Approved 2010 Budget (\$000)

	Proposed Budget 2011	Approved Budget 2010	Change Compared to 2010
Non-Low Income Residential			
Residential High-Efficiency Heating Equipment	\$ 1,002.4	\$ 479.8	\$ 522.5
EnergyWise	\$ 721.2	\$ 825.8	\$ (104.6)
Residential Products Pilot	\$ 25.8	\$ 29.1	\$ (3.3)
EERMC - Residential	\$ 43.4	\$ 52.3	\$ (8.9)
Comprehensive Marketing - Residential	\$ -	\$ -	\$ -
Subtotal - Non-Low Income Residential	\$ 1,792.7	\$ 1,413.3	\$ 379.4
Low Income Residential			
Low Income	\$ 629.8	\$ 368.2	\$ 261.6
Subtotal - Low Income Residential	\$ 629.8	\$ 368.2	\$ 261.6
Commercial & Industrial¹			
Large Commercial New Construction	\$ 507.2	NA	NA
Large Commercial Retrofit	\$ 700.7	NA	NA
Small Business Direct Install	\$ -	NA	NA
EERMC - C&I	\$ 24.4	\$ 55.9	\$ (31.5)
Comprehensive Marketing - C&I	\$ -	\$ -	\$ -
Subtotal Commercial & Industrial	\$ 1,232.3	\$ 2,620.8	\$ (1,388.5)
Other Expense Items			
Company Incentive	\$ 162.4	\$ 197.0	\$ (34.6)
Program Design, Evaluation and Planning	\$ 104.1	\$ 180.0	\$ (75.9)
Subtotal Other Items	\$ 266.5	\$ 377.0	\$ (110.5)
TOTAL BUDGET	\$ 3,921.3	\$ 4,779.3	\$ (858.0)

Notes:

1) 2011 C&I programs cannot be compared to 2010 programs due to the comprehensive changes in program design. The C&I Sector Subtotal can be compared.

Table G-5
Calculation of Program Year Cost-Effectiveness
2011
Values in \$000

	Rhode Island Benefit/ Cost	Total Benefit	Program Implementation Expenses	Customer Contribution	Evaluation Cost	Shareholder Incentive	\$/Lifetime MMBtu
Residential Programs							
Residential High-Efficiency Heating Program	4.15	\$4,987.8	\$1,001.3	\$202.0	\$0.0	NA	3.17
EnergyWise	1.73	\$1,439.7	\$721.2	\$112.6	\$0.0	NA	7.64
Residential Products Pilot		\$0.0	\$25.8	\$0.0	\$0.0	NA	
Comprehensive Marketing		\$0.0	\$0.0	\$0.0	\$0.0	NA	
EERMC Assessment-Residential		\$0.0	\$43.4	\$0.0	\$0.0	NA	
SUBTOTAL	2.94	\$6,427.6	\$1,791.6	\$314.7	\$0.0	\$77.0	4.31
Low Income Programs							
Low Income	1.69	\$1,114.3	\$629.8	\$0.0	\$0.0	\$27.7	13.15
Large Commercial & Industrial							
Large Commercial Retrofit	1.49	\$2,079.9	\$700.7	\$631.2	\$68.0	NA	7.37
Large Commercial New Construction	2.14	\$1,733.6	\$507.2	\$267.9	\$36.1	NA	5.01
Small Business Direct Install	0.00	\$0.0	\$0.0	\$0.0	\$0.0	NA	
Comprehensive Marketing		\$0.0	\$0.0	\$0.0	\$0.0	NA	
EERMC Assessment-C&I		\$0.0	\$24.4	\$0.0	\$0.0	NA	
SUBTOTAL	1.66	\$3,813.5	\$1,232.3	\$899.1	\$104.1	\$57.7	4.57
TOTAL	2.21	\$11,355.4	\$3,653.7	\$1,213.8	\$104.1	\$162.4	5.59

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.

Table G-6
Summary of Benefits and Savings by Program
2011

	Benefits (\$000)			MMBTU Gas Saved	
	Total(1)	Natural Gas(2)	Non-Gas Benefit (3)	Annual	Lifetime(4)
Commercial & Industrial					
Large Commercial New Construction	\$1,733.6	\$1,733.6	\$0.0	7,616	162,036
Large Commercial Retrofit	\$2,079.9	\$2,079.9	\$0.0	17,948	189,974
Small Business Direct Install	\$0.0	\$0.0	\$0.0	0	0
EERMC - C&I	NA	NA	\$0.0	NA	NA
SUBTOTAL	\$3,813.5	\$3,813.5	\$0.0	25,563	352,009
Low Income Residential					
Low Income	\$1,114.3	\$631.7	\$482.6	2,394	47,880
SUBTOTAL	\$1,114.3	\$631.7	\$482.6	2,394	47,880
Non Low Income Residential					
EnergyWise	\$1,439.7	\$1,439.7	\$0.0	5,457	109,131
Residential High-Efficiency Heating	\$4,987.8	\$4,987.8	\$0.0	22,731	379,963
Residential Products Pilot	\$0.0	\$0.0	\$0.0	0	0
EERMC - Residential	NA	NA	\$0.0	NA	NA
SUBTOTAL	\$6,427.6	\$6,427.6	\$0.0	28,187	489,094
TOTAL	\$11,355.4	\$10,872.8	\$482.6	56,145	888,983

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, 2009, 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) Non-Gas Benefits are equal to the dollar value of expected electricity savings and non-resource savings that have not been included in National Grid's electric energy efficiency plans for 2011.
- 4) Lifetime savings are equal to annual savings multiplied by the expected life of measures expected to be installed in each program.

**Table G-7
Comparison of Goals to Prior Year
2011**

Program	Proposed 2011		2010 Projected Year-End		Difference	
	Annual Energy Savings (MMBTU Natural Gas)	Participants	Annual Energy Savings (MMBTU Natural Gas)	Participants ²	Annual Energy Savings (MMBTU Natural Gas)	Participants
Commercial & Industrial¹						
Large Commercial New Construction	7,616	77	NA	NA	NA	NA
Large Commercial Retrofit	17,948	290	NA	NA	NA	NA
Small Business Direct Install	0	0	NA	NA	NA	NA
EERMC - C&I						
SUBTOTAL	25,563	367	75,830	864	-50,267	-497
Low Income Residential						
Low Income	2,394	132	1,515	83	879	49
SUBTOTAL	2,394	132	1,515	83	879	49
Non-Low Income Residential						
Energy Wise	5,457	659	9,541	1,368	-4,084	-709
Residential High-Efficiency Heating Equipment	22,731	2,801	40,857	4,559	-18,126	-1,758
Residential Products Pilot						
EERMC - Residential						
SUBTOTAL	28,187	3,460	50,397	5,927	-22,210	-2,467
TOTAL	56,145	3,959	127,742	6,874	-71,598	-2,915

Note:

- 1) 2011 C&I programs cannot be compared to 2010 programs due to the comprehensive changes in program design. The C&I Sector Subtotal can be compared.
- 2) Projected year-end participants are based on preliminary results through September 2010.

Table G-8
Avoided Costs
2011

Used in B/C Model for Rhode Island

Year	RESIDENTIAL			COMMERCIAL & INDUSTRIAL			ALL RETAIL	
	Heating		Hot Water annual	All 6-mon.	Non Heating annual	Heating 5-mon.		All 6-mon.
2011	13.72		10.58	12.70	9.04	11.03	10.40	11.45
2012	14.21		11.15	13.21	9.61	11.52	10.91	11.96
2013	14.23		11.16	13.24	9.62	11.55	10.93	11.98
2014	14.32		11.24	13.32	9.70	11.63	11.02	12.06
2015	14.42		11.33	13.42	9.80	11.74	11.12	12.17
2016	14.57		11.47	13.57	9.93	11.89	11.26	12.31
2017	14.78		11.66	13.77	10.12	12.09	11.46	12.51
2018	15.01		11.88	13.99	10.35	12.32	11.69	12.74
2019	15.11		12.04	14.11	10.50	12.42	11.81	12.86
2020	14.93		11.87	13.94	10.34	12.24	11.63	12.68
2021	14.78		11.68	13.78	10.15	12.09	11.47	12.52
2022	14.88		11.77	13.87	10.23	12.19	11.57	12.61
2023	15.10		11.94	14.08	10.40	12.41	11.77	12.82
2024	15.51		12.34	14.49	10.81	12.82	12.18	13.23
2025	15.64		12.46	14.61	10.92	12.95	12.31	13.35
2026	15.76		12.58	14.73	11.04	13.08	12.43	13.48
2027	15.89		12.70	14.86	11.17	13.21	12.56	13.60
2028	16.02		12.82	14.98	11.29	13.34	12.69	13.73
2029	16.15		12.94	15.11	11.41	13.47	12.82	13.86
2030	16.28		13.06	15.24	11.54	13.60	12.95	13.99
2031	16.41		13.19	15.37	11.66	13.74	13.08	14.12
2032	16.55		13.31	15.50	11.79	13.87	13.21	14.25
2033	16.68		13.44	15.63	11.92	14.01	13.35	14.39
2034	16.81		13.57	15.77	12.05	14.15	13.48	14.52
2035	16.95		13.70	15.90	12.18	14.29	13.62	14.66
2036	17.09		13.83	16.04	12.31	14.43	13.76	14.79
2037	17.23		13.96	16.17	12.45	14.57	13.90	14.93
2038	17.37		14.09	16.31	12.58	14.72	14.04	15.07
2039	17.51		14.23	16.45	12.72	14.86	14.18	15.21
2040								

From 2009 Avoided Costs Study

**Table G-9
Target Shareholder Incentive
2011**

Incentive Rate: 4.40%

Sector	(1) Eligible Spending Budget \$(000)	(2) Target Incentive \$(000)	(3) Annual Savings Goal (MMBTU)	(4) Threshold Savings (MMBTU)	(5) Target Incentive Per Annual MMBTU
Low Income Residential	\$630	\$27.7	2,394	1,436	\$11.575
Non-Low Income Residential	\$1,749	\$77.0	28,187	16,912	\$2.731
Commercial & Industrial	\$1,312	\$57.7	25,563	15,338	\$2.258
Total	\$ 3,691	\$162.4	56,145	33,687	\$2.893

Notes:

- (1) Sector budget excluding the EERMC Assessment and Shareholder Incentives. See Table G-3.
- (2) Equal to the incentive rate (4.40%) x Column (1).
- (3) See Table G-7
- (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)*1000/Column (3)