

June 15, 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 Natural Gas Programs**

Dear Ms. Massaro:

The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”), the Energy Efficiency Resources Management Council (“EERMC”), The Energy Council of Rhode Island (“TEC-RI”), the Division of Public Utilities and Carriers (Division), and Environment Northeast (“ENE”) are jointly submitting a revised Energy Efficiency Program Plan (“Plan”) for 2011 natural gas programs. Additionally, the Company is submitting, under separate cover, gas tariff revisions to implement the revised gas energy efficiency program plan.

The revised gas energy efficiency program plan is submitted in response to the May 27, 2011 signing into law of amendments to Rhode Island General Law §39-2-1.2. Those amendments clarify prior inconsistencies in the legislation by removing the 15 cents per dekatherm cap on gas energy efficiency funding, and thus aligning the funding provisions for natural gas energy efficiency with all of the Least Cost Procurement provisions in R.I.G.L. § 39-1-27.7. At the Commission’s December 22, 2010 Open Meeting, there were indications that the Commission would undertake an expedited re-consideration of the natural gas energy efficiency plan if the inconsistent language in §39-2-1.2 were clarified. An expedited consideration of the revised gas plan would implement the full-funding provision of Section 27.7(c)(5) for natural gas efficiency programs that the EERMC has reviewed and determined to be cost-effective.¹ Therefore, the settling parties respectfully request that the Commission undertake an expedited consideration of this revised natural gas energy efficiency program plan, for effect on August 1, 2011.

This revised plan will provide free audits, rebates and incentives for weatherization, and energy efficiency measures for an additional 1,766 customers. It will

¹ On November 8, 2010, the EERMC filed a cost-effectiveness report certifying that the proposed 2011 Energy Efficiency Plan (combined gas and electric) is cost effective and lower cost than acquisition of additional supply.

save an additional 46,059 MMBtu in natural gas, an increase of 82% over the compliance plan that was filed with the Commission on January 21, 2011. The average residential participant will save \$140 annually and the average large commercial participant will save \$1,800 annually on gas bills. Overall, the revised natural gas programs will create a value of \$20.1 million for Rhode Islanders, which is a 77% increase over the current plan. Recent macroeconomic analysis by ENE indicates that the impact of these bill savings will create approximately 318 job-years of employment in Rhode Island and will boost Gross State Product by over \$37.8 million.

The revised Plan proposes the same cost-effective natural gas efficiency programs that were approved in Order 20308 in Docket 4209. Program descriptions are available in Attachments 1 – 4 of the Plan filed in Docket 4209 on November 8, 2010. Natural gas savings goals, benefits and budgets have been revised and are attached as Revised Attachment 6. The settling parties propose to increase the energy efficiency program charge from \$0.15 to \$0.411 per dekatherm, which is the energy efficiency program charge originally proposed in November and agreed upon by the settling parties. Using August 1, 2011 as a start date for expanding gas EE programs, Attachment 6 contains a revised estimate of available funds from which a revised program budget, savings goals, and implementation strategy have been developed.

There has already been an overwhelming demand for natural gas energy efficiency programs this year. Without the additional savings and implementation expenses proposed in this Plan, the Large Commercial and Industrial (“C&I”) New Construction, C&I Retrofit, and EnergyWise programs will shut down because they will be unable to fund additional customer projects. Shutting down programs hurts long-term growth in energy efficiency throughout the state. Distributors, contractors, and vendors lose jobs without energy efficiency projects, while customers lose trust in programs. Approving this revised Plan will help maintain jobs and sustain energy efficiency growth in the future while providing more customers with the opportunity to save energy and money on their natural gas bills today.

In order to assure that additional funding generated from customers’ EE program charges will be used quickly and responsibly, the Company has implemented several strategies. First, the Company has been actively developing customer waitlists for C&I New Construction, C&I Retrofit, and EnergyWise projects. Those waitlisted customers will be served immediately following approval of this Plan. The waitlists demonstrate the strong demand for energy efficiency programs. Second, the Company has reevaluated the demand for energy efficiency by sector and revised goals and implementation expenses accordingly. Finally, the Company will market the natural gas programs through the Comprehensive Marketing campaign to ensure customers know how to easily access program offerings and take advantage of energy efficiency.

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The settling parties agree with this Plan and respectfully request that the Commission re-consider the natural gas energy efficiency program plan in an expedited manner. National Grid and the settling parties look forward to addressing any questions the Commission might have.

Very Truly Yours,



Thomas R. Teehan

Enclosures

Cc: Docket 4209 Service List
Steve Scialabba
Jon Hagopian, Esq.

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RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS



June 15, 2011

By its Attorney

Date

Jon G. Hagopian, Special Assistant Attorney General

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THE ENERGY COUNCIL OF RHODE ISLAND

William H. Ferguson

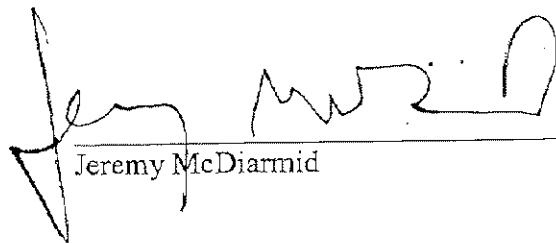
6-14-2011

William Ferguson, Executive Director

Date

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ENVIRONMENT NORTHEAST

 6/14/11

Jeremy McDiarmid Date

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THE RHODE ISLAND ENERGY EFFICIENCY AND RESOURCES MANAGEMENT
COUNCIL



By its Attorney
R. Daniel Prentiss

June 14, 2011
Date

**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):				\$6,645.1
Sources of Other Funding:				
(2) Actual Year-End 2010 Fund Balance and Interest:	\$ 106.8	\$ (2,666.9)	\$ 1,766.2	\$ (793.9)
(3) Low Income Weatherization in Base Rates:	<u>\$ 200.0</u>			<u>\$ 200.0</u>
(4) Total Other Funding:	\$ 306.8	\$ (2,666.9)	\$ 1,766.2	\$ (593.9)
(5) Customer Funding Required:				\$ 7,239.0
(6) January - July Actual and Forecasted Dth Sales:¹				
(7) January - July Forecasted Dth Sales:	1,310,490	12,758,462	11,803,175	25,872,127
(8) Uncollectible Rate of 2.46%: ²	<u>32,238</u>	<u>313,858</u>	<u>290,358</u>	<u>636,454</u>
(9) January - July Total Actual and Forecasted Dth Sales	1,278,252	12,444,604	11,512,817	25,235,673
(10) January - July Energy Efficiency Program Charge per Dth:				
(11) Currently Effective DSM Charge				\$ 0.150
(12) Adjustment to Reflect Fully Reconciling Funding Mechanism				\$ -
(13) August - December Forecasted Dth Sales:				
(14) August - December Forecasted Dth Sales:	434,022	4,225,484	3,957,525	8,617,031
(15) Uncollectible Rate of 2.46%: ²	<u>10,677</u>	<u>103,947</u>	<u>97,355</u>	<u>211,979</u>
(16) August - December Total Forecasted Dth Sales:	423,345	4,121,537	3,860,170	8,405,052
(17) August - December Energy Efficiency Program Charge per Dth:				
(18) Currently Effective DSM Charge				\$ 0.150
(19) Adjustment to Reflect Fully Reconciling Funding Mechanism				\$ 0.261

Notes:

¹ January - July Total Actual and Forecasted Dth Sales combine actual sales for the months of January - April 2011 with projected sales for May - July.

² Uncollectible Rate comes from Gas Rate Case from Docket 3943.

**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	Shareholder Incentive	Grand Total
NON LOW-INCOME RESIDENTIAL:							
Residential High-Efficiency Heating Program	\$145.4	\$105.7	\$1,116.0	\$98.9	\$0.0		\$1,465.9
EnergyWise	\$121.3	\$25.8	\$928.3	\$99.4	\$0.0		\$1,174.7
Residential Products Pilot	\$19.6	\$0.3	\$28.9	\$0.5	\$0.0		\$49.4
Comprehensive Marketing - Residential	\$0.0	\$80.2	\$0.0	\$0.0	\$0.0		\$80.2
EERMC - Residential	\$82.0	\$0.0	\$0.0	\$0.0	\$0.0		\$82.0
Subtotal - Non-Low Income Residential	\$368.3	\$212.0	\$2,073.2	\$198.8	\$0.0	\$121.9	\$2,974.0
LOW-INCOME RESIDENTIAL:							
Single Family Low Income Services	\$109.5	\$0.0	\$853.5	\$20.9	\$0.0		\$983.9
Subtotal - Low Income Residential	\$109.5	\$0.0	\$853.5	\$20.9	\$0.0	\$43.3	\$1,027.2
COMMERCIAL AND INDUSTRIAL:							
Large Commercial New Construction	\$135.3	\$77.7	\$594.5	\$205.0	\$99.6		\$1,112.1
Large Commercial Retrofit	\$152.5	\$79.1	\$672.1	\$238.3	\$99.6		\$1,241.6
Small Business Direct Install	\$15.4	\$18.8	\$28.8	\$43.3	\$0.0		\$106.3
EERMC - C&I	\$50.9	\$0.0	\$0.0	\$0.0	\$0.0		\$50.9
Comprehensive Marketing - C&I	\$0.0	\$23.7	\$0.0	\$0.0	\$0.0		\$23.7
Subtotal - Commercial & Industrial	\$354.1	\$199.4	\$1,295.3	\$486.6	\$199.1	\$109.3	\$2,643.8
Grand Total	\$831.8	\$411.3	\$4,222.0	\$706.3	\$199.1	\$274.5	\$6,645.1

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)¹	Implementation Expenses for Cost-Effectiveness on G-5 (\$000)²
NON LOW-INCOME RESIDENTIAL:						
Residential High-Efficiency Heating Program	\$ 1,465.9			\$ -		\$ 1,465.9
EnergyWise	\$ 1,174.7			\$ -		\$ 1,174.7
Residential Products Pilot	\$ 49.4			\$ -		\$ 49.4
Comprehensive Marketing - Residential	\$ 80.2			\$ -		\$ 80.2
EERMC - Residential	\$ 82.0	\$ 82.0		\$ -		\$ 82.0
Shareholder Incentive	\$ 121.9		\$ 121.9			\$ -
Subtotal - Non-Low Income Residential	\$ 2,974.0	\$ 82.0	\$ 121.9	\$ -	\$ 2,770.2	\$ 2,852.2
LOW-INCOME RESIDENTIAL:						
Single Family Low Income Services	\$ 983.9			\$ -		\$ 983.9
Shareholder Incentive	\$ 43.3		\$ 43.3			\$ -
Subtotal - Low Income Residential	\$ 1,027.2	\$ -	\$ 43.3	\$ -	\$ 983.9	\$ 983.9
COMMERCIAL AND INDUSTRIAL:						
Large Commercial New Construction	\$ 1,112.1			\$ 99.6		\$ 1,012.5
Large Commercial Retrofit	\$ 1,241.6			\$ 99.6		\$ 1,142.0
Small Business Direct Install	\$ 106.3			\$ -		\$ 106.3
EERMC - C&I	\$ 50.9	\$ 50.9		\$ -		\$ 50.9
Comprehensive Marketing - C&I	\$ 23.7			\$ -		\$ 23.7
Shareholder Incentive	\$ 109.3		\$ 109.3			\$ -
Subtotal - Commercial & Industrial	\$ 2,643.8	\$ 50.9	\$ 109.3	\$ 199.1	\$ 2,483.6	\$ 2,335.4
Grand Total	\$ 6,645.1	\$ 132.9	\$ 274.5	\$ 199.1	\$ 6,237.7	\$ 6,171.5

Notes:

¹ Eligible Sector Spending Budget = Proposed 2011 Budget from G-2 minus EERMC Costs and Shareholder Incentive

² Implementation Expenses = Proposed 2011 Budget from G-2 minus Evaluation Costs and Shareholder Incentive

Table G-4
Proposed 2011 Budget Compared to Approved Compliance Filing Budget for 2011 (\$000)

	Proposed Budget 2011 from G-2	Compliance Filing Budget 2011¹	Change Compared to Compliance Filing 2011
Non-Low Income Residential			
Residential High-Efficiency Heating Equipment	\$ 1,465.9	\$ 1,002.4	\$ 463.5
EnergyWise	\$ 1,174.7	\$ 721.2	\$ 453.5
Residential Products Pilot	\$ 49.4	\$ 25.8	\$ 23.6
EERMC - Residential	\$ 82.0	\$ 43.4	\$ 38.6
Comprehensive Marketing - Residential	\$ 80.2	\$ -	\$ 80.2
Subtotal - Non-Low Income Residential	\$ 2,852.2	\$ 1,792.7	\$ 1,059.4
			\$ -
Low Income Residential			\$ -
Low Income	\$ 983.9	\$ 629.8	\$ 354.1
Subtotal - Low Income Residential	\$ 983.9	\$ 629.8	\$ 354.1
			\$ -
Commercial & Industrial			\$ -
Large Commercial New Construction	\$ 1,012.5	\$ 507.2	\$ 505.4
Large Commercial Retrofit	\$ 1,142.0	\$ 700.7	\$ 441.3
Small Business Direct Install	\$ 106.3	\$ -	\$ 106.3
EERMC - C&I	\$ 50.9	\$ 24.4	\$ 26.6
Comprehensive Marketing - C&I	\$ 23.7	\$ -	\$ 23.7
Subtotal Commercial & Industrial	\$ 2,335.4	\$ 1,232.3	\$ 1,103.2
			\$ -
Other Expense Items			\$ -
Company Incentive	\$ 274.5	\$ 162.4	\$ 112.0
Program Design, Evaluation and Planning	\$ 199.1	\$ 104.1	\$ 95.0
Subtotal Other Items	\$ 473.6	\$ 266.5	\$ 207.1
TOTAL BUDGET	\$ 6,645.1	\$ 3,921.3	\$ 2,723.8

Notes:

¹ The 2011 Compliance Filing Budget is the revised budget for gas energy efficiency programs filed in Docket 4209 on January 21, 2011, and approved in Order 20308 on March 14, 2011.

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

	Rhode Island Benefit/ Cost ¹	Total Benefit	Program Implementation Expenses	Customer Contribution	Evaluation Cost	Shareholder Incentive	\$/Lifetime MMBtu
Residential Programs							
Residential High-Efficiency Heating Program	4.14	\$7,299.5	\$1,465.9	\$296.6	\$0.0	NA	3.17
EnergyWise	1.80	\$2,462.8	\$1,174.7	\$193.1	\$0.0	NA	7.33
Residential Products Pilot		\$0.0	\$49.4	\$0.0	\$0.0	NA	
Comprehensive Marketing		\$0.0	\$80.2	\$0.0	\$0.0	NA	
EERMC Assessment-Residential		\$0.0	\$82.0	\$0.0	\$0.0	NA	
SUBTOTAL	2.82	\$9,762.3	\$2,852.2	\$489.7	\$0.0	\$121.9	4.50
Low Income Programs							
Low Income	1.75	\$1,800.4	\$983.9	\$0.0	\$0.0	\$43.3	12.78
Large Commercial & Industrial							
Large Commercial Retrofit	1.65	\$4,137.8	\$1,142.0	\$1,259.4	\$99.6	NA	6.61
Large Commercial New Construction	2.37	\$4,111.4	\$1,012.5	\$622.1	\$99.6	NA	4.51
Small Business Direct Install	3.17	\$352.0	\$106.3	\$4.8	\$0.0	NA	
Comprehensive Marketing		\$0.0	\$23.7	\$0.0	\$0.0	NA	
EERMC Assessment-C&I		\$0.0	\$50.9	\$0.0	\$0.0	NA	
SUBTOTAL	1.90	\$8,601.2	\$2,335.4	\$1,886.3	\$199.1	\$109.3	5.95
TOTAL	2.24	\$20,163.8	\$6,171.5	\$2,376.0	\$199.1	\$274.5	5.46

Notes:

¹ The Total Resource Cost 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	\$4,111.4	\$4,111.4	\$0.0	18,031	384,176
Large Commercial Retrofit	\$4,137.8	\$4,137.8	\$0.0	35,445	378,474
Small Business Direct Install	\$352.0	\$352.0	\$0.0	2,302	19,164
EERMC - C&I	NA	NA	\$0.0	NA	NA
SUBTOTAL	\$8,601.2	\$8,601.2	\$0.0	55,779	781,813
Low Income Residential					
Low Income	\$1,800.4	\$1,015.4	\$785.0	3,848	76,966
SUBTOTAL	\$1,800.4	\$1,015.4	\$785.0	3,848	76,966
Non Low Income Residential					
EnergyWise	\$2,462.8	\$2,462.8	\$0.0	9,334	186,678
Residential High-Efficiency Heating	\$7,299.5	\$7,299.5	\$0.0	33,243	556,404
Residential Products Pilot	\$0.0	\$0.0	\$0.0	0	0
EERMC - Residential	NA	NA	\$0.0	NA	NA
SUBTOTAL	\$9,762.3	\$9,762.3	\$0.0	42,577	743,081
TOTAL	\$20,163.8	\$19,378.8	\$785.0	102,203	1,601,861

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 Compliance Filing
2011

Program	Proposed 2011		Compliance Filing 2011 ¹		Difference	
	Annual Energy Savings (MMBTU Natural Gas)	Participants	Annual Energy Savings (MMBTU Natural Gas)	Participants	Annual Energy Savings (MMBTU Natural Gas)	Participants
Commercial & Industrial						
Large Commercial New Construction	18,031	176	7,616	77		NA
Large Commercial Retrofit	35,445	558	17,948	290		NA
Small Business Direct Install	2,302	48	0	0		NA
EERMC - C&I						
SUBTOTAL	55,779	782	25,563	367	30,215	415
Low Income Residential						
Low Income	3,848	215	2,394	132	1,454	83
SUBTOTAL	3,848	215	2,394	132	1,454	83
Non-Low Income Residential						
Energy Wise	9,334	1,126	5,457	659	3,877	467
Residential High-Efficiency Heating Equipment	33,243	4,100	22,731	2,801	10,512	1,299
Residential Products Pilot						
EERMC - Residential						
SUBTOTAL	42,577	5,226	28,187	3,460	14,389	1,766
TOTAL	102,203	6,223	56,145	3,959	46,059	2,264

1.820352

Note:

¹ The 2011 Compliance Filing Annual Energy Savings and Participants are from the Compliance revisions filed in Docket 4209 on January 21, 2011, and approved in Order 20308 on March 14, 2011.

**Table G-8
Avoided Costs
2011**

Used in B/C Model for Rhode Island

Year	RESIDENTIAL			COMMERCIAL & INDUSTRIAL			ALL RETAIL 5-mon.	
	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	\$ 983.9	\$ 43.3	3,848	2,309	\$ 11.25
Non-Low Income Residential	\$ 2,770.2	\$ 121.9	42,577	25,546	\$ 2.86
Commercial & Industrial	\$ 2,483.6	\$ 109.3	55,779	33,467	\$ 1.96
Total	\$ 6,237.7	\$ 274.5	102,203	61,322	\$ 2.69

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)