

November 1, 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 – The Narragansett Electric Company, d/b/a National Grid Energy Efficiency Program Plan for 2011

Dear Ms. Massaro:

Enclosed are ten copies of the proposed Energy Efficiency Program Plan for 2011 (the “2011 Plan” or “Plan”). As in past years, the Plan is being filed as a settlement, agreed to by the participating members of the Energy Efficiency Subcommittee of the Energy Efficiency Resources Management Council (“EERMC”). The Plan has also received the endorsement of the EERMC.

This year marks the first energy efficiency annual plan filing since the recent legislative revisions to the System Reliability and Least Cost Procurement Act. R.I.G.L. § 39-1-27.7. Those revisions contain clear legislative provisions to ramp up efforts to implement cost-effective energy efficiency procurement. The Least Cost Procurement statute also was amended to extend the same cost-effective energy efficiency procurement requirements to natural gas efficiency resources as exist for electric efficiency resources.

The 2011 Plan proposes budgets of \$54 million and \$11.5 million for cost effective electric and gas efficiency programs, respectively. These expenditures and commitments are estimated to create substantial annual and lifetime savings for customers, with Rhode Island customers realizing \$2.76 in benefits for every \$1 invested in the Plan programs. The electric plans are expected to produce lifetime savings of 1,189,306 MWh, which translates into lifetime bill savings for customers of approximately \$90 million. The gas plans are expected to produce lifetime savings of 2,844,877 MMBtu, which translates into a lifetime bill savings for customers of approximately \$34 million. Over all, the Plan will generate economic benefits of more than \$214,337,000 over the life of the measures, with \$178,160,000 in benefits coming from the electric energy efficiency programs, and \$36,177,000 in benefits coming from the natural gas programs.

This year's Plan contains a comprehensive offering of programs for all of the Company's customer classes. The programs will be enhanced to reach many more customers and to achieve greater savings for each customer. Total projected participants in both gas and electric programs will increase from 141,551 in 2010 to 239,168 in 2011. Moreover, this year's Plan also includes a comprehensive marketing program designed to ensure that all customers are aware of the opportunity to participate in energy efficiency programs.

The Plan ramps up the current gas energy efficiency programs to reflect the statutory revisions that include gas programs within the mandate of Least Cost Procurement. In compliance with the statutory requirement for full funding of cost-effective gas energy efficiency programs, the Plan proposes to increase the current \$0.15 per dekatherm in funding with an additional \$0.261 per dekatherm reflected in the fully reconciling funding mechanism resulting in a total of \$0.411 per dekatherm of funding for the natural gas programs.

With respect to the electric energy efficiency programs, the Plan aims to achieve the electric savings targets for 2011 that were established in the three-year Least Cost Procurement Plan approved by the Commission in docket 3931. In compliance with the new statutory requirement for full-funding of cost-effective annual efficiency plans, and in order to save consumers tens of millions of dollars, the electric plan specifies an increase of the current \$.00320 per kWh in funding with an additional \$0.00206 per kWh in funding, reflected in the fully reconciling funding mechanism resulting in a total of \$0.00526 per kWh of funding for the electric programs. The EERMC, the Division, and the other Subcommittee members have worked together to help create the 2011 Plan, and they have reviewed and approved the reasonableness of the Plan funding levels and cost-effectiveness.

The recently amended statute has provided the EERMC with the specific responsibility of reviewing and approving the cost-effectiveness of the Plan prepared for the Commission's review and approval of full funding. Additionally, the amended statute calls for the Commission to issue an order approving a mechanism to fully fund Plans within 60 days after it is filed with the Commission. § 39-1-27.7(c)(5). Consistent with this revised mandate, the Company is contemporaneously submitting under separate cover its proposed electric and gas EEP tariff provisions to establish the fully reconciling funding mechanisms to support the annual gas and electric energy efficiency plans. The EEP tariff provisions also present the manner by which the EEP charge is to be determined. Similar to its other reconciling tariffs, the gas and the electric EEP charge tariffs are designed to collect the estimated costs of the Company's upcoming cost-effective EEP plan and to reconcile all costs and revenues at the end of the program year. Also included in this contemporaneous filing is the Company's proposal for its EEP charges discussed above pursuant to the proposed EEP tariff provisions.

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The 2011 Plan has been reviewed and approved by the EERMC for cost-effectiveness and in all aspects complies with the revised Least Cost Procurement statute. In order to deliver the expected economic benefits from the plan and to meet the 2011 goals the Plan seeks to achieve, the Company respectfully urges the Commission to approve this Plan that will generate lifetime bill savings for electric customers of roughly \$90 million, lifetime bill savings for natural gas customers of roughly \$34 million, and economic benefits of more than \$200 million over the life of the measures in compliance with Rhode Island's Least Cost Procurement statute.

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

Very truly yours,



Thomas R. Teehan

cc: Leo Wold, Esq.
Steve Scialabba, Division

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

In Re: The Narragansett Electric Company d/b/a)
National Grid) Docket No. 4209
Energy Efficiency Program Plan for 2011)

ENERGY EFFICIENCY PROGRAM PLAN FOR 2011

SETTLEMENT OF THE PARTIES

November 1, 2010

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ATTACHMENTS

1. Summary of Proposed Changes to Residential Programs for 2011
2. 2011 Residential Electric and Gas Energy Efficiency Programs
3. Summary of Proposed Changes to the Commercial and Industrial Programs for 2011
4. 2011 Commercial and Industrial Electric and Gas Energy Efficiency Programs
5. 2011 Electric Energy Efficiency Program Tables
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I. Introduction and Summary

The Narragansett Electric Company's d/b/a National Grid ("National Grid" or "Company") Energy Efficiency Program Plan ("EE Program Plan" or "Plan") for 2011 has been developed by National Grid in collaboration with the Subcommittee of the Energy Efficiency and Resource Management Council ("EERMC"). It is consistent with the three-year Energy Efficiency Procurement Plan ("EE Procurement Plan") submitted by National Grid on September 2, 2008 with approval and support of the EERMC, the Office of Energy Resources ("OER"), the Division of Public Utilities and Carriers ("Division"), Environment Northeast ("ENE"), and The Energy Council of Rhode Island ("TEC-RI"). This plan is submitted in accordance with R.I.G.L. 39-1-27.7 (the Least Cost Procurement provisions of the Comprehensive Energy Conservation, Efficiency, and Affordability Act of 2006 and as amended in May of 2010), R.I.G.L. 39-2-1.2, and the Rhode Island Public Utilities Commission's ("Commission") "Standards for Energy Efficiency and Conservation Procurement" ("Standards") approved in order 19344 in Docket 3931 on July 17, 2008.

This EE Program Plan is being jointly submitted as a Stipulation and Settlement ("Settlement"), entered into by the Division, the EERMC, TEC-RI, ENE, and National Grid (together, the "Parties"), and addresses all issues raised by members of the Collaborative Subcommittee¹ concerning the Company's electric and gas Energy Efficiency ("EE") programs for calendar year 2011.

The primary goal of the 2011 EE Program Plan is to create large energy and economic cost savings for Rhode Island consumers as required by Rhode Island's Least Cost Procurement legislation. To that end, the 2011 Plan will create annual savings of 102,627 MWh and 173,379 MMBtu and lifetime savings of 1,189,306 MWh and 2,844,877 MMBtu. The Plan will generate economic benefits of more than \$214,337,000 over the life of the measures (with \$178,160,000 in benefits coming from the electric EE programs, and \$36,177,300 in benefits from the natural gas programs), which represent a large and needed benefit for Rhode Island's residential, commercial, industrial, and low income energy customers. Table 1 summarizes the 2011 plan goals.

¹ A DSM collaborative group has been meeting regularly since 1991 to analyze and inform the Company's electric DSM programs. Members of the Subcommittee presently include the Company, the Division, the OER, TEC-RI, and ENE, along with participation from several EERMC members and representatives from the EERMC's Consulting Team. The Subcommittee functioned as the "DSM Collaborative" until 2008. Given the overlapping responsibilities of the Collaborative and the EERMC in working with National Grid on energy efficiency planning, the Collaborative was made into a subcommittee of the EERMC in 2008. The constitution of the Collaborative has varied since 1991, as some organizations have withdrawn and others have joined.

Table 1: 2011 Energy Efficiency Program Plan Summary

	Proposed Implementation Spending in 2011 (\$000)	Annual MWh Savings	Annual kW Savings	Lifetime MWh Savings	Total Benefits (\$000)	TRC B/C Ratio	¢/lifetime kWh	Participants
Electric Programs by Sector								
Non-Low Income Residential	\$13,723	30,956	3,364	262,475	\$34,795	1.76	7.1	221,329
Low Income Residential	\$5,725	3,091	325	37,689	\$10,122	1.69	15.9	1,813
Commercial and Industrial	\$26,194	68,580	15,454	889,142	\$133,243	3.64	4.1	2,296
Subtotal	\$45,643	102,627	19,142	1,189,306	\$178,160	2.86	5.2	225,438
	Proposed Implementation Spending in 2011 (\$000)	Annual MMBtu Savings		Lifetime MMBtu Savings	Total Benefits (\$000)	TRC B/C Ratio	\$/lifetime MMBtu	Participants
Gas Programs by Sector								
Non-Low Income Residential	\$5,505	83,131		1,509,643	\$19,826	2.88	4.4	10,976
Low Income Residential	\$1,665	7,286		145,712	\$3,386	1.95	11.4	948
Commercial and Industrial	\$3,520	82,962		1,189,522	\$12,966	1.88	4.4	1,806
Subtotal	\$10,690	173,379		2,844,877	\$36,177	2.34	5.3	13,730
Total for Plan	\$56,332				\$214,337	2.76		239,168

Note:

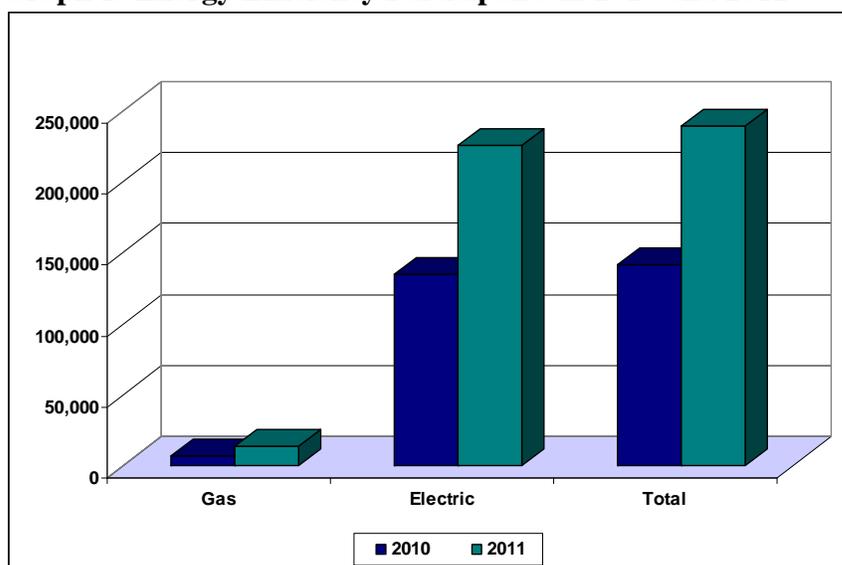
Implementation spending does not include customer contributions, evaluation costs, shareholder incentive, and commitments.

The aggressive energy and cost savings for the 2011 program year are consistent with the objectives and requirements of Least Cost Procurement, the previously Commission approved three-year plan, and the savings targets for 2011-2014 proposed by the EERMC in its filing to the Commission on September 1, 2010 in Docket 4202. They also meet the Least Cost Procurement Standards' requirements for cost-effectiveness, which mandate that the Annual Plan's Total Resource Cost Test (the "TRC Test") – the ratio of Total Benefits / Total Costs – be greater than 1.0.² The overall electric EE Program TRC Test is 2.86 while the overall natural gas EE Program TRC Test is 2.34.

The 2011 programs will be enhanced to reach many more customers (going broader) and to achieve greater savings for each customer (going deeper). Compared to 134,677 projected electric participants in 2010, the 2011 plan will reach 225,438 participants. For natural gas program participation will increase from 6,874 projected in 2010 to 13,730 in 2011. Total participants for both gas and electric will increase from 141,551 in 2010 to 239,168 in 2011, as illustrated in Graph 1. Expanding the programs to reach this number of participants and higher goals will be done in a manner that ensures quality delivery and is economical and efficient.

² See Commission Standards for Energy Efficiency and Conservation Procurement, Section 1.2.A.2.

Graph 1: Energy Efficiency Participants in 2010 and 2011



One recent revision to R.I.G.L. § 39-1-27.7 in May of 2010, extended the provisions for Least Cost Procurement of energy efficiency and conservation measures to natural gas, requiring the Company to procure all natural gas efficiency resources that are cost-effective and cheaper than supply just as has been the case for electric efficiency resources. The Company, with the support of the Parties, proposes to ramp up the natural gas efficiency programs in 2011 consistent with both the new requirements of § 39-1-27.7 and the 2011 savings targets in the 2011-2014 saving targets proposed by the EERMC in its September 1, 2010 filing with Commission in Docket 4202.³ Therefore, the gas goals are higher than those presented for the three-year period 2009-2011 in Docket 4000.

A second recent revision to R.I.G.L. § 39-1-27.7 states the Commission shall approve a fully reconciling funding mechanism to fund investments in all efficiency measures that are cost effective as established by the TRC Test. This cost-effective Annual Plan submitted to the Commission includes a natural gas spending budget of \$11.5 million of which \$3.6 million can be funded by the existing demand side management charge of \$0.15 cents per dekatherm. Per the requirements of the revision to R.I.G.L. § 39-1-27.7, a fully reconciling funding mechanism of \$0.261 per dekatherm, projected to raise \$7.9 million is needed to fund the cost-effective natural gas energy efficiency programs for 2011. This funding will allow thousands more RI customers to participate in 2011 than 2010, achieve deeper savings, and generate economic benefit of \$36.1 million.

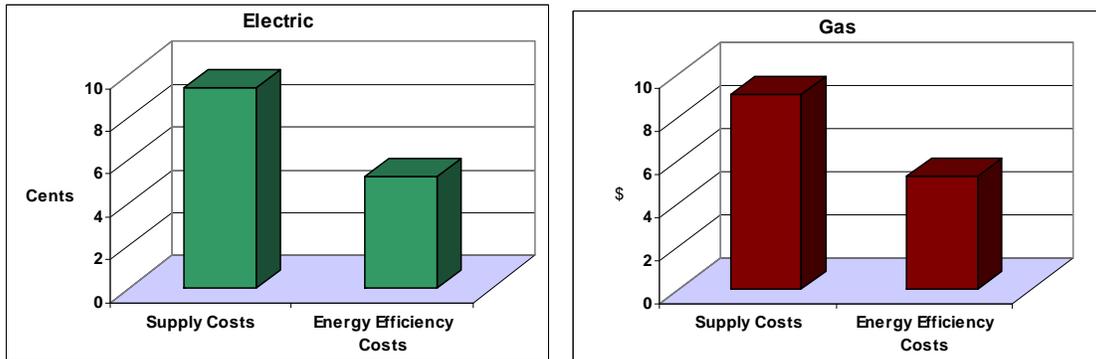
This cost-effective Annual Plan today also includes an electric spending budget of \$54 million. This would be funded by the existing demand side management charge of \$0.0032 per kWh, as well as other funding sources including Regional Greenhouse Gas Initiative, Inc. (“RGGI”) funds and ISO-New England’s (“ISO-NE”) Forward Capacity

³ The 2011 gas savings goal of 173,379 MMBtu represents savings of 0.5% of the baseline sales year and is consistent with the savings percentage target in Docket 4202, Attachment A.

Market (“FCM”) auction revenue. Per the requirements of the revision to R.I.G.L. § 39-1-27.7, a fully reconciling funding mechanism of \$0.0021 per kWh, projected to raise \$16.1 million is needed to fully fund the cost-effective electric energy efficiency programs for 2011.⁴ This funding will allow more than ninety thousand additional Rhode Island customers to participate in 2011 than in 2010, a 70% increase, achieve deeper savings, and generate economic benefit of \$178 million.

In addition to the primary requirement of passing the TRC cost-effectiveness test, which requires a value great than 1.0 for the Plan (the TRC for electric is 2.86 and the TRC for gas is 2.34), the cost of electric energy efficiency programs is 5.2 ¢ per lifetime kilowatt hour (¢/kWh), which is 4.2¢ less than the current cost of supply, 9.3 ¢ per kWh.⁵ The cost of gas energy efficiency programs is \$5.28 per lifetime dekatherm, which is \$3.81 less than the 2011 projected cost of supply in 2011 for residential heating customers, \$9.09 per dekatherm.⁶

Graph 2: 2011 Supply and Energy Efficiency Costs



The 2011 EE Program Plan is cost effective and has a cost that is lower than the cost of acquisition for additional supply for both electricity and natural gas, pursuant to R.I.G.L. § 39-1-27.7.(a)(2). For each \$1 spent, electric programs will create \$2.86 of lifetime economic benefits, and gas programs will create \$2.34 of lifetime economic benefits for each \$1 spent. Rhode Islanders will receive a total of \$214.2 million in benefits from the 2011 energy efficiency plan investments.

II. Objectives

The 2011 EE Program Plan has been developed to meet several objectives. The first objective of the 2011 EE Program Plan is to create economic value and cost savings for Rhode Islanders, especially as the recession continues to affect them. Saving 1,189,306 lifetime MWh represents a bill savings of approximately \$90 million while saving

⁴ The total per kWh charge is consistent with Docket 3931 for 2011.

⁵ The electric supply cost is based on the Residential Standard Offer Charge through March 2011. The cost of supply is trending down according to the latest NYMEX electric futures closing price for ISO-NE Hub for October 27, 2010; the projected 2011 supply costs are still higher than the cost of energy efficiency.

⁶ The gas supply cost is based on the residential heating customer group in Docket 4199, Attachment NG JFN 1-9S, October 14, 2010.

2,844,877 lifetime MMBtu represents a bill savings of approximately \$34.7 million.⁷ Investing \$56.3 million in energy efficiency leads to the annual creation or retention of 977 jobs,⁸ and, since consumers then have more disposable income to spend in the local economy, leads to an increase in Gross State Product (“GSP”) of more than \$200 million.⁹ The Company proposes to continue and to expand initiatives that include job training, broadening markets for energy efficiency delivery businesses within the state, and working with partners to package finance in accessible ways that assist small and large businesses to cut energy costs and retain employees. Specifically, the Company has plans to finance Commercial and Industrial projects, described in more detail on page 10. The Company has also been invited to work with the OER and EDC to assist in implementing finance programs that maximize savings and reduce costs while offering customers a streamlined process. While finance programs do not directly deliver energy savings, they do remove barriers to participation. The effort is part of the Company’s commitment to “explore as part of its plan, new strategies to make available the capital needed to effectively overcome market barriers and implement projects that move beyond traditional financing strategies,” as required in Standards Section 1.3.A.8.

The second objective of the 2011 EE Program Plan is to ensure all customers have an opportunity to participate in energy efficiency programs. New in 2011, the Company will embark on a comprehensive marketing campaign that will educate customers about its cost-saving energy efficiency programs. The campaign will focus on driving participation in the entire portfolio of efficiency programs offered to residential, commercial, and industrial gas and electric customers. The Comprehensive Marketing Plan is included as Attachment 8. Additionally, the Company will focus on creating participation in traditionally hard-to-reach populations that have not taken advantage of energy efficiency programs in the past. Several programs including Small Business Direct Install, Residential ENERGY STAR® Lighting, and High Efficiency Heating Equipment have initiatives focused on reaching elderly, non-English speaking, and low-income populations. The Company also gained useful programmatic experience in the Community Based Initiative on Aquidneck Island and in Jamestown. In 2011, the Community Based Initiative will continue in a new town, as described in the Residential Program Descriptions in Attachment 2. The Company will expand the Main Streets Initiative, a door-to-door energy audit and installation program for small businesses used on Aquidneck Island and in Jamestown, to other towns, as described in the Commercial and Industrial Program Descriptions in Attachment 4.

As its third objective, the 2011 EE Program Plan aims to achieve electric savings targets for 2011 established in the 2009-2011 Least Cost Procurement Plan (“LCPP”) approved by the Commission in Docket 3931. Least Cost Procurement was established under the Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006 in order to secure all cost-effective energy efficiency resources in Rhode Island and to thereby

⁷ Electric bill savings based on total winter and summer energy benefits, Attachment 5, Table E-6; gas bill savings based on Natural Gas Benefits, Attachment 6, Table G-6.

⁸ Based on the American Council for Energy Efficient Economy Jobs Calculator, July 2009.

⁹ ENE (Environment Northeast), Energy Efficiency, Engine of Economic Growth, *A Macroeconomic Modeling Assessment*, October 2009.

save customers money. As of the time of this filing, the Company does not expect to achieve the second year savings in 2010 due directly to the fact that funding anticipated to support program activity to meet goals has not been received. In the 2010 plan, the Company relied on other funding sources, such as RGGI and the Forward Capacity Market. After taking into account all other sources of funding to date for 2011, the Company, with the support of the Parties, has proposed funding for this plan under the “fully reconcilable funding mechanism” provision of the 2010 revisions to R.I.G.L. § 39-1-27.7 in order to achieve the goals described above and further described on page 12.

The fourth objective of the 2011 EE Program Plan is to develop the infrastructure needed to meet the EERMC’s proposed performance targets for saving 2.5% of electric load and 1.2% of natural gas consumption by 2014. Consistent with the requirements of Least Cost Procurement, the EERMC has proposed energy efficiency savings for the Company that will make Rhode Island a recognized national leader in energy efficiency to the benefit of the state’s population through cost-savings and other related economic benefits (such as increased GSP and local employment). In order to meet this challenge, National Grid must have the infrastructure and the customer relationships to deliver deeper, broader savings. National Grid, in with collaboration with the Parties, is continuing to integrate gas and electric energy efficiency programs so that customers have one point of contact and can easily install gas and electric saving measures at the same time.

The final objective of the plan is innovation. Without new programs and new channels of delivery the Company will not be able to achieve the 2014 goals. The EERMC’s Opportunity Report, completed in 2010, identified new technologies and programs with achievable potential that can help the Company meet 2014 goals. This coming year, the Company, with the support of the Parties, proposes to double the budget for residential pilot programs to test the feasibility and cost-effectiveness of new residential products and target behavior change. The Company will also concentrate on participating in efforts that improve building codes for new construction and standards for retrofit equipment in both the residential and commercial sectors.

III. Delivering 2011 Goals

National Grid will build on its more than twenty years of experience in order to deliver the energy and cost savings goals in this plan.¹⁰

A. Residential Programs

In 2011, the Parties agree to continue the residential programs offered in 2010. The programs are summarized in Table 2, below. A summary of the proposed changes from

¹⁰ Throughout the program year, the Parties may consider additional enhancements beyond those identified herein as more information becomes available to support an informed review of those potential changes. As part of this process of identifying additional enhancements, in addition to continuing to meet with the Subcommittee, the Company has agreed to regular work sessions with the EERMC’s consultants.

2010 are provided in Attachment 1. Descriptions of these programs are provided in Attachment 2.

Table 2. Proposed Residential Energy Efficiency Programs	
Residential Buildings Efficiency Programs	
EnergyWise Program (Funded by Gas and Electric)	<p>The EnergyWise program offers single and multi-family customers free home energy audits and information on their actual electric and gas usage. Participants in this program receive recommendations and technical assistance as well as financial incentives to replace inefficient lighting fixtures, appliances, thermostats, and insulation levels with models that are more energy efficient. The program addresses base load electric use as well as gas and electric heat in all residential buildings.</p> <p>In 2011, the Company will begin the Heat Loan program which offers customers zero-percent-interest loans for weatherization and efficient heating equipment installation. The Heat Loan was approved and funded as part of the Innovative RGGI 40% proposal in 2010, and requires no additional funding.</p> <p>In 2010, the Company was awarded stimulus funding to offer weatherization and heating system retrofits to homes heated with deliverable fuels. Customers must first receive an EnergyWise audit to be eligible for rebates. The Company will continue this program in 2011, but it requires no additional funding.</p>
Single Family Low Income Services (Funded by Gas and Electric)	The low income program is delivered by the Office of Energy Resources and local Community Action agencies. It provides whole house energy savings to eligible customers, including appliance and lighting retrofits, weatherization and heating system replacements. Eligible customers make no contribution toward equipment installation under this program.
Residential New Construction (Funded by Electric)	The Residential New Construction Program promotes the building of energy efficient homes in conjunction with the EPA's ENERGY STAR® program by offering technical and marketing assistance, as well as tiered incentives and trainings to builders of new energy efficient homes that comply with the program's performance standards. The program also works with code officials and vocational schools.
Education Programs (Funded by Electric)	The Company promotes energy education to private and public schools and youth groups through the National Energy Education Development (N.E.E.D) Program. This program provides curriculum materials and training to students and teachers in grades K-12.
Deep Energy Retrofit Pilot (Funded by Electric)	The pilot will provide significant financial incentives for deep energy retrofit demonstration projects involving super-insulation upgrades and other measures in conjunction with customer planned projects such as re-siding or roofing. Customers with 1- to 4-family buildings, regardless of heating fuel type are eligible. The program was approved and funded as part of the Innovative RGGI 40% proposal in 2010. It will continue in 2011, but requires no additional funding. Therefore the program is not listed in the Attachment 5 tables.
Residential Behavior Pilot (Funded by Electric)	The 2010 Opportunities Report identified potential in behavior programs. A pilot is under development and will be targeting a cross section of residential customers to determine energy savings, cost-effectiveness, and customer satisfaction.

Community Based Initiatives (C&I and Residential, Funded by Electric)	The initiative is designed to leverage community partnerships and develop targeted marketing strategies in order to promote all energy efficiency programs, residential and commercial, to a localized population.
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Residential Efficient Products Programs	
ENERGY STAR® Lighting (Funded by Electric Only)	This is an initiative implemented jointly with other regional utilities. It provides discounts to customers for the purchase of ENERGY STAR® compact fluorescent lamps and fixtures and solid state lighting through instant rebates, special promotions at retail stores, or a mail order catalog.
ENERGY STAR® Products (Funded by Electric Only)	The program is run in collaboration with other regional utilities to promote the purchase of high efficiency household appliances including kitchen appliances and electronics. These appliances carry an ENERGY STAR® label. The program also offers refrigerator recycling which promotes more efficient refrigerators while removing non-efficient units from the market.
High-Efficiency Heating, Water Heating and Controls Program (Funded by Gas)	The program offers rebates for new energy efficient natural gas related equipment including boilers, furnaces, water heating equipment, thermostats, boiler reset controls, and furnaces equipped with high efficiency fans. The program works with GasNetworks to deliver rebates.
Electric HVAC Program (Funded by Electric Only)	This program promotes the installation of high efficiency central air conditioners. The program provides training of contractors in installation, testing of the high efficiency systems, tiered rebates for new ENERGY STAR® systems, and incentives for checking new and existing systems. In 2011, the program also includes the oil and propane heating equipment rebates that were previously offered under the program called ENERGY STAR® Heating.
Residential Products Pilot (Funded by Electric and Gas)	The pilot will test innovative technologies for both gas and electric appliances..

B. Residential Low-Income Programs

The Company and Subcommittee want customers who have difficulty paying their electric bills to participate in and benefit from the Company’s energy efficiency programs, especially in these difficult economic times. For that reason, this segment of the customer base is designated as a unique sector and funding for this sector will be subsidized by both non-low-income residential customers and commercial-and-industrial customers using 10% of all available funding for the electric programs, and 10% for gas programs. For the gas programs, this represents a 450% increase over the 2010 funding to the low income sector.

Several of the Company’s proposed programs provide low-income customers with services that are designed to help reduce their electric bills, including the Single Family Low Income Services Program, the EnergyWise Program, and the Residential New Construction Program. The budgets for EnergyWise and Residential New Construction programs are not included in the allocation of available funds to low-income programs from the other sectors. The Single Family Low Income Services Program provides qualifying low-income customers in one- to four-unit dwellings with energy-efficiency

services. Additional detail about the services offered to economically disadvantaged customers is described among the residential programs in Attachment 2.

C. Commercial and Industrial Programs

The Parties agree to continue in 2011 the commercial and industrial programs offered in 2010. The programs are summarized in Table 3 below.

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

A summary of the proposed changes to these programs from 2010 are provided in Attachment 3. Descriptions of these programs are provided in Attachment 4.

In order to assist customers to overcome the financial barriers to investing in energy efficiency, the Company will concentrate on securing sources of funding to offer finance options to large commercial and industrial customers. The Company expects to receive \$1.2 million in RGGI Innovative '40%' funds from 2010 auction proceeds for commercial-and-industrial financing through a Revolving Loan Fund. The Company will work with the state to leverage any remaining ARRA funds intended for energy efficiency financing so that customers may easily and fairly access the finance programs and that the finance funding ensures maximum energy savings.

The Company will also focus on securing an additional \$3.5 million in finance funds for large commercial-and-industrial customers. The Company is investigating outside sources that can invest in finance projects. The Company may use up to \$945,000 to leverage \$3.5 million in financing. The cost is included in the C&I budget and cost-effectiveness tests, found in Attachment 5, Tables E-2 and E-5.

The Company will continue to work on System Reliability Procurement Plan methods in 2011 and the interaction of system reliability resources with energy efficiency including a proposed pilot. Funding for this effort was approved in 2010 and no new funds are requested for 2011.

IV. Funding, Budgets, Goals, and Cost-effectiveness

Funding, budgets, goals, and cost-effectiveness information is provided in Attachment 5 for the proposed electric energy efficiency programs and in Attachment 6 for the proposed gas energy efficiency programs.

A. 2011 EE Program Plan Funding Sources

The sources of funding and the amounts of the funding needed for the cost-effective 2011 EE Programs proposed by the Company, with the support of the Parties, are shown in Table E-1 for electric programs and Table G-1 for gas programs.

In terms of a means of collecting these funding sources for the 2011 cost-effective programs, the Company proposes: (1) one line on the customers' bill labeled "Energy Efficiency Programs" at \$0.00526 per kWh,¹¹ as calculated in Attachment 5, Table E-1 (composed of the existing demand side management charge of \$0.0032 per kWh plus a fully reconciling funding mechanism charge of \$0.00206 per kWh and in accordance with recent revisions and requirements of

¹¹ The total for the "Energy Efficiency Programs" line item is consistent with the Total DSM Charge per kWh approved for 2011 in the 3-year LCPP – \$0.00526 per kWh.

R.I.G.L. § 39-1-27.7);¹² (2) projected Large C&I commitments from 2010;¹³ (3) projected carryover of the year-end 2010 fund balance including interest earned and funds expected to be received from C&I program financing repayments and from large C&I technical assistance co-payments in 2010, if any; (4) revenue generated by ISO-NE's FCM; and (5) revenue generated through RGGI permit auctions, including carryover from 2010 auctions that have not been received yet and 80% of future 2011 auctions. The projected RGGI funding amounts are also shown in Attachment 5, Table E-1a.

The sources of funding for the 2011 gas programs are shown in Attachment 6, Table G-1. The Company proposes that the 2011 budget should be funded from the following sources: (1) one line on the customers' bill labeled "Energy Efficiency Programs" at \$0.411 per dekatherm as calculated in Attachment 6, Table G-1 (composed of the existing demand side management charge of \$0.15 per dekatherm plus a fully reconciling funding mechanism of \$0.261 per dekatherm and in accordance with recent revisions and requirements of R.I.G.L. § 39-1-27.7);¹⁴ and (2) a projected carryovers or under-recoveries of the year-end 2010 fund balance, including interest.

The 2011 budgets for electric and gas programs are dependent on a number of projections that inform the amount of funding, including projections of kWh or therm sales of electricity and natural gas, year-end 2010 large C&I program commitments, capacity payments received from ISO-NE (electric only), and year-end 2010 spending. The Company estimates the electric projected fund balance at year end 2010 will be \$4.19 million, as shown in Attachment 5, Table E-1; the gas fund balance at year end 2010 is estimated to be (-\$1.13 million), as shown in Attachment 6, Table G-1.

By November 1, 2011 the Company shall file an Energy Efficiency Program Plan for 2012. It is possible that there could be deviations from the planned budget that could occur during the program year. Three scenarios are contemplated and it is agreed that they will be addressed as follows:

¹² The EERMC, TEC-RI and ENE maintain there is another option now that Least Cost Procurement of efficiency is established in Rhode Island as part of the core business of the distribution company – namely, the customer bill could continue to show the demand side management line of \$0.0032 per kWh as before and a fully reconciling funding mechanism of \$0.00206 per kWh could be added to the established volumetric distribution rate. For purposes of this settlement, the Division and National Grid do not support showing program cost recovery in the volumetric distribution rate.

¹³ As directed by the Commission, the Company encumbers current funding to cover the expected cost of projects it has agreed to fund although those projects will be completed after the current program year.

¹⁴ The EERMC, TEC-RI and ENE maintain there is another option now that Least Cost Procurement of efficiency is established in Rhode Island as part of the core business of the distribution company – namely, the customer bill could continue to show the demand side management line of \$0.15 cents per dekatherm as before and a fully reconciling funding mechanism of \$0.261 per dekatherm could be added to the established volumetric distribution rate. For purposes of this settlement, the Division and National Grid do not support showing program cost recovery in the volumetric distribution rate.

(1) The Company's expenditures and commitments for 2011 may exceed total budget by up to 10% so long as a written explanation is provided to the Council and the Commission for any deviation and the expenditures and commitments are reasonably consistent with the original plan.

(2) The Company agrees that, during 2011, if the Company anticipates that continued operation of its programs is likely to result in actual expenditures exceeding the total program budget by more than 10%, the Company will seek a vote of approval from the EERMC at its next meeting. Following EERMC action, the Company will be required to obtain approval from the Commission for expenditures in excess of 10% higher than the total program budget in next year's EEP Charge.

(3) If the Company did not anticipate that its actual expenditures and commitments would exceed the total budget by more than 10%, but actual expenditures and commitments do exceed such threshold, the Company will bear the burden of demonstrating the reasonableness of its actions, including an explanation of why the over-spending occurred and how the expenditures and commitments are reasonably consistent with the original plan.

In each of these three instances, the Commission retains its traditional ratemaking authority to review the prudence and reasonableness of the actions of the Company in such instance.

Other considerations regarding funding sources include:

1. ISO-NE Capacity Market Revenue

Consistent with the Commission's Standards for Energy Efficiency and Conservation Procurement, the EE Procurement Plan, and Commission decisions regarding energy efficiency program plans since 2008, the Company and the Parties recommend that kW-demand savings achieved via the electric energy efficiency programs continue to be reported by the Company to ISO-NE as Other Demand Resources ("ODR"). The Parties fully agree that the Company should recover all prudently incurred FCM expenses from ISO-NE capacity-payment revenue generated by the demand savings from efficiency programs represented by the Company. The Company expects that capacity payments received from the ISO-NE will exceed its administrative and Measurement and Verification ("M&V") compliance costs of participation in the FCM and will result in additional funds being made available to fund efficiency programs for customers. If these participation costs exceed the capacity payments, the Parties agree that the Company may recover its prudently incurred costs from the energy efficiency program fund. (The Parties reserve the right to examine the actions and expenses of the Company to ensure that only prudently

incurred expenses are deducted from ISO-NE capacity payments or the energy efficiency program fund.)

In addition, as part of the FCM, all qualified auction participants are required to post Financial Assurance to provide security that the promised resource will deliver the promised MW at the promised time. If, as a result of circumstances beyond the control of the Company,¹⁵ the Company is unable to provide all or a portion of the megawatts of capacity proposed in its qualification packages and capacity auction bids, some or all of the financial assurance monies would be forfeited.

2. Regional Greenhouse Gas Initiative, Inc. Funds

In its revised 2010 EE Program Plan, the Company filed electric savings goals based on expectations of receiving funding from RGGI auctions under the OER rules approved on September 30, 2009. These rules provide that, after expenses, 60% of the proceeds be directed to the Company's programs to "supplement and expand energy efficiency efforts consistent with the PUC approved Energy Efficiency (EE) Procurement Plan and annual efficiency Program Plans"¹⁶ and that 40% be distributed to innovative energy efficiency efforts. The OER, EERMC, and Department of Environmental Management ("DEM") endorsed the Company's 2010 proposal for Innovative Financing and Partnership programs that receive 40% of the auction proceeds from auctions 1-10, projected to be \$4.7 million.

As of the time the Company prepared its budgets for 2011, the Company had received only \$3.9 million of the "RGGI 60%" proceeds to fund the 2010 program. The proceeds received by the Company were from RGGI auctions 1 through 5. To date, the Company has not yet received the remaining \$3.2 million of the "60%" proceeds from auctions 6 – 10 or the \$4.7 million of the "40%" proceeds from auctions 1 – 10.

The Company, however, still anticipates receiving a grand total of \$7.9 million from the past RGGI auctions, and will work with OER, DEM, and the EERMC to ensure the receipt of those past RGGI proceeds in a timely manner.

The Company will use the anticipated \$3.2 million in funds from the 2010 "60%" proceeds to support energy efficiency programs. These

¹⁵ Such circumstances may include legislative action to alter the DSM charge or discontinue the Company's authority to implement the energy efficiency programs underlying the Qualifications Package or a Commission decision limiting the Company's role in bidding the demand savings acquired through program efforts into the FCM.

¹⁶ Since the auctions are related to allowing carbon emission from electric generation, RGGI auction proceeds are applied only to electric energy efficiency programs.

funds are already built into the funding plan for 2011, as seen in Table E1a, and are therefore already accounted for in the calculation of the energy efficiency charge increase.

The Company will use the anticipated \$4.7 million in “40%” proceeds from past RGGI auctions to fund programs approved under the Innovative Financing and Partnership proposal, including:

- 1) \$2.6 million for a Small Business Revolving Loan Fund;
- 2) \$400,000 for the residential finance program called HEAT Loan;
- 3) \$525,000 for residential pilots including ENERGY STAR[®] Homes Version 3, Deep Energy Retrofit, and Low Income Split Incentive Pilot programs; and
- 4) \$1.2 million for the Large C&I Revolving Loan Fund.

In 2011, OER may change the rules for the distribution of the auction proceeds. Therefore, the Company has not planned for receiving 100% of 2011 auction proceeds. Instead, the Company has made the assumption in the electric funding sources that 80% of 2011 RGGI auction proceeds will be allocated to the electric energy efficiency programs. However, the Company notes that recent experience indicates that this funding is not assured until it is received. If these funds are not received to maintain continuity in program delivery and meet agreed-to aggressive energy efficiency savings targets, the Company will seek fully reconciling funding as described above.¹⁷

3. Exceptions to the Gas Energy Efficiency Surcharge:

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

The 2006 Act allows the Commission to exempt gas used for manufacturing processes from the energy efficiency surcharge where the customer has established a self-directed program to invest in and achieve best effective energy efficiency in accordance with a plan approved by the Commission and subject to periodic review and approval by the Commission. Consistent with prior Commission decisions, the Parties have developed recommendations for a process whereby a manufacturer who so chooses may submit its self-directed program and the required annual reports for approval. The Parties recognize that this process may

¹⁷ If the Company can reasonably estimate the level of external funding sources and is confident in their receipt, it may include any estimate in its reconciling mechanism.

need to be reviewed and modified after the Commission has accumulated sufficient experience with these programs.

B. Budgets

The Parties agree that the portfolio of energy efficiency programs and services for 2011 will have an overall projected budget of approximately \$54 million for electric programs and \$11.5 million for gas programs. The Parties agree to segment the budget into three sectors: residential low-income, residential non-low-income, and C&I. Proposed sector and program budgets are provided in Attachment 5, Table E-2 and Attachment 6, Table G-2. The derivations of the spending budget and implementation expenses are illustrated in Attachment 5, Table E-3 and Attachment 6, Table G-3. A comparison of these proposed budgets to the 2010 budget is provided in Attachment 5, Table E-4 and Attachment 6, Table G-4. The efficiency resource is 5.2 ¢/lifetime kWh versus 9.3 ¢/kWh for electric supply and \$5.28 per lifetime MMBtu versus \$9.09 per MMBtu for gas supply.

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

C. Transferring of Funds

The Parties will regularly review the amount of funds needed and available for each program (as well as any changes to the overall fund balance, as discussed in Section III.A above) and will transfer monies as needed. The Parties propose to use the same methodology that was used in 2010 for the transfer of funds from one program to another, or from one sector to another. Transfers during the program year may occur as follows:

1. Transfers within a Sector:
 - A. For transfers of less than 10% of the originating program's budget, the Company can transfer funds from one program to another program within the same sector without prior approval of the Division. However, the Company shall provide a summary of such transfers to the Division and EERMC quarterly.
 - B. For transfers of 10% or more of the originating program's budget, the Company can transfer funds from one program to another program within the same sector with prior approval of the Division. Upon seeking such approval

from the Division, the Company shall simultaneously notify the EERMC.

- C. For any transfers in the C&I Sector between large C&I programs and small business programs, of more than 5% Division approval is required. Upon seeking such approval from the Division the Company shall simultaneously notify the EERMC. In addition, if a transfer reduces the originating program's budget by more than 20% in aggregate over the course of the program year, the transfer will require Commission approval as well with weight given to the EERMC's recommendation to the Commission on the issue.
2. Transfers between Sectors. The Company can transfer funds from one sector to another sector with prior approval of the Division and the EERMC, or appointed representatives of the EERMC. If a transfer reduces the originating sector's budget by more than 20% in aggregate over the course of the program year, the transfer will require Commission approval as well.
3. For transfers requiring Division and/or EERMC, but not Commission, approval, the Parties will inform the Commission of the transfers, both between sectors and within sectors, in a timely fashion. The Company will not be permitted to adjust its goals or incentive target calculations for any transfers between sector budgets.

V. Cost-Effectiveness

The Company has projected cost-effectiveness for the proposed 2011 programs using the Total Resource Cost ("TRC") test. The use of this test was required by the Commission's Standards for Energy Efficiency and Conservation Procurement in 2008. The TRC test requires that the total lifetime savings from the efficiency measures will exceed the total costs of the measures (i.e., program and customers costs).

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

Attachment 5, Tables E-5 and Attachment 6, Table G-5 provide the calculations of 2011 program year cost-effectiveness. Attachment 5, Table E-6 and Attachment 6, Table G-6 show the goals based on the proposed budgets. Attachment 5, Table E-7 and Attachment 6, Table G-7 show a comparison of the goals with the approved program goals from

2010. Attachment 5, Table E-5 shows that the proposed portfolio of electric programs is expected to have a benefit/cost ratio of 2.86, which means that approximately \$2.86 in benefits is expected to be created for each \$1 invested in the programs. Attachment 6, Table G-5 shows that the proposed portfolio of gas programs is expected to have a benefit/cost ratio of 2.34, which means that \$2.34 in benefits is expected to be created for each \$1 invested in the programs. This increase in efficiency investment moves towards a level that is closer to acquiring all energy efficiency resources that are lower cost than supply.

The cost-effectiveness analyses of the proposed programs use avoided energy supply costs that were developed by Synapse Energy Economics as part of an August 2009 study, “Avoided Energy Supply Costs in New England: 2009 Report,” that was sponsored by all the electric efficiency program administrators in New England, as well as some gas program administrators. They reflect current and expected market conditions and are highly influenced by the cost of fossil fuels and expectations about ISO-NE’s emerging forward capacity market. Company-specific transmission and distribution capacity values are also included. The avoided costs used for 2011 are shown in Attachment 5, Table E-8 and Attachment 6, Table G-8.

The electric avoided costs include the demand reduction induced price effect (“DRIPE”) benefits that are projected to result from the installation of energy efficiency measures in 2011. These benefits occur when the retail price of electricity is reduced as a result of the reduced long-term demand for electricity stemming from the installation of energy efficiency measures. Some amount of DRIPE benefits have been counted in Rhode Island since 2006.

VI. Measurement and Verification Plan

In order to verify the impacts that programs are having on energy savings, the Company hires independent consulting firms to regularly conduct program evaluations as part of its measurement and verification process. These evaluations include engineering analysis, metering analysis, billing analysis, site visits, surveys, and market studies to realize the actual energy savings that particular measures are having. Every year, the results of the surveys are used to update the TRC test calculations during planning. Table 4 lists the evaluations that have occurred since 2007 and the resulting changes to TRC impacts. The executive summaries of the evaluations are available in Dockets 3779, 3892, 4000, and 4116, or upon request.

Table 4: Rhode Island Evaluation Studies and Impacts, 2007-2010

2010	
Study	Impact Descriptions
PA Consulting Group. 2009 Commercial and Industrial Programs Free-ridership and Spillover Study, June 21, 2010.	Free ridership and spillover rates for the Energy Initiative, Design2000plus, and Small Business Services Programs.
The Cadmus Group, Inc./Energy Services, EnergyWise 2008 Program Evaluation, May, 24, 2010	Program savings for the EnergyWise Program

ADM Associates, Inc., Residential Central AC Regional Evaluation, Final Report, October 2009	KWh and kW savings figures for the installation of efficient residential CAC systems
KEMA, Inc., Sample Design and Impact Evaluation Analysis of 2009 Custom Program, June 1, 2010	Realization rates for the custom program
DMI, Impact Evaluation of 2008 Custom Process Installations - Part 1, July 1 2010	Weighted realization rates for specific custom measures
UTS Energy Engineering, LLC., Impact Evaluation of 2008 Custom process Installations - Part 2, July 16, 2010	Peak percentage coincidence rates for several custom process projects
Sebesta Blomberg, Impact Evaluation of 2008 Custom Process Installations Part 3, July 14, 2010	Analysis of specific custom program projects with diversified energy and demand savings estimates
L&S Energy Services, Impact Evaluation of 2006 Custom CDA Installations, July 11, 2010	Analysis of specific custom program projects with diversified energy and demand savings estimates
2009	
Study	Impact Descriptions
Nexus Market Research, Residential Lighting Markdown Impact Evaluation, January 20, 2009	Energy and demand savings from the use of lighting markdown products
KEMA, Inc., Design 2000plus Lighting Hours of Use & Load shapes Measurement Study, July 2, 2009	Hours of use, hours of use realization rate, on-peak kWh percentage, load profile, connected demand adjustment factor, summer and winter peak combined coincidence and interactive factors for the prescriptive lighting measures installed by participants of the 2007 National Grid Design2000plus program
KEMA, Inc., Sample Design and Impact Evaluation of 2008 Custom Installations, July 21, 2009	Estimations of realization rates for custom measures installed in the year-2008 Energy Initiative and Design2000plus programs.
Demand Management Institute, Impact Evaluation of 2007 Custom Process Installations - Part 1, June 17, 2009	Evaluation of energy total annual energy use reduction, summer and winter peak diversified demand impact, and the percentage of energy savings occurring during peak periods for six of ten Custom Process measures.
UTS Energy Engineering, LLC, Impact Evaluation of 2007 Custom Process Installations - Part 2, June 26, 2009	Annual energy savings, percent of energy savings that occur on-peak, and the summer and winter peak coincident demand savings attributable to the custom projects analyzed.
RLW Analytics, Inc., Impact Evaluation of 2006 Custom HVAC Installations - Part 1, October 31, 2008	Quantification of actual energy and demand savings from six Custom HVAC measures installed through the Design 2000plus program.
UTS Energy Engineering, LLC., Impact Evaluation of 2006 Custom HVAC Installations - Part 2, May 29, 2009	Quantification of actual energy and demand savings from Custom HVAC projects.
KEMA, Inc., National Grid USA 2008 Custom Lighting Impact Evaluation, June 22, 2009	Quantification of electric energy and demand savings for ten Custom lighting projects through site-specific inspection, monitoring, and analysis.
2008	
Study	Impact Descriptions
PA Consulting Group, 2007 Commercial and Industrial Programs Free-Ridership and Spillover Study, June 23, 2008	Free-ridership, participant spillover, and non-participant spillover for the Design2000plus, Energy Initiative, and Small Business Services programs
Quantec, LLC, Final Report, National Efficiency Benchmarking Study for Residential Air Conditioning, Prepared for National Grid, April 25, 2008	Market effects of National Grid's high efficiency air conditioner programs

Wirtshafter Associates, Inc., Evaluation of Residential Central Air Conditioning: Cooperative Promotions with Industry, April 25, 2008	Reports on National Grid's efforts to develop Residential Central Air Conditioning: Cooperative Promotions with Industry in 2007 in Massachusetts.
Wirtshafter Associates, Inc., Kreitler Research and Consulting, Performance Systems and Development, Inc., 2007 Massachusetts and Rhode Island CoolSmart Evaluation Report, June 6, 2008	Documentation of savings from the CoolSmart program.
Nexus Market Research, Inc., RLW Analytics, Inc., Residential Lighting Measure Life Study, June 4, 2008	Estimation of measure life for lighting products distributed throughout New England
RLW Analytics, Inc., Coincidence Factor Study Residential and Commercial Industrial Lighting Measures Prepared for: New England State Program Working Group (SPWG), Spring 2007	Coincidence factors for residential and commercial and industrial lighting measures.
RLW Analytics, Inc., Coincidence Factor Study Residential Room Air Conditioners Prepared for: Northeast Energy Efficiency Partnership's New England Evaluation and State Program Working Group, June 23, 2008	On peak and seasonal coincidence factors for residential room air conditioning measures.
Michael Ozog, Summit Blue, Energy Initiative Lighting Billing Analysis, 2007	Estimation of realization rate for prescription lighting measures from participants in the 2007 EI program.
RLW Analytics, Inc., Sample Design and Impact Evaluation of 2006 Custom Installations, July 20, 2008	Realization rates for custom measures from the Energy Initiative and Design2000plus program.
Demand Management Institute, Impact Evaluation of 2006 Custom Process Installations - Part 1, May 2, 2008	Total energy use reduction, summer and winter peak diversified demand impact, and the percentage of energy savings during peak periods for custom process installations.
SBW, Impact Evaluation of 2006 Custom Process Installations - Part 2, June 20, 2008	Analysis of savings for a custom Energy Initiative and Design2000plus program
UTS Energy Engineering, LLC., Impact Evaluation of 2006 Custom Process Installations - Part 3, June 24, 2008	Energy and demand savings from custom process installations in the Design2000plus program and the Energy Initiative programs.
Demand management Institute, Impact Evaluation of 2005 Custom HVAC Installations - Part 1, February 27, 2008	Evaluation of energy and demand savings from custom HVAC installations in the Energy Initiative and Design2000plus programs.
SAIC, Impact Evaluation of 2005 Custom HVAC Installations - Part 2, July 10, 2008	Verification of energy and demand savings for custom HVAC installations from the Design2000plus and Energy Initiative programs.
Michael Ozog, Summit Blue, Joint Small Business Services Program Billing Analysis, 2007	Realization rates for lighting measures installed through the Small Business Services program
2007	
Study	Impact Descriptions
Nexus Market Research, Inc., Dorothy Conant, Consultant, Evaluation of the Massachusetts ENERGY STAR Homes Program, Findings and Analysis, May 2007	Program status and activity report with assessment of buyers and builders of ENERGY STAR and non ENERGY STAR homes, assessment of opportunities to expand the impact of the program on the new construction market, process evaluation of efforts to address the new EPA duct leakage standards, identification of areas of the state likely to see significant multifamily development
Dorothy Conant, Consultant, The Massachusetts ENERGY STAR Homes Program, 2006 Progress Report, May 31, 2007	Progress report and summary of program activity.

Nexus Market Research, Inc., Memorandum re: Results of the Survey of Past Clothes Washer Purchasers, July 12, 2007	Measure life, persistence and customer satisfaction for ENERGY STAR clothes washers
Nexus Market Research, Inc., Memorandum re: Results of the Appliance Model Availability Analysis, June 14, 2007	ENERGY STAR appliance model availability in various states.
Nexus Market Research, Inc., Massachusetts ENERGYSTAR Appliance Program: Market Share Tracking and Analysis, May 31, 2007	ENERGY STAR appliance market share
Nexus Market Research, Inc., Memorandum on ENERGY STAR Qualified Room Air Conditioner Promotion Effectiveness, July 11, 2007	Determination of standard design practices for lighting and HVAC for significant national accounts in the region, influence of public programs on the design practices, customer decision making process for energy efficiency.
RLW Analytics, Inc., National Grid Lighting Controls Impact Evaluation, Final Report, 2005 Energy Initiative, Design2000plus and Small Business Services Programs, June 4, 2007	Summer diversity factor, Winter diversity factor, Connected kW realization rate, Hours-of-use reduction realization rate, and percent of energy savings on peak for prescriptive lighting control measures through the Energy Initiative, Design2000plus, and Small Business Services programs.
RLW Analytics, Inc., Sample Design and Impact Evaluation of 2006 Custom Programs, July 20, 2007	Realization rates for the Custom Energy Initiative and Design2000plus programs.
Demand Management Institute, Impact Evaluation of 2005 Custom Process Installations - Part 1, June 5, 2007	Evaluation of annual energy use reduction, summer and winter peak diversified demand impact, percentage of energy savings during on peak periods for custom process installations.
UTS Energy Engineering, LLC, Impact Evaluation of 2005 Custom Process Installations - Part 2, June 19, 2007	Quantification of energy and demand savings from custom process installations.
GDS Associates, Inc., Impact Evaluation of 2005 Custom Process Installations - Part 3, July 11, 2007	Annual energy savings, summer and winter peak diversified demand impact, and percent of energy savings that occur on-peak for custom process installations.
RLW Analytics, Inc., Impact Evaluation Study of 2006 Custom Lighting Installations, July 5, 2007	Verification of energy savings from custom lighting projects.
RLW Analytics, Small Business Services Custom Measure Impact Evaluation, March 23, 2007	Verification of energy savings from custom lighting projects in the Small Business Services program.
RLW Analytics, Impact Evaluation Analysis of the 2005 Custom SBS Program, May 29, 2007	Realization rates for the Small Business Services program

Additionally, the M&V Plan for 2011 is presented in Attachment 7, and includes brief descriptions of each of the proposed studies. The areas proposed for study in 2011 have been chosen based on a number of factors: the relative amount of savings in that program or end use, the vintage of the most recent evaluation study, the relative precision of the recent evaluation study, and the available evaluation budget. In addition, some new program areas are designated for both impact and process evaluations. This list may be added to as the year progresses and different evaluation priorities are identified. In particular, the parties will consider adding Rhode Island-specific impact or process evaluations, as appropriate, that will help inform the Company's efforts towards achieving the goals of least cost procurement.

VII. Reporting Obligations

1. During 2011, the Company will provide quarterly reports to the EERMC, the Division, and the Commission on the most currently available program performance for both gas and electric efficiency programs. These reports will include a comparison of budgets and goals by program to actual expenses and savings on a year-to-date basis. The reports will also include a brief summary of program progress and will highlight issues for EERMC and Division attention.
2. The Company will provide to the Parties and file with the Commission its 2011 Year-End Report no later than May 1, 2012. This report will include achieved gas and electric energy savings in 2011 and earned incentives for 2011.
3. The Company will provide to the Parties a summary of evaluation results obtained since October 1, 2010, together with an attachment summarizing the impact of those results in planning the Company's 2012 programs in the 2012 Plan to be filed by November 1, 2011.

VIII. Incentive

The proposed shareholder incentive mechanism applicable to energy efficiency efforts in 2011 follows the incentive mechanism structure applicable to the 2010 electric energy efficiency programs in Docket No. 4116, with one change. For electric and gas programs, the shareholder incentive mechanism will include only one component: energy savings targets (kWh or MMBtu) by sector.¹⁸

The Parties have agreed to retain a target base-incentive rate of 4.40% in 2011 applied to the eligible spending budget for 2011. The projected electric spending budget for 2011 is approximately \$45.2 million (see Attachment 5, Table E-3). The total electric target incentive for 2011 is 4.40% of the proposed spending budget, or approximately \$2.0 million (see Attachment 5, Table E-9).

For gas efficiency programs, the proposed target base incentive is equal to 4.40% of the eligible budget. The projected gas spending budget for 2011 is approximately \$10.8 million (see Attachment 6, Table G-3). The total gas target incentive for 2011 is 4.40% of the proposed spending budget, or approximately \$476,292 (see Attachment 6, Table G-9).

The savings targets are based on a set of assumptions of savings per measure and other impact factors in each program as well as the proposed budget. The determination of achieved savings will be based on the same set of savings and impact assumptions as is used to develop the savings target in this EE Program Plan.

The threshold performance level for energy savings by sector will be set at 60% of the annual energy-savings goal for the sector. The Company must attain at least this

¹⁸ For 2011, the shareholder incentive mechanism would no longer include performance metrics.

threshold level of savings in the sector before it can earn an incentive related to achieved energy savings in the sector. The Company will have the ability to earn an incentive for each kWh or MMBtu saved, once threshold savings for the sector are achieved. The incentive per kWh or MMBtu saved by sector is provided in Attachment 5, Table E-9 and Attachment 6, Table G-9, respectively. The cap for the target incentive amount of energy savings will remain at 125%.

If the Company achieves a high level of savings performance, Rhode Islanders will realize additional savings. Given budget control requirements, this feature will provide the Company with an incentive to improve the efficiency of its program implementation efforts while providing Rhode Islanders with value in excess of the incremental incentive that may be earned by the Company. That is, the Company will have an incentive to increase customers' savings, and customers will realize an overwhelming majority of the savings.

Attachment 5, Tables E-3 and Attachment 6, Table G-3 provide the derivations of the eligible electric spending budget that are used to determine the incentive amounts that the Company may earn if it is successful in achieving its goals for energy savings. Attachment 5, Table E-9 and Attachment 6, Table G-9 provide a summary of the incentives related to annual energy-savings goals by sector. These goals by sector reflect the expected cost of savings in each sector informed by evaluation studies, and these goals have been adjusted to take into account changing rebate policies and the changing market being served. These goals have been carefully reviewed by the Collaborative to ensure that they represent reasonable and challenging goals for the year.

If the actual spending of funds in a sector at year end from the sources listed in Attachment 5, Tables E-1 or Attachment 6, G-1 is greater than or less than the original spending budgets by more than five percent, the savings goal for that sector will be adjusted by the ratio of actual spending to the spending budget.

The Company will report final program results and earned incentive in its Year-End Report regarding 2011 Energy Efficiency Program efforts.

IX. Miscellaneous Provisions

- A.** Other than as expressly stated herein, this Settlement establishes no principles and shall not be deemed to foreclose any party from making any contention in future proceeding or investigation.
- B.** This Settlement is the product of settlement negotiations. The content of those negotiations is privileged and all offers of settlement shall be without prejudice to the position of any party.
- C.** Other than as expressly stated herein, the approval of this Settlement by the Commission shall not in any respect constitute a determination as to the merits of any issue in any other proceeding.
- D.** The Parties agree that the Subcommittee shall meet no less than six times in 2011 to review the status and performance of the Company's 2011

energy efficiency programs and advise on potential energy efficiency programs for 2012.

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

Respectfully submitted,
THE NARRAGANSETT ELECTRIC COMPANY D/B/A
NATIONAL GRID

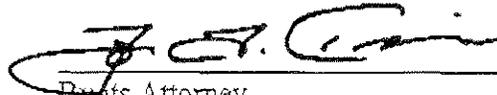


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Thomas Teehan, Esq.

Date

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND
CARRIERS

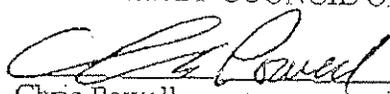
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By its Attorney

Date

Jon Hagopian, Special Assistant Attorney General

THE ENERGY COUNCIL OF RHODE ISLAND


Chris Powell

10/29/2010
Date

ENVIRONMENT NORTHEAST

A handwritten signature in black ink, appearing to read "Jeremy McDiarmid". The signature is stylized and cursive.

10/29/2010

Jeremy McDiarmid

Date

-27-

THE RHODE ISLAND ENERGY EFFICIENCY AND
RESOURCES MANAGEMENT COUNCIL



By its Attorney
R. Daniel Prentiss

Nov 1, 2010
Date

**SUMMARY OF PROPOSED CHANGES TO
RESIDENTIAL PROGRAMS FOR 2011**

Program	Changes
Residential Buildings Efficiency Programs	
Energy Wise	<ul style="list-style-type: none"> • Continue to offer BPI training to increase number of weatherization contractors participating. Investigate new ways to increase participation of independent weatherization contractors (i.e. Tagging Leads, Coop Advertising.) • Increase incentives for weatherization measures installed in gas homes from 50% to 75%, up to \$2000. Measures include insulation, duct insulation and duct sealing in single family homes. • Increase frequency of CFLs and fixtures installed in single and multi-family homes. • Issue an RFP for program delivery vendor(s) in conjunction with National Grid's EnergyWise program in Massachusetts and the Home Performance with ENERGY STAR® program in New Hampshire by the end of the first quarter in 2011. • Begin the HEAT Loan program that will offer low interest loans for customers who live in one to two unit facilities that was approved and funded as part of the Innovative RGGI 40% programs. Loans will assist with additional weatherization measures or upgrades in heating equipment. • For master metered gas multifamily dwellings, provide seamless integration between our Residential and Commercial programs where applicable while maintaining customer transparency. • Continue to provide energy audits for ARRA deliverable fuels program through Energy Wise.
Low Income Services	<ul style="list-style-type: none"> • Continue quarterly meeting of a best practices working group with OER and local agencies. • Will explore with OER how best to incorporate higher efficiency equipment into system replacements • In conjunction with OER, lend expertise to GHHI efforts in Providence
Residential New Construction	<ul style="list-style-type: none"> • Increase Code Plus participation • Increased participation in tier 2 • Offer at least 6 builder/code official trainings to raise awareness of IECC 2009 and ENERGY STAR® version 3
Energy Efficiency Education Programs	<ul style="list-style-type: none"> • No Changes
Residential Behavior Pilot	<ul style="list-style-type: none"> • Begin a small scale residential behavior pilot program to test the cost-effectiveness of home energy reporting software.

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Program	Changes
Deep Energy Retrofit Pilot	<ul style="list-style-type: none"> • Begin the Deep Energy Retrofit Pilot that was approved and funded as part of the Innovative RGGI 40% program in 2010.
Residential Efficient Products Programs	
High Efficiency Heating, Water Heating, and Controls	<ul style="list-style-type: none"> • Re-start the program after 2010 closure due to insufficient funding • Offer measures that focus on Hard-to-Reach populations • Offer higher efficiency measures
ENERGY STAR® HVAC	<ul style="list-style-type: none"> • Issue RFP for Program Vendor • Integrate Oil/Propane heating equipment from previous ENERGY STAR® program into Cool Smart Program <ul style="list-style-type: none"> ○ Added 85% ECM Furnace - Oil/Propane ○ Added 85% Hot Water Boiler – Oil/Propane ○ Added 82% Steam Boiler – Oil/Propane ○ Added 92% ECM Furnace – Oil/Propane • Continue Heat Pump Water Heater pilot from 2010 to evaluate cost-effectiveness. • Added rebate for 16 SEER Air Conditioning Equipment • Added rebate for ECM Circulator Pumps
ENERGY STAR® Lighting	<ul style="list-style-type: none"> • Educate customers on EISA to influence their purchasing decisions. • Expand into hard to reach markets, particularly with the Hispanic market, with bi-lingual materials, and bulb and community promotions.
ENERGY STAR® Products	<ul style="list-style-type: none"> • Develop an electronics marketing campaign
Residential Products Pilot	<ul style="list-style-type: none"> • Continue heat pump water heater pilot • Launch heat pump dryer pilot • Launch internet enabled smart thermostat pilot
Comprehensive Initiatives	
Community Based Initiatives	<ul style="list-style-type: none"> • Work with single community organization on hard-to-reach, non-English speaking customers • Support communities running their own, independent initiatives

2011 RESIDENTIAL ENERGY EFFICIENCY PROGRAMS AND INITIATIVES

The Company will continue to offer a comprehensive set of residential energy efficiency programs in 2011. Significant program changes are summarized in Attachment 1. Meeting the third year goals established under the Lease Cost Procurement three-year plan represents a significant increase compared to 2010. Goals are 35% higher than 2010 because funding to meet the second year goals was not approved last year. In order to meet this challenge, and the aggressive savings targets set by the EERMC for 2012-2014, the residential programs are focusing on strategies to achieve broader and deeper savings.

Therefore, the residential programs will expand participant education through a comprehensive marketing campaign, target hard-to-reach populations, employ deeper saving measures, begin a residential financing program, expand contractor networks, and research innovative technologies that could add new products and programs.

Program awareness and benefits of participation are highlighted throughout this filing as key components the programs' success. Our three primary program objectives are 1) ensuring that the programs are capable of delivering cost-effective energy savings to address the goal of least-cost procurement, 2) delivering integrated gas and electric programs that are seamless to customers and 3) enhancing programs to achieve additional savings.

The Company delivers residential programs through two channels: efficient buildings and efficient products. Programs designed to create more efficient buildings include EnergyWise, Low Income Services, ENERGY STAR[®] Residential New Construction, Community Initiatives and a Residential Behavior Pilot. These programs provide customers with a single point of contact for a variety of both gas and electric services and products, while encouraging the customer to participate in one or more of the programs. They also offer efficiency opportunities to the diverse segments of residential customers in the state, including homeowners and renters, low and moderate income consumers, and those constructing new homes. All of the programs include a component of consumer education to help the customer to better understand how to control and manage energy costs. National Grid also offers specific education programs including ENERGY STAR[®] Home Vocational Education as part of the ENERGY STAR[®] Residential New Construction program and the National Energy Education Development Project (NEED).

Programs focused on the creation of efficiency through product selection include High Efficiency Heating Equipment, Water Heating and Controls, ENERGY STAR[®] HVAC, ENERGY STAR[®] Lighting, and ENERGY STAR[®] Products. Additionally, our newly expanded Residential Products Pilot (formally called Residential Building Practices and Demonstration for gas products) will focus on new or underutilized electric and gas technologies. Programs focusing on products continue to use various distribution channels to help influence customer selection. These channels include but are not limited

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to, installation vendors and retail stores. As a result of the increased savings goals, the Company plans to expand and enhance the Hard-to-Reach efforts in programs such as ENERGY STAR® Lighting, High Efficiency Heating Equipment, Water Heating and Controls, and for several programs through the Community Initiative. The Company continues to value customer feedback by investing in focus groups with program participants. This will help the Company ensure its services are delivered in the manner in which objectives were set.

Table 1. Proposed Residential Energy Efficiency Programs

Residential Buildings Efficiency Programs	
EnergyWise Program (Funded by Gas and Electric)	The EnergyWise program offers single and multi-family customers free home energy audits of their homes and information on their actual electric and gas usage. Participants in this program receive recommendations and technical assistance as well as financial incentives to replace inefficient lighting fixtures, appliances, thermostats, and insulation levels with models that are more energy efficient. The program addresses base load electric use as well as gas and electric heat in all residential buildings. This program will continue to administer the ARRA Deliverable Fuels program allowing customers who do not heat with Gas or Electric to receive weatherization and heating system replacements.
Single Family Low Income Services (Funded by Gas and Electric)	The low income program is delivered by the Office of Energy Resources and local Community Action agencies. It provides whole house energy savings to eligible customers, including appliance and lighting retrofits, weatherization and heating system replacements. Eligible customers make no contribution toward equipment installation under this program.
Residential New Construction (Funded by Gas and Electric)	The Residential New Construction Program promotes the building of energy efficient homes in conjunction with the EPA’s ENERGY STAR® program by offering technical and marketing assistance, as well as tiered incentives and trainings to builders of new energy efficient homes that comply with the program’s performance standards. The program also works with code officials and vocational schools.
Community Based Initiatives (Funded by electric, cross-sector with C&I)	This program is designed to leverage community partnerships and develop targeted marketing strategies in order to promote all energy efficiency programs, residential and commercial, to a localized population.
Residential Behavior Pilot	The pilot is under development and will be targeting a cross section of residential customers to determine energy savings, cost-effectiveness, and customer satisfaction.

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<p>Deep Energy Retrofit (Funded by electric)</p>	<p>The pilot will provide significant financial incentives for deep energy retrofit demonstration projects involving super-insulation upgrades and other measures in conjunction with customer planned projects such as re-siding or roofing. Customers with 1 to 4 family buildings, regardless of heating fuel type are eligible. The program was approved and funded by the Innovative RGGI 40% program in 2010. It will continue in 2010, but requires no additional funding.</p>
<p>Education Programs (funded by electric only)</p>	<p>The Company promotes energy education to private and public schools and youth groups through the National Energy Education Development (N.E.E.D) Program. This program provides curriculum materials and training to students and teachers in grades K-12.</p>
<p align="center">Residential Efficient Products Programs</p>	
<p>ENERGY STAR® Lighting (Funded by Electric Only)</p>	<p>The program is run in collaboration with other regional utilities to provide discounts to customers for the purchase of ENERGY STAR® compact fluorescent lamps, fixtures and solid state lighting through instant rebates, retail store promotions, or mail order. Three enhancements are planned for 2011: 1) educating customers about standards in the Energy Independence and Security Act (EISA) to influence consumer lighting purchase decisions, heightening Hard-to-reach marketing efforts begun in 2010 and a greater concentration on targeting non-English speaking populations.</p>
<p>ENERGY STAR® Products (Funded by Electric Only)</p>	<p>The program is run in collaboration with other regional utilities to promote the purchase of high efficiency household appliances including kitchen appliances and electronics. These appliances carry an ENERGY STAR® label. The program also offers refrigerator recycling which promotes more efficient refrigerators while removing non-efficient units from the market.</p>
<p>High-Efficiency Heating ,Water Heating and Controls Program</p>	<p>The program offers rebates for new energy efficient natural gas heating equipment including boilers and furnaces. Rebates are also offered for efficient water heating equipment, thermostats, and boiler reset controls. In conjunction with ENERGY STAR® HVAC, a rebate is also provided for furnaces equipped with high efficiency fans. National Grid will attempt to achieve broader savings by increasing participation in Hard-to-Reach populations, including seniors, lower income individuals, and the Hispanic population. Seven new measures have been added to the program in order to achieve deeper savings.</p>
<p>Electric HVAC Program (Funded by Electric Only)</p>	<p>This program promotes the installation of high efficiency central air conditioners. The program provides training of contractors in installation, testing of the high efficiency systems, tiered rebates for new ENERGY STAR® systems, and incentives for checking new and existing systems. The program also provides for the installation of high</p>

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	efficiency indoor blower motors for retrofit applications. The program provides rebates for homeowners purchasing or replacing existing oil or propane heating systems.
Residential Products Pilot (Funded by gas and electric)	The pilot will test innovative technologies for both gas and electric appliances.

RESIDENTIAL BUILDING EFFICIENCY PROGRAMS

EnergyWise Program (Gas and Electric)

Overview

First offered in 1998, this program provides efficiency improvements to customers with existing multifamily and single-family homes. The program provides a free, comprehensive assessment of a customer's energy use and recommends various ways customers can improve their home's electric and gas efficiency. Beginning with that assessment, the process is designed to continually reinforce the benefits and convenience of implementing recommended measures.

Participants in this program are offered financial incentives for cost effective measures to replace inefficient lighting fixtures, lamps, appliances, thermostats, and insulation levels with versions that are more energy efficient. Customers also receive free installation of water saving devices (e.g. low flow showerheads and aerators) for water heated by gas or electric. All residential customers in 1-4 unit buildings are eligible to participate. The EnergyWise Multifamily program services Public Housing Authority properties and other low income multifamily facilities containing five or greater dwelling units. Multifamily facilities of five or more units are eligible if they have not already participated in the program in the past five years. All customer co-payments are waived for any measure installed in Public Housing Authorities as well as other low income state and federally funded multifamily facilities.

Delivery

The program is delivered in three steps: energy assessments, installation, and quality assurance/quality control.

The Company currently uses a single-vendor energy assessment model. This model is one of many approved by the Environmental Protection Agency (EPA) and Department of Energy (DOE) for the Home Performance with ENERGY STAR[®] national initiative. This model minimizes administrative costs, and guarantees customer equity. During the energy assessment, all auditors are required by the Company to provide a complete list of weatherization contractors qualified to install follow-up measures.

Contractors performing follow up measures must be accredited by the Building Performance Institute (BPI). BPI standards include comprehensive diagnostic testing, measurement and verification that the work is completed properly, and quality assurance.

For facilities that have greater than twenty units, major weatherization measures are put out to competitive bid. Major measures include lighting upgrades, electric heat thermostats, replacement of inefficient refrigerators, heat pump testing and tune ups, duct sealing and insulation for electrically and gas heated facilities.

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All homes or facilities are eligible to receive lighting upgrades and refrigerator replacement measures as identified through the energy assessment. The Company does not require a co-payment for lighting fixtures or lamps installed in single family homes nor the living units of multifamily facilities in order to avoid lost opportunities.

Gas and Electric Integration

For single family households, customers are presented with a seamless energy assessment, regardless of their heating fuel. After the assessment is completed, the energy audit vendor and the Company complete necessary follow up actions regarding billing and tracking. For multifamily buildings, the comprehensive building analysis will be funded by either gas or electric energy efficiency funds but not both. Electric or gas funds will be used to provide funding for electric or gas weatherization measures including, insulation, showerheads, aerators, air sealing, duct insulation and duct sealing.

Experience

National Grid has managed a home energy audit program for more than 20 years. In 2010, the lack of sufficient Gas funding limited the involvement of larger multifamily centrally metered gas units. Another challenge was that approved RGGI funds for the Heat Loan Program did not become available. However, the program is on track to meet goals in 2010. The ARRA Deliverable Fuels program was successfully launched allowing customers who do not heat with Gas or Electric to receive weatherization and heating system replacements.

Meeting 2011 Goals

The aggressive goals for 2011 present considerable program challenges. The company will continue to explore new ways to maximize savings per unit. There will be an increased focus on customer follow up to determine if customers have taken the recommended energy saving actions. The company will create effective mechanisms that allow more independent weatherization contractors to install the post audit weatherization measures, and will increase the number of homes contracted to them over previous years. These mechanisms may include a contractor hotline, coop National Grid and contractor advertising and a lead or tagging system for contractor customer referrals. The program will strive to increase in the independent weatherization post audit installations to a minimum of 100 weatherization jobs done by independent contractors in 2011.

The Company will open competitive bidding for program delivery vendor(s) in Rhode Island in 2011. This will be accomplished in conjunction with National Grid's EnergyWise multifamily program in Massachusetts and New Hampshire's Home Performance with ENERGY STAR[®] program. The RFP process will allow bidders from multiple states and have the flexibility to consider the audit portion of the program to be handled by a single or multiple vendors. The program will work with the C&I sector in order to integrate services and create one point of contact for gas heated master metered multifamily dwellings. Through the development of the request for proposal, the

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Company will incorporate best-practices design considerations and seek innovative alternatives to achieve the objectives of higher savings at time of audit; more audits resulting in post-audit measure installations; and deeper savings per residential unit.

Quality Assurance / Quality Control

In the interest of achieving high quality installations, the Company, subject to contract terms and available trained personnel, will work toward a system where installation and verification are done by contractors from different organizations. Therefore, the Company has opened competitive bidding for third party verification services for services implemented in October 2011. Through the third party quality assurance, the Company will closely monitor the audit and installation processes. The Company will do this to ensure that all program protocols are being adhered to by the auditing vendor, as well as the installation contractors. The Company will track the amount of follow up work being conducted by all parties.

HEAT Loan Program

The Company anticipates that the Heat Loan Program funded by 2010 RGGI 40% will become active in 2011. The HEAT Loan program will provide electric and gas customers in single family homes (up to four units) a 0 percent interest loan up to \$15,000 with terms up to seven years and can be applied towards energy efficiency upgrades.

Marketing

EnergyWise is certified by the Environmental Protection Agency as a “Home Performance with ENERGY STAR®” program in the single family sector. This allows the program to use the ENERGY STAR® name for marketing purposes, and ensures that the program meets high health and safety standards.

The program is marketed through direct contact with interested customers and owners, property owners’ associations, bill inserts, customer newsletters, the National Grid website, as part of the Gas Energy Efficiency programs, and other methods. There is often a waiting list for multifamily program services, though the program is usually able to serve customers within the year the participation request is made. For multifamily facilities the program will target both public housing authorities and privately-owned properties. The program will be included as part of the comprehensive marketing initiative that is currently being explored.

Single Family Income Eligible Program (Gas and Electric)

Overview

As economic recovery continues to lag, both nationally and within Rhode Island, an increasing number of the Company's customers could qualify for low income efficiency services during 2011. Heating and electricity bills frequently pose a difficult burden to income-strapped customers who often pay a high percentage of their income to cover their energy costs. To help control energy use, the Company's residential income eligible program provides eligible customers with a variety of energy savings measures installed in their homes at no cost.

Both the Collaborative and the Company want customers who have difficulty paying their energy bills to take full advantage of the Company's efficiency programs. Customers who are eligible for the Low Income Heating Assistance Program (LIHEAP),¹ also known as "fuel assistance," and who live in 1-4 unit buildings, are eligible for this program.

Delivery

The services of this program will continue to be administered by the Rhode Island State Office of Energy Resources (OER). OER has a long history of working with the local Community Action Programs (CAPs) across the state providing cost-effective energy saving services to its residents. OER manages the work conducted by participating CAPS for the delivery of energy efficiency services. Collaboration between OER and local agencies is essential in order for the Company to continue serving this program's participants. Local agencies are the primary link between program eligibility and the customers who can take advantage of the program. Once eligibility is determined by the local agency, the customer is informed of the steps involved in gleaning maximum energy savings in their homes. Customers are also informed of the process to receive energy saving services, including the scheduling of any visits from local agencies, and any approved energy professionals who install energy savings measures where they live.

Experience

In 2010, the Company's lead vendor, OER, had to develop an implementation plan designed to meet the Company's goals amidst the significant funding, savings targets, and administrative demands triggered by the Federal American Recovery & Reinvestment Act (ARRA) weatherization program. Because of ARRA, the Company's savings goals were delayed in being realized during 2010. Despite these obstacles, the

¹The federal government has set an income level, tied to the median income of each state, which defines the uppermost income boundary for LIHEAP participation. Individual states have some flexibility in defining income eligibility as long as it is not set above the federally defined maximum. Eligibility in this program will track the eligibility for LIHEAP set by the State of Rhode Island.

2010 goals are on-track to be met. During 2010, the Company provided a number of on-site trainings to speed up the tracking process.

The 2010 gas budget was significantly lower than the 2009 budget, presenting the challenge of how to best distribute the limited funds to CAPS across the state. Thanks to OER's relationship with the CAPs, that challenge was met and savings were optimized to serve more clients through increased weatherization services. The increased 2011 gas budget, will not only allow more customers to be served, but each customer will be served more efficiently.

Meeting 2011 Goals

2011 will present significant increases in savings and spending targets for this program. In order to meet the aggressive 2011 goals, the Company will collaborate even more closely with OER to develop an evenly paced delivery schedule in serving clients. The incorporation of InDemand, the Company's on-line electric audit, weatherization, and billing system, will provide additional support in this effort, as the systems accelerates the billing, tracking, and data collection for savings in 2011, especially for gas-heating clients. Much of 2010 was dedicated to the Company training OER and the local agencies on how to incorporate InDemand into all of the income eligible services offered by the Company. This will pay off in faster and more accurate savings tracking, for both gas and electric customers, in 2011.

In 2011, the Company will also focus on the savings side of heating systems. Traditionally, this program has allowed standard efficiency equipment to be used in heating systems replacements. The Company will explore the savings that come from installing high-efficiency equipment whenever possible; keeping in mind that higher efficiency equipment tends to incur higher costs. In addition, the success of the High-Efficiency Heating Program in Rhode Island may provide this program with the information it needs to make any appropriate modification requirements.

Also during 2011, the Company intends to lend its program delivery expertise to the Green and Healthy Homes Initiative (GHHI) that is being launched in the city of Providence. Any collaboration will be done in conjunction with the OER in order to optimize how eligible populations receive maximum benefits with minimum impacts. Fortunately, OER and the CAP agencies have a proven history of being on the leading edge of lead abatement and lead safe practices in weatherization measures. OER's work with statewide weatherization services, funded by an array of different programs, is best suited to provide the GHHI effort with the understanding how all the local agencies serve eligible populations.

Residential New Construction Program with ENERGY STAR® Homes (Gas and Electric)

Overview

The Residential New Construction Program promotes the building of energy efficient homes in conjunction with the EPA's ENERGY STAR® Homes program. It offers technical and marketing assistance, as well as tiered incentives and training to builders that comply with the program's energy efficiency performance standards. Anyone building a home in Rhode Island can participate, regardless of heating fuel type and all units in multi-family buildings of three-stories or less can qualify. Units in four- and five-story multi-family buildings may also qualify for the program if they meet specific criteria. Buildings that fall outside of the residential program criteria will be referred to the Commercial new construction program.

The Company works to educate building code officials on the benefits of the program. In addition, the Company promotes construction technique education and code change awareness as part of their training session curricula in vocational schools. The Company will work with builders to build Code Plus homes as a way to lead them to Energy Star construction and increase overall awareness and program participation.

Delivery

In 2011, the Company will offer three program options that builders and homeowners can choose. The first option is the "Performance Path." This option requires a compliance with ENERGY STAR® Homes standards (achieving a Home Energy Rating System (HERS) rating that is approximately 15% better than the current building code to qualify for a Tier 1 incentive. A HERS score that is approximately 30% or better than the current building code will qualify the customer for a Tier 2 incentive. In 2011, the company also plans to implement a Tier 3 pilot. The Tier 3 Pilot will achieve deeper savings by requiring a HERS 40 score or less. Based on recent findings in near zero energy construction, this pilot creates a stretch goal and aligns incentives in order to reach it without the use of renewable energy sources.

The second option is the "Prescriptive Path." This option allows a builder to become ENERGY STAR® certified by committing to install specific, high efficiency equipment and meeting certain, measured performance standards for homes under a certain size threshold, determined by EPA. Incentives will be available to participants depending on the level of efficiency achieved.

The third option is called "Code Plus." In this option, the builder receives incentives for energy efficiency improvements above the newly adopted IECC 2009 code requirements. Code Plus ensures that homeowners will benefit from energy efficiency upgrades above the building code. In 2011, the Company will expand on the "Code Plus" alternative to allow new builders who are learning how to implement the more rigorous, ENERGY STAR® standards but who may not achieve those standards immediately.

Experience

The national economic and subsequent Residential New Construction market downturns reached their peak in 2009 and remained stagnant through 2010. As a result of this, the program's 2010 units goal was reduced from previous years. Despite the downturn, the program still continued to drive participating builders towards higher efficiency building practices through the introduction of the second tier in the "Performance Path" option. The program also addressed the pending changes to the EPA's ENERGY STAR[®] program, versions 2.5 and 3.0, by piloting 15 homes under the pending federal requirement. From the pilot, best practices for compliance will be shared with all builders looking to achieve an ENERGY STAR[®] label in conjunction with incentives for 2011. Rhode Island's adoption of a new state Energy Code IECC 2009 also marks the beginning of more stringent code requirements. .

Meeting 2011 Goals

With portfolio-wide savings substantially increasing for 2011, the Residential New Construction Program has also substantially increased goals, marketing, and trainings. Through targeted marketing, builder trainings and a commitment to reach builders' that have yet to participate in the program, 2011 will outpace 2010's participation with increased goals.. The outreach to new, potential participants will highlight the benefits of the program, including incentives and verification services as well as trainings on the newly adopted code. A minimum of 6 state-wide builder and code official outreach sessions will be offered in 2011.

The Company will also continue to support Vocational Schools in 2011. A Partnership with 9 regional schools will address revisions to the program and regional building code standards, such as the 2009 International Energy Conservation Code (IECC), that will affect students entering the new construction field in the State of Rhode Island. Students and teachers will participate in technical training sessions that focus on the use and importance of diagnostic equipment, such as Duct Blaster and Blower Door testing equipment, as it relates to the code.

Low Income participation in the Residential New Construction with ENERGY STAR[®] Homes Program

The Company works closely with Rhode Island Housing and developers of affordable housing in Rhode Island to encourage participation in the Residential New Construction with ENERGY STAR[®] Homes program. Currently Rhode Island Housing encourages developers to receive ENERGY STAR[®] Home certification. About 45% of the homes completed each year through the Residential New Construction with ENERGY STAR[®] Homes program are for low income families. The Company also plans to continue to work with Rhode Island Housing and the OER to support the energy efficiency of Rhode Island's affordable housing programs.

Residential Behavior Pilot (Electric only)

Overview

The EERMC's 2010 Opportunities Report identified residential behavior programs as a set of opportunities the Company might employ to meet increasing savings goals through 2014. In 2010, the Company will issue a Request For Information (RFI) to companies that offer behavioral programs and deliver them through a variety of channels including both "opt-in" in-home monitoring as well as broader report based models. Through the RFI and Request For Proposal (RFP) process a company capable of delivering a replicable program with evaluated savings will be selected. The Company plans to launch the program by 2Q 2011. The pilot will test the energy savings, cost-effectiveness and customer usability for future behavior programs to be deployed throughout Rhode Island.

Delivery

The program delivery will be determined after the RFI and vendor selection. The pilot may coordinate with the Community Initiatives program or the System Reliability working group to determine if there are appropriate geographical areas to focus the pilot in.

Information and Education Programs (Electric Only)

Overview

The Company will continue to offer the National Energy Education Development (NEED) project in 2011. NEED is a nonprofit education association that works with thousands of schools nationwide to promote energy-conscious education. NEED is a strategic partner of Rebuild America and EnergySmart Schools, both programs of the DOE. NEED creates networks of students, educators, businesses, government and community leaders to design and implement objective energy education programs. The Company plans to support this program by providing educational materials for kindergarten through high school students. These materials present comprehensive objective information about energy production and consumption, the major energy sources, and their impact on the environment, economy, and society.

Services offered include kits and curricula for students, student/teacher training programs, workshops, conferences, a summer camp program, scholarships to national energy educational conferences, and youth awards.

The Company will work with NEED to identify potential participant schools and implement the program.

ENERGY STAR® @ Lighting (Electric only)

Overview

This program is designed to support the development, introduction, sales, promotion, and use of ENERGY STAR® residential lighting products. It offers customers the opportunity to purchase ENERGY STAR®-rated CFLs, fixtures and solid state lighting at substantial discounts. All residential customers are eligible to participate in this program.

The key to gleaning the most savings for this program will be customer education. Over the next 5 years, the lighting landscape will be undergoing some major changes which will impact the way customers make lighting decisions. The main drivers for change are the federal lighting standard beginning in 2012, which will set maximum wattage levels and adopt the rapidly-developing solid state lighting technology (SSL).

Delivery

This program will offer customers several options for participation. Customers may receive instant rebate coupons for qualifying products purchased in participating retail stores. They can take advantage of reduced-price products at retailers where the manufacturer has received a rebate from the Company and passed the discount down to the consumer. In addition, customers can also purchase products through mail-order or online.

Experience

The Energy Independence and Security Act (EISA 2007) phases in maximum wattage levels and lifetimes for general service, incandescent lamps in the United States from 2012 to 2014. See the chart below for specific details related to EISA.

Current Wattage	Rated Lumen Ranges	Maximum Rated Wattage	Minimum Rated Lifetime	Manufactured On or After
100	1490-2600	72	1000	01/01/2012
75	1050-1489	53	1000	01/01/2013
60	750-1049	43	1000	01/01/2014
40	310-749	29	1000	01/01/2014

In other countries which have essentially banned production of incandescent lighting, customers have initially downgraded the wattage of their incandescent bulbs or have chosen the IR halogen product. This indicates that CFLs are still not necessarily the customer's first choice for a lighting product. It is important that we heavily promote CFLs during this transition for customers and begin to educate customers on EISA so that customers choose CFLs rather than downsizing or choosing the less efficient IR halogen

product. For instance, after EISA comes into effect, a customer entering the lighting aisle at a store may not be able to find their 100 watt incandescent bulb (while production would have stopped, product will still be in stores for a period of time). Their choices would then be a 75 watt or lower incandescent, a somewhat more efficient IR Halogen, a much more efficient CFL and a very efficient LED product. The customers will have to decide upon technology, price, color, dispersion of light, and the application for the light. It is anticipated that customers will choose the bulbs they are most familiar with- either the lower wattage incandescent or the IR halogen which looks and feels more like an incandescent. The Company should continue to promote CFLs now so that customers will be as familiar with this technology which will maximize their savings at the best price point. LEDs are an energy efficient option but will be quite expensive in the near term.

With respect to SSL products, the Company, along with regional collaborative partners, encourages manufacturers to improve the quality of their solid state lighting products. As part of that effort, the Company has been involved with L-prize, a US Department of Energy competition that encourages the development of highly efficient LED products. The Company is currently field testing an LED replacement for the 60 watt incandescent lamp in Massachusetts.

Meeting 2011 Goals

The 2010 EERMC Opportunity Report identified a large amount of economic and achievable opportunity for CFLS spiral bulbs in Rhode Island. One key to tapping the potential from these savings will be customer education. This program will use an aggressive marketing budget to educate customers about EISA, identifying CFLS, and their benefits. The company will also look for new distribution channels including community venues and corporate events.

Another key to realizing the CFL potential in Rhode Island is continuing to focus on hard-to-reach lighting customers. In 2011, this program will target seniors and lower income individuals through senior centers and a food bank promotion, respectively. In addition, the program will continue expanding into the Hispanic market with bi-lingual materials, community promotions, and potentially, a school program for this audience as well as the general population.

The Company will also continue to increase the depth of the program through a broader product offering including specialty bulbs and SSL bulbs and fixtures, increased pursuit of new retailers and longer promotional periods with existing retailers.

ENERGY STAR® Products (Electric only)

Overview

This program is part of a regional, joint effort by utilities and energy efficiency organizations to encourage the purchase of ENERGY STAR® rated, major appliances and electronics. Additionally, the Company will promote advanced power strips and energy efficient pool pumps which currently do not have ENERGY STAR® specifications. Finally, the Company will also continue to provide \$50 rebates to customers who recycle their primary or secondary refrigerators or freezers through the program.

The program also provides retailer support, training, advertising, consumer education, codes and standards review and advocacy, as well as manufacturer labeling. For 2011, the Company proposes to continue to provide consumer education on these products and continue to offer rebates on a variety of ENERGY STAR® products.

Delivery

Manufacturers build their products to meet or exceed energy efficiency performance specifications established by ENERGY STAR®. Together with manufacturers, local retailers, and EPA, the Company works to help identify and promote the purchase of these high efficiency appliances to its customers.

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

Experience

The market for electronics changes frequently and rebate offerings need to react in kind to capture savings opportunities. In 2011, the room air conditioner market was challenging due to the limited product availability at the higher efficient level and the previously cool summer. A greater effort to notify the manufacturers and retailers of new and changing rebates is needed.

A nationwide study of consumers' awareness of ENERGY STAR® labeling is conducted annually. The most recent study, "National Awareness of ENERGY STAR® for 2009 – Analysis of CEE Household Survey" indicates that the existence of utility sponsored programs increases the awareness of ENERGY STAR® products. National recognition of the ENERGY STAR® label (unaided) was 64%. The Company will inform the Collaborative about future awareness study results.

Meeting 2011 Goals

The Company and other sponsors in Vermont and Massachusetts plan to issue a request for proposal to work with manufacturers and retailers directly to encourage increased stocking of ENERGY STAR[®] room air conditioners relative to less efficient models on retail shelves.

An electronics marketing campaign will also be developed to educate customers on the benefits of energy efficient electronics products and practices.

High Efficiency Heating, Water Heating & Controls Program (Gas Only)

Overview

A typical residential customer spends approximately two thirds of their energy budget on heating and hot water. To address this expense, the Company will continue to offer incentives for customers to purchase high efficiency heating equipment, water heating equipment, and controls. The Company will also continue to provide training to installation contractors to make them aware of the benefits of high-efficiency heating/water heating equipment and controls, and to raise installation standards.

All residential customers who purchase high efficiency heating equipment, water heating equipment, and controls, fueled by gas are eligible. The Company proposes to serve approximately 4,163 customers in 2011 through the program.

In 2010, customer demand was especially high due to the record flooding in March that caused millions of dollars of damage. The HEHE program was suspended in April 2010 due to inadequate funding to meet customer demand. The program suspension has adversely affected contractor confidence in the program. For this reason, the Company expects a slow re-start in 2011, and will make special efforts to restore contractor confidence.

The September 2010 draft of the HEHE Process and Impact Evaluation for GasNetworks found that certain heating systems had a high level of free-ridership and that hard-to-reach populations were not being served. Therefore, in 2011 the program plans to update its free-ridership impacts, expand and update its measure mix to achieve deeper savings and change its delivery strategy. To encourage the purchase of higher level efficient systems, the program will include rebates for systems with an Annual Fuel Utilization Efficiency (AFUE) of 96. The Company is also exploring methodologies to deliver the program to hard-to-reach populations such as elderly citizens, low income households that do not qualify for income assistance programs, non-English speakers and the contractors who serve them.

Delivery

The program is jointly sponsored with GasNetworks™, a regional gas utility collaborative. The program is primarily marketed and promoted through heating equipment and air conditioning contractors. It is also marketed through both the Company's and the GasNetworks' websites. Both websites provide incentive applications and program information. Other marketing sources include direct outreach to product retailers, bill inserts, trade ally events and sponsorships. Reaching out to product retailers allows for training of sales personnel and ongoing distribution of program brochures/rebate applications. Though 2011 the company will explore ways to combine outreach efforts and materials with the ENERGY STAR® HVAC program. The program is also promoted by EnergyWise program auditors.

Experience

National Grid has managed the program since 2008. This program was suspended in April 2010 due to inadequate funding to meet customer demand.

Meeting 2011 Goals

Due to the program suspension, the Company will focus on restoring contractor and customer confidence in 2011. The Company will monitor progress to determine if additional marketing efforts or contractor trainings are needed to achieve goals. In order to achieve deeper savings, new measures will be offered at higher efficiencies than before including High Efficiency Stand Alone Water Heaters (0.67 EF), Tankless Water Heaters (EF 0.95), Condensing Gas Water Heaters (94% AFUE) Furnaces (forced hot air) 94% and 96 AFUE w/ECM, Heat Recovery Ventilators, Integrated water heater/non condensing boilers, and Boilers (forced hot water) \geq 96% AFUE are proposed to help achieve goals. The program will also work collaboratively with the ENERGY STAR[®] HVAC program to jointly advertise, market, and educate contractors. The GasNetworks-utility collaborative may revise their current RFP in order to consolidate vendor outreach efforts and lower administrative costs for the program.

To achieve broader savings, the program will focus on reaching new customers through channels that have developed as part of the hard-to-reach effort in ENERGY STAR[®] Lighting. While the program will introduce deeper savings measures as mentioned above, it will also maintain efficiency levels for hard-to-reach populations who have not participated in the program before. The program will directly market to hard-to-reach customers and train contractors who install systems in underserved areas.

2011 ENERGY STAR® @HVAC Program (Electric only)

Overview

The ENERGY STAR® HVAC Program provides rebates to offer ENERGY STAR® central air conditioning, heat pumps and high efficiency heating systems for qualifying oil and propane products. The program which is known as Cool Smart, works closely with contractors providing a platform that promotes quality installation of equipment through improved installation practices and contractor training. Customers are offered tune-up services on existing equipment that ensure systems are able to operate at peak efficiencies.

Market research estimates that approximately 10% of Rhode Island households are purchasing replacement or new central air conditioners each year. Recent customer surveys by the Company indicate that about 27% of Rhode Island residences, or about 115,000 customers, have central air conditioning.

Delivery

Any residential customer installing, servicing or replacing a central air conditioning or heat pump system in an existing home is eligible to participate. The company plans to continue ENERGY STAR® equipment rebates, Quality Installation and further expand the scope of program measures to include installation of brushless fan (BFM) motors and high efficiency circulating pump motors. We plan to serve 1,695 unique customers in 2011.

Experience

The program is expected to achieve targets set in 2010. The program has experienced broad participation across most measures and is striving to achieve goals set for all measures.

Customers are continuing to explore all available opportunities as they replace and upgrade their HVAC systems. The participants in our program have increased the number of Ductless Splits installed by 200% YTD over 2009 levels. These systems are very efficient without the energy loss associated with traditional ducted systems.

The program will continue to grow the participating contractor base. With the integration of oil and propane equipment into Cool Smart, there will be a greater awareness of the program among the contractor community. The outreach to heating and cooling contractors will be further enhanced by one circuit rider for both heating and cooling equipment.

2011 Goals

The program is relying on successful recruitment and training of contractors for success in 2011. Contractors will attend combined trainings that will provide information on both High Efficiency Heating and Cool Smart energy efficiency measures.

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Training continues to play an important role in this program. It will continue to provide classroom and on site training to its contactors to achieve the 2011 goals. Training will broaden their skills in areas that are currently under utilized, including proper sizing, equipment knowledge and methods to allow participants to increase their energy savings. This will be accomplished by combining measures to achieve greater savings. Emphasis will be placed on the contractors' performing a Manual J on each installation as this will allow the measure to be transitioned into a requirement for future equipment rebates.

The program has set aggressive equipment and retrofit installation goals. A design has been created that will allow savings from not only new installations, but also from upgrades and servicing of existing equipment. This will allow contractors to stay fully engaged in our program throughout the year.

Residential Products Pilot (Gas and Electric)

Overview

This pilot will test the savings, impacts, and cost-effectiveness of potential projects which may include heat pump and multi stage electric dryers, electric/gas drain water heat recovery systems, solar thermal technologies and high efficiency gas dryers. Currently, these technologies are not prevalent in the United States. This pilot aims to identify technologies that would be well suited for use and installation in our service area.

Delivery

Eligible participants in this program will include homeowners, landlords, and home-builders. Participants may be asked to allow monitoring of the installation and/or results, provide historical data, provide tours of the installation by potential users or other interested stakeholders, and share the results in case study format. Specific projects will depend on the interest of the participants.

Community Based Initiative Program (Electric Only, Residential and Commercial & Industrial Sectors)

Overview

In 2009-2011, the company piloted its first community initiative in Rhode Island with Energy Action: Aquidneck & Jamestown. Community Initiatives are designed to leverage community partnerships and certain, targeted marketing of program components in order to assess how these may support the objectives of least cost procurement. In 2011, the Company hopes to expand our community initiatives to incorporate targeting non-English language customer segments as well as supporting communities who are actively pursuing their own green goals. This program is designed to target all customer segments within a defined geographic area. The designated areas for 2011 will be determined in winter of 2010-2011.

Delivery

In 2011, the company plans a two-prong approach to community initiatives. First, in an effort to serve all our customers equitably, the program will focus on hard-to-reach populations, such as non-English speaking communities. For this program, the company will engage a local community organization serving the needs of the non-English language community to assist us in understanding these customers' barriers to participation. This same organization will be engaged to create a community mobilization campaign to overcome said barriers and increase participation. For the Small Business Direct Install program, this initiative will include a Main Streets component for non-English Language customers.

Second, the company will continue to develop methods to support environmentally active communities in achieving deeper savings. These methods may include a webpage for communities, community collateral, small grants, and data sharing. This side of community support is in current development, and the company will be able to speak more directly to these plans in Q1 of 2011.

Both prongs will require community partners to establish targets for delivering leads and closing contracts for the EnergyWise and Direct Install programs. Payment structures will be tied to the leads delivered.

Experience:

The 2010 Community pilot, Energy Action: Aquidneck & Jamestown was extremely successful in increasing participation in all of National Grid's efficiency programs. Using Whole Building Assessment for municipal buildings as the core of engagement was successful in spreading the word to all audience sectors. Additionally, local PR by high-profile citizens created many leads. One of the most successful pieces of the program was the Main Streets initiative for Small Businesses. In the first 6 months of the program with a partnership with the Chamber of Commerce, 35 businesses contacted the

Company's contracted vendor for an audit. In the second six months, when Main Streets was instituted, participation increased 17 fold.

That said, there were several challenges. First, while the community initiative had energy efficiency goals, it was difficult to measure whether peak load was reduced and link the goals with traditional transmission and distribution (T&D) planning. Second, the program leveraged exiting marketing contracts to minimize costs, but the resulting marketing materials were not appropriate for a community-oriented program. Third, although energy efficiency competitions have been touted in national forums, our local partner's online contest for carbon reduction did not yield high participation. Future initiatives will not include online platforms.

Meeting 2011 Goals

2011 will incorporate lessons learned from Energy Action: Aquidneck and Jamestown. First, the Company will codify best practices from Aquidneck into a document that can be shared with community partners to help them plan successful campaigns. Second, as stated above, the Company will incorporate the Main Streets approach into its hard-to-reach initiatives.

The Company will continue to work with the System Reliability Planning group to improve traditional T&D planning, but T&D constraints will not be a requirement for communities to be selected for these initiatives. In addition, the Company will encourage local partners to create marketing materials in order to create a localized message. More of the burden of collateral creation will be placed on our local partners. Finally, any compensation for participating community organizations will be linked to leads delivered.

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Residential Program Measures, Units and Rebates

Electric Programs

Program	Measure	Units	Incentive
Energy Star® Homes	ESH Heating	450	Average Incentive based on measure mix
	ESH Cooling	450	
	ESH DHW	450	
	Refrigerators	225	
	Clothes Washer	202	
	Fixtures	225	
	CFL	9,000	
Energy Star® HVAC	CoolSmart AC SEER 15.0 => (Equip) - EER>=12.5	370	\$300.00
	CoolSmart HP SEER 15.0 => (Equip)	35	\$300.00
	CoolSmart AC QIV NES	10	\$175.00
	CoolSmart AC QIV ES	115	\$175.00
	CoolSmart HP QIV NES	2	\$175.00
	CoolSmart HP QIV ES	10	\$175.00
	CoolSmart AC Digital Check-up/Tune-up	615	\$175.00
	CoolSmart HP Digital Check-up/Tune-up	2	\$175.00
	Duct Sealing - 100 CFM reduction in leaks 20% of flow to 10%	9	\$200.00
	Down Size 1/2 ton	68	\$250.00
	Mini Splits	0	\$300.00
	Rightsizing on ES Tier 2 14.5 12	35	\$300.00
	Early Replacement 10-15 yrs, existing SEER 9or10	60	\$1,000.00
	Energy Star QI with Duct Modifications	3	\$750.00
	CS AC SEER =>14.5, EER =>12, NEW Estar -regardless of sizing	85	\$150.00
	CS HP SEER =>14.5, EER =>12, NEW Estar -regardless of sizing	10	\$150.00
	Right Sizing on Top Tier 15/12.5	329	\$300.00
	CS HP SEER =>14.5 EER =>12 Mini-Split Heat Pump	135	\$500.00
	Brushless Furnace Fan motor (BFM)	160	\$450.00
	Wm Air Furnace ECM (GN Reb)	425	\$200.00
	MiniSplit HP SEER 19, EER 12.83, HSPF 10.0	44	\$500.00
CoolSmart AC SEER 16.0 => (Equip) - EER>=13.0	30	\$500.00	
Oil Heat Replacement	264	\$200.00	
ECM / Oil Replace Furnace	6	\$400.00	
EnergyWise	EW SF Elec	216	Average Incentive based on measure mix
	EW SF Non Elec	3,780	
	EnergyWise Multifamily Electric	1,235	
	EnergyWise Multifamily Non Electric	5,882	
	EW Multi Electric Heat CFL	8,647	
	EW Multi Electric Heat DHWs	467	
	EW Multi Electric Heat FIXTURES	3,706	
	EW Multi Electric Heat REFRIG	324	
	EW Multi Electric Heat SPACE	540	
	EW Multi Non Electric Heat CFL	41,174	
	EW Multi Non Electric Heat FIXTURES	11,764	
	EW Multi Non Electric Heat REFRIG	2,700	
	EW Multi Non Electric Heat SPACE	54	

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Program	Measure	Units	Incentive
Energy Star® Products	Refrigerator	5,500	\$50.00
	Refrigerator Bounty	3,980	\$126.00
	Room AC	375	\$30.00
	Pool Pumps - 2 speed	23	\$250.00
	Refrigerator Bounty Primary	2,900	\$126.00
	Electronics- Smart Strips	607	\$10.00
	Electronics- TVs	950	\$20.00
	Electronics- Computers	400	\$10.00
	Electronics- Monitors	675	\$20.00
	Room air cleaners	100	\$20.00
	Freezers	58	\$50.00
Energy Star® Lighting	MO Screw-in Bulbs	1,225	\$2.00
	MO Indoor Fixture	169	\$15.00
	MO Outdoor Fixture	27	\$10.00
	MO Torchiere	27	\$15.00
	MO Specialty Bulbs	800	\$5.00
	Retail Screw-in Bulbs	273,000	\$1.78
	Retail Indoor Fixture	7,290	\$15.00
	Retail Outdoor Fixture	270	\$10.00
	Retail Torchiere	500	\$15.00
	Retail LED Bulbs	50	\$30.00
	Retail LED Fixtures	350	\$30.00
	Specialty Bulbs	120,000	\$4.50
	Hard To Reach Bulbs	77,550	\$3.00
Appliance Management	Baseload	1,813	
	Mini AMP	28	
	Electric Wx	17	
	Oil Wx	503	
	Heat System Replacement	177	
	CFLs	40,691	Average
	Torchiere	13	Incentive
	Replacement Refrigerator	830	based on
	Replacement Freezer	95	measure
	Waterbed	9	mix
	DHWater Measure (elec)	148	
	DHWater Measure (OIL)	11	
	DHWater Measure (gas&other)	9	
Appliance Removal	34		
AC or POOL Timer	45		

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Gas Programs

Program	Measure	Units	Incentive
Residential High Efficiency Heating Program	Condensing Gas Water Heater (EF 0.8)	10	\$ 500.00
	Tankless Water Heaters (EF 0.82)	234	\$ 500.00
	Indirect Water Heater (attached to gas Energy Star FHW boiler)	464	\$ 400.00
	Stand Alone Storage Water Heater (EF 0.62)	50	\$ 50.00
	Furnace (forced hot air) 92% AFUE w/ECM	263	\$ 200.00
	Furnace (forced hot air) 94% AFUE w/ECM	25	\$ 400.00
	Boiler (forced hot water) 85% AFUE	214	\$ 500.00
	Boiler (forced hot water) 90% AFUE	440	\$ 1,000.00
	Heat Recovery Ventilator	5	\$ 500.00
	Integrated water heater/condensing boiler	182	\$ 1,600.00
	Integrated water heater/non condensing boiler	10	\$ 1,000.00
	Energy Star Programmable Thermostats	2,935	\$ 25.00
	Boiler Reset Controls	19	\$ 200.00
	High Efficiency Stand Alone Water Heater (0.67 EF)	25	\$ 100.00
	Tankless Water Heaters (EF 0.95)	50	\$ 800.00
	Furnace (forced hot air) >= 96% AFUE	300	\$ 600.00
	Boiler (forced hot water) >= 96% AFUE	5	\$ 1,500.00
	Hard-To-Reach Condensing Gas Water Heater (EF 0.8)	2	\$ 500.00
	Hard-to-Reach Tankless Water Heaters (EF 0.82)	47	\$ 500.00
	Hard-to-Reach Indirect Water Heater (attached to gas Energy Star FHW boiler)	93	\$ 400.00
	Hard-to-Reach Stand Alone Storage Water Heater (EF 0.62)	10	\$ 50.00
	Hard-to-Reach Furnace (forced hot air) 92% AFUE w/ECM	53	\$ 200.00
	Hard-to-Reach Furnace (forced hot air) 94% AFUE w/ECM	5	\$ 400.00
	Hard-To-Reach Boiler (forced hot water) 85% AFUE	43	\$ 500.00
	Hard-To-Reach Boiler (forced hot water) 90% AFUE	88	\$ 1,000.00
	Hard-to-Reach Heat Recovery Ventilator	1	\$ 500.00
	Hard-To-Reach Integrated water heater/condensing boiler	37	\$ 1,600.00
	Hard-To-Reach Integrated water heater/non condensing boiler	1	\$ 1,000.00
	Hard-to-Reach Energy Star Programmable Thermostats	587	\$ 25.00
	Hard-To-Reach Boiler Reset Controls	2	\$ 200.00
	Hard-to-Reach High Efficiency Stand Alone Water Heater (0.67 EF)	5	\$ 100.00
	Hard-to-Reach Tankless Water Heaters (EF 0.95)	10	\$ 800.00
Hard-to-reach Furnace (forced hot air) >= 96% AFUE	60	\$ 600.00	
Hard-to-reach Boiler (forced hot water) >= 96% AFUE	1	\$ 1,500.00	
Early Retirement Boiler	0	\$ 2,500.00	
Early Retirement Boiler	0	\$ 2,500.00	
Low Income Services	Weatherization	400	Average Incentive Based on Measure Mix Installed
	Heating System Replacement	148	
	Participants	400	
EnergyWise	Single Family	1700	Average Incentive Based on Measure Mix Installed
	Multifamily	3000	

**SUMMARY OF PROPOSED CHANGES TO THE COMMERCIAL &
 INDUSTRIAL PROGRAMS FOR 2011**

Commercial New Construction Program	2010	2011
Gas and Electric Custom Incentives	Electric custom incentive: 60-75% of incremental cost or 1 ½ year payback Gas custom incentive: \$1.50 per therm saved	Up to 75% of incremental cost or 1 year payback Kicker up to 90% of incremental cost for comprehensive projects
Upstream incentives		Upstream incentives for architects and engineers
Prescriptive Incentives	92% AFUE furnace without Electronic Commutated Motor Prescriptive Direct Fired Heaters/ Steam Boiler incentives Two condensing boiler categories for <300MBH Two indirect water heater categories Prescriptive insulation incentives	Only 92% AFUE or greater furnace with Electronic Commutated Motor. Direct Fired Make-Up Air Heaters and Steam Boilers will be handled as custom measures in 2011. The condensing boiler categories “up to 174 MBH” and “175 to 300 MBH” will be consolidated into one category. The indirect fired water heater categories “up to 50 gallons storage” and “50 gallons storage and over” will be consolidated into one category for all storage sizes. Insulation incentives to be evaluated as custom measure to increase incentive and participation
Kitchen	Included gas only measures	To include Electric measures
MotorUp	Active in 2010	Ends June 30, 2011 to reflect more stringent code requirements
Project Expeditor		Expanded to include VFD installs Exploration of establishing Gas PE's
Unitary HVAC Incentives		Incentives to be reevaluated to more closely line up with R.I.'s adoption of IECC 2009 as code
Advanced Buildings and Comprehensive Design Approach	Electric only incentives offered	Work to develop appropriate gas prescriptive incentive to support AB and CDA
Incentives	Many forms for prescriptive offerings	Simplify forms for applying for prescriptive incentives
TA studies	50% of TA cost share	Up to 60% for comprehensive evaluations
Marketing and Outreach	Limited funding, some targeting of specific market segments	Energy Expo to reach trade allies and customers Marketing campaign to raise awareness Focused marketing of RI specific market segments Work with local trade associations

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Large Commercial Retrofit Program	2010	2011
Pre-Rinse Spray valves	Offered on audits	Now included in Small Business Direct install and Project Expediter services
Gas and Electric Incentives	Electric incentives: Avg. of 40% installed cost or a 2 year payback Gas incentives: \$1.50 per therm saved	Up to 50% of total project cost or buy down to a 1 year payback Kicker of up to 60% of project cost for comprehensive projects
Multifamily Initiative	Residential and Commercial have two separate programs	Combining Residential and Commercial offerings to provide a single point of contact and consistent statewide offerings
Small Business Direct install Program	2010	2011
Measures	Limited gas inclusion	Addition of 4 new gas measures
Community Initiative	Aquidneck Island Community Initiative	Small business will be the vehicle for community outreach, partnering with the residential programs

2011 COMMERCIAL AND INDUSTRIAL ENERGY EFFICIENCY PROGRAMS AND INITIATIVES

In accordance with the performance targets set forth by EERMC in the state of RI , the Commercial & Industrial (C&I) energy efficiency programs contained herein include much increased goals and budgets, which will propel RI to a national leadership role in Energy Efficiency. The attached programs and initiatives capture the need to meet our increasing goals for 2011 as well as set the foundation for the tremendous growth required for the following 3 year plan from 2012 to 2014. All stakeholders acknowledge that this goal will not be met without innovative approaches including broader and deeper penetration of the programs and that there are several challenges to overcome for success.

The economic conditions in RI have caused a reduction in capital spending across the Company's Commercial and Industrial customer base. This reduction has been a barrier to participation in 2010 and available economic data suggest it will continue for the foreseeable future. By synchronizing the incentives of previous years' programs and allowing for increased incentives for comprehensive projects, customers will be motivated to make the smart investment in Energy Efficiency.

Additionally, limited resources have constrained natural growth of the programs in prior years. Through a cap in funding on the commercial gas programs, and the untimely receipt of funds for the commercial electric programs, the Company has been forced to limit program growth, marketing and investment. Recent legislation allowing for least cost procurement for gas, and more stable electric funding will provide a resource base from which to re-launch Rhode Island's energy efficiency efforts. Through a coordinated effort of marketing in 2011 the Company will begin to raise awareness of all the Energy Efficiency programs in Rhode Island and create the foundation needed to grow aggressively during 2011 and the next 3 year planning cycle.

National Grid has altered its organizational design in 2010 to better meet the efficiency needs of the Company's Commercial and Industrial customers. By dedicating Account Executives and Commercial Energy Consultants to both gas and electric efficiency goals, a single point of contact to the customer has been established. This new structure will allow the scale of the programs to grow by leveraging pre existing relationships with the Commercial and Industrial customer base and making efficiency a talking point in all customer interactions. Additionally, significant efforts will be undertaken to engage local service providers, distributors and suppliers to make it seamless to customers in accessing program offerings and incentives, including providing marketing support, training and incentives to those industry players to encourage their participation.

For 2011, the Company will build on its offerings of three core programs and several focused initiatives. The Company will keep the programs largely intact to draw on the successful program experience of past performance. However, many enhancements will

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be added to increase penetration of the market and begin the process of planning for the rapid growth to follow in 2012 through 2014. These programs will focus on the energy needs of Rhode Island's business sectors and develop specific solutions as the programs gain additional traction and rapidly expand in the coming years. For a summary of these changes, please see Attachment 3.

Large Commercial New Construction

Program	Description	Major Components	Participation qualifications
Large Commercial New Construction	Targets New construction, major renovation, remodeling and replacement of equipment which has reached the end of its useful life	Technical assistance and financial incentives to developers, customers, manufacturers, vendors and design professionals	National Grid eligible non residential natural gas and/or electric customers

Building on prior years experience with the Large Commercial New Construction Program, highlighted above, the Company will continue to offer energy solutions to the New Construction marketplace. As a first step, technical assistance reduces barriers to more efficient design by providing education and information to participants in the use of energy-efficient engineering practices, including identifying and analyzing potential efficiency opportunities. Then financial incentives are applied to reduce the incremental cost barrier to investing in efficiency.

Newly constructed buildings in particular offer the greatest opportunity to explore comprehensive gas and electric energy efficiency options, as these projects need to purchase all new equipment. The program addresses the critical nature of this short window of opportunity. The ability to upgrade the equipment or influence the design in these facilities may not appear again for many years.

This program will also address major renovations, additions to existing buildings and replacement of failed and overly aged equipment. These projects will use RI energy code as a baseline and customers are required to meet this at a minimum.

Energy efficiency measures which are eligible for incentives include premium efficiency lighting and controls, motors, variable speed drives, heating, ventilating and air conditioning systems (HVAC), efficient boiler and domestic hot water systems, heat recovery systems, digital energy management systems, process efficiency improvement projects, refrigeration, compressed air, combined heat and power, or any other cost effective efficiency improvement. Insulation will now be offered as a custom measure, as opposed to prescriptive, allowing for more applications with increased incentives.

Incentives

For 2011, the Company has integrated processes by aligning gas and electric incentive structures. All projects will be presented to customers as a single package of measures with a single incentive offer, further simplifying the process for customers.

Prescriptive Incentives

Prescriptive incentives are standardized in terms of incentive level and minimum efficiency criteria. They address specific equipment measures like lighting, motors, DHW, compressed air, and HVAC. Prescriptive incentives for high efficiency equipment and systems are offered to customers on a per unit basis. All prescriptive forms will use common branding, format, look and feel, and incentives are generally designed to be presented in a consistent format. The Large Commercial New Construction program prescriptive measures and incentive offerings are as follows:

Prescriptive Gas Space and Water Heating

The Company will continue to promote high gas efficiency space and water heating equipment in the Large Commercial New Construction Program. There will be several changes in the 2011 program. The category for 92% AFUE furnace without Electronic Commutated Motor will be removed from the Program. The category 92% AFUE or greater with Electronic Commutated Motor will continue to be included in the Program. Direct Fired Make-Up Air Heaters and Steam Boilers will be handled as custom measures in 2011. The condensing boiler categories “up to 174 MBH” and “175 to 300 MBH” will be consolidated into one category. The indirect fired water heater categories “up to 50 gallons storage” and “50 gallons storage and over” will be consolidated into one category for all storage sizes.

Prescriptive Commercial Kitchen

The Company will continue to promote high efficiency gas Kitchen Equipment in the Large Commercial New Construction Program. The program was improved significantly in 2009. Savings calculations were revised based on current high efficiency equipment and incentives were increased accordingly. Incentives are available for combination ovens, rack ovens, conveyer ovens, fryers, convection oven, steamers, and griddles. In 2011, the Company will be evaluating electric equipment to enhance the present commercial kitchen offering. Assuming appropriate measures are identified, these would be added to the prescriptive form mid-year to support immediate entry into the marketplace. The Company will continue reaching out to commercial kitchen trade allies and sponsoring the 2011 New England Food Show. The Company will also continue to work with franchised chain restaurants for both custom and prescriptive kitchen incentives.

Prescriptive Motor Incentive

In the past, the MotorUp offering was delivered through a joint effort by participating utilities and energy efficiency agencies in New England, New York and New Jersey through the Northeast Energy Efficiency Partnerships. This extended regional group has decided to end the joint delivery of MotorUp. Due to the Energy Independence and Security Act of 2007 (EISA), motor manufacturers will be required to meet NEMA premium efficiency on all 1 hp through 200 hp general purpose motors as of December 2010. However it will take some time for the existing stock of below NEMA premium

motors to be exhausted. The Company will continue the MotorUp offering until June 30, 2011.

At this time there is no nationally recognized efficiency standard for “beyond NEMA premium” efficiency motors. Also the availability of “beyond NEMA premium” motors is limited. There are few manufacturers that produce these motors and all motor sizes between 1 hp through 200 hp are not available. However customers will still be eligible for motor incentives as part of the Retrofit VFD/Motor combination incentive discussed in the Large Commercial Retrofit Program description.

Prescriptive Variable Frequency Drives Incentive

The Company will continue to promote Variable Frequency Drives (VFDs) in the New Construction Program. In addition to the prescriptive incentive available to all Large C&I customers, the Company is expanding Project Expeditor services, to include VFD installation as one of the turnkey measures offered to both large C&I and small business customers.

Prescriptive Small HVAC Incentive

The Company has participated in Cool Choice since 1999, a regional program that focuses on promoting the installation of energy efficient unitary HVAC equipment through Large Commercial New Construction. The program features consistent efficiency incentives revised to follow CEE’s new Tier 2 specifications for >5.4 Ton to <63 Ton units. Incentives are also offered for dual enthalpy economizer controls, demand control ventilation and electronically commutated motors (ECM fan motors) in packaged air conditioners and gas furnaces. The incentive amounts will be revised in 2011 to account for the adoption of IECC 2009, as Rhode Island’s state building code.

Prescriptive Chiller Incentive

The Company will continue to promote high efficiency chillers in the New Construction Program. In 2010 the minimum allowable size chiller was lowered from 150 tons to 30 tons. This program expansion was possible due to the widespread availability of high efficiency frictionless compressor components. The prescriptive incentive is available for single non-process chiller installations. Process cooling chillers and multiple chiller installations must be handled as a custom incentive.

Prescriptive Lighting Incentives

The Company will continue to offer prescriptive incentives aimed at promoting the most energy efficient lighting equipment in new, renovated and retrofitted buildings. A lot of attention has been given to emerging solid state lighting (LED) technology this year with prescriptive offerings that will likely expand for 2011.

The Company sees great opportunities in working with the electrical supply houses selling lighting equipment in Rhode Island. In 2009, a successful efficient fixture pilot

was conducted in the state. That experience will lead to possible upstream incentives for energy efficient T8 lamps and ballasts, lighting fixtures and solid state lighting. The Company has also been doing cooperative advertising with manufacturers.

All of the above prescriptive incentives may be expanded as new technologies are identified. In 2011, the Company will work to add additional prescriptive measures to the current offerings, including new technologies focused specifically to some of RI's larger commercial market segments. One example is further exploration of electric cooking equipment, cooler equipment and ice making equipment to better serve RI's robust restaurant and hospitality industry. Concentrating efforts on specific segments with applicable technologies will allow us to achieve deeper savings with these customers and raise awareness about opportunities.

Moving forward the Company will explore ways that integration allows us to further simplify the offering of prescriptive incentives. As an example, one of these strategies may include the consolidation of application forms easing the customer's participation in the program. Also in 2011, there is an evaluation study of the prescriptive heating and water heating offerings and the Company will be evaluating the results and making updates to the program as needed to be consistent with any new information identified.

Custom Incentives

Custom incentives are offered for any qualifying cost-effective efficiency opportunity, based on the unique energy savings and cost criteria of a project. These incentives include projects which are outside the scope of standard prescriptive equipment. In general, incentives for Large Commercial New Construction projects are designed to cover up to 75% of the incremental cost between standard and premium efficiency or to buy down the cost of equipment to the customer to a one year payback, whichever is less. In addition in R.I. for 2011, when customers leverage a comprehensive approach in which the package of measures achieves greater than 10% whole building (electric and gas if used) savings, the customer is eligible for an enhanced incentive up to 90% of the incremental cost. When considering these measures, the individual gas or electric contribution will not exceed 75% of the measure's incremental cost. Incentives may not be applied toward normal maintenance costs and must offset existing or potential energy usage. Project incentive caps may be imposed based on budgetary constraints. Other custom incentives are offered on specific initiatives as described below in additional detail.

The Company will continue to explore opportunities for cooperative advertising and upstream incentives to vendors, suppliers and manufacturers, while working to identify new ways to provide additional incentive to architects and engineers. An example of this could be the introduction of an upstream lighting initiative.

Technical Assistance Services

For the New Construction Program, the earlier in the design process the Company becomes involved, the more likely it is that a comprehensive solution will be possible.

For example, if the customer begins participation in the Large Commercial New Construction Program before making final design decisions, one advantage comes from investigating reduced cooling requirements through improved lighting systems design. This improvement may lead to selecting smaller HVAC equipment and contributing to greater efficiency and lower building operating costs.

The Company's Account Executives, Commercial Efficiency Consultants and Technical Representatives will assist customers in identifying opportunities. In addition, vendors are available to provide energy assessments, custom assessments and scoping studies to help identify opportunities at no charge to the customer. If these assessments determine that a more detailed analysis is needed, this will be done through a Technical Assistance (TA) study.

The Company offers TA services, integrated with the customer's design team if they have one to avoid duplication of effort and delays in initiating projects. The Company will seek to continually streamline the process, and reduce to the greatest degree possible any administrative, technical or process issues that create potential barriers to participation for all building types. In the event that a customer has already completed an energy study equal to or better than a TA study, then the TA study will not be required. The TA covers all gas and electric opportunities that support best practices in building design and considers energy efficient measure identification, equipment metering or monitoring, improved technical design solutions, customer presentations, and design and construction assistance. TA provides customers and their design professionals with detailed engineering studies that identify alternative energy systems that support lower operating costs in the buildings and the operational benefits that come from this selection. The costs of these energy efficiency studies are usually shared 50% with customers. New for 2011, and to encourage comprehensiveness, if a TA study includes both gas and electric measures the Company will provide up to 60% of this cost. When considering a TA study, the individual gas or electric contribution will not exceed 50% of the total study cost. TA study incentive caps may be imposed based on budgetary constraints.

Advanced Buildings, LEED and Sustainable Design

The Company is supporting Advanced Buildings Core Performance developed by the New Buildings Institute (NBI) in cooperation with US EPA, ASHRAE, the US Green Buildings Council and the National Building Operators and Managers Association. Advanced Buildings is a suite of technical resources and prescriptive design guides that help design professionals create commercial buildings that are energy efficient and provide a healthy work environment for occupants. Advanced Buildings complements the Comprehensive Design Approach with a special emphasis on medium sized buildings. Advanced Buildings also serves to promote better commercial design practices such that advancements in the Rhode Island building code can be implemented at an accelerated rate. The Company has played a lead role nationally in the development and refinement of Advance Buildings along with other stakeholders and utilities. Advanced Buildings uses a prescriptive approach to new building design elements aimed at

achieving energy savings that are at least 20% better than the Rhode Island state energy code.

For 2011, the Company will continue to build on the success of the Advanced Buildings we have been promoting for five years in Rhode Island to address the gas and electric efficiency needs of new construction projects for commercial buildings between 10,000 and 100,000 sq. ft. In 2010, National Grid partnered with the Rhode Island USGBC chapter to deliver additional Advanced Buildings implementation training to property owners, contractors, and design professionals. National Grid will also continue the 2010 prescriptive incentive amount, \$1.50/SF. The prescriptive incentive allows customers to calculate the potential incentive at the beginning of design and evaluate Advanced Buildings implementation accordingly. In 2011 National Grid is evaluating a \$/SF gas incentive to complement the electric program and simplify the implementation of Advanced Building for the medium sized customer. Numerous projects have been designed in the state using Advanced Buildings and we expect the number to grow as architects and their clients realize that buildings designed this way are practical and cost effective.

National Grid will support customers with designs that incorporate the U.S. Green Building Council's "Leadership in Energy and Environmental Design (LEED) Green Building Rating System™" in their new construction projects using our staff LEED Accredited professionals. For many this will include providing a basic understanding of LEED requirements and guiding them through the process of assembling a qualified design team. Beyond this we will guide customers to the best path for achieving maximum cost-effective LEED points for Energy and Atmosphere, by providing technical support along with financial incentives. Through coordination with the project design team, LEED projects can maximize incentives with Advanced Buildings program or National Grid's Comprehensive Design Approach program.

In addition to customer focused outreach, the Company will implement a major outreach effort to architects and other trade allies in its marketing plan under development. This will be necessary to ramp up penetration of Advanced Buildings into the new construction market. This outreach will include relying on both in-house and outsourced professionals calling on architectural and engineering firms directly as well as providing support materials that identify the value of better performing buildings and the practices necessary to achieve these cost reduction results. The Company plans to work with local professional organizations such as the RI Hospitality Association and the RI Manufacturers Association.

Commercial / Industrial Economic Development Initiatives

Stimulating Business Growth in Rhode Island

The Large Commercial New Construction program offers a significant opportunity for economic development in Rhode Island by helping businesses save on their energy costs while at the same time supporting them in their investments in new energy efficient equipment and system improvements to their facilities. To this end, for 2011 the

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a National Grid

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Company will continue to work closely with various economic development groups in the state, including the Rhode Island Economic Development Corporation (RIEDC), to seek ways the Company may provide focused efficiency services. This effort builds on the relationships first established in 2005, and may create a more favorable climate for doing business in Rhode Island. Businesses moving to Rhode Island and businesses that might be expanding, for example, are referred to the Company by the RIEDC.

Another economic development initiative the Company started in 2009 is to help expand the capability of businesses that serve the energy efficiency industry in Rhode Island. This will be necessary in order to meet ever increasing demand for our energy efficiency programs. The Company has partnered with New England Technical Institute, the RI Chapter of the US Green Buildings Council and others to develop a green workforce development plan for Rhode Island under the Governor's work force development effort. The Green Technology Consortium plans to work with the findings from the recently written Skills Gap Study provided by Northeastern University's Center for Labor Market Studies. The Company will work with the Green Technology Consortium to build a plan for green technologies in the state going forward.

Building Codes and State Standards

In 2011, the Company will be using the more advanced IECC 2009, RI's state building code. The Parties agree to support work at national and local levels to develop codes and standards that continue to upgrade building energy efficiency. In cooperation with the codes community, including the Building Code Commission, the Company will work with this and other agencies to offer continued improvement on proposed building codes and standards that lead to the future revisions of the Rhode Island State Building Code. This will address cost-effective electric and gas revisions to the code.

Continually refining these codes and standards, which complement existing programs such as Large Commercial New Construction and Large Commercial Retrofit, has a significant impact on institutionalizing progress made through utility programs. Therefore, this initiative focuses on (1) working with national code development organizations such as ASHRAE to upgrade building efficiency codes and (2) working at the local level with Rhode Island and other states in the development of state efficiency codes and standards. The Company will offer support to this effort which will be coordinated primarily through the Northeast Energy Efficiency Partnerships (NEEP) and the New Buildings Institute (NBI) organizations with the goal of assisting states and others with the development of codes and standards that are practical and enforceable. The Company will continue to pursue additional upgrades to the present code through NBI. Part of this effort includes facilitating and supporting the training and education efforts for code enforcers, designers and builders.

Federal Standards

Ultimately, markets are transformed towards higher efficiency when newer efficient equipment supplants older inefficient equipment to an extent that the latter is either no

longer produced, becomes unattractive to end users or is excluded from the marketplace as the result of various standard-setting processes. Some of these standard-setting processes are industry-driven and voluntary; others produce mandatory codes or standards promulgated by federal or state governments.

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

The USDOE may consider setting efficiency standards which vary by region. As these standards are raised, participation requirements for Large Commercial New Construction and Large Commercial Retrofit will be elevated accordingly, pulling the market toward successively higher efficiency strata. The Company believes that active participation in the elevation of energy efficiency standards is an integral part of any transition strategy in respect to ratepayer funded market transformation initiatives. Associated costs for this initiative are included in the Large Commercial New Construction Program budget.

High Performance Commercial Lighting Design/DesignLights™ Consortium

To continue to promote high quality, high performance lighting with commercial and industrial customers the Company will utilize a series of specialized tools, under development by the USDOE Commercial Lighting Design initiative. For 2011 the

Company will continue to provide additional outreach on the benefits of high quality lighting design to various lighting equipment vendors throughout Rhode Island. The Company proposes to accomplish this through visits, workshops and breakfast meetings with these vendors and with lighting specifiers. These meetings will be educational but also provide an opportunity for these market players to promote high quality, energy efficient lighting that qualifies for incentives to their customers.

As part of this outreach, the Company will also promote best design practices under development by the Advanced Energy Office collaboration and design tools being developed by the USDOE's Commercial Lighting Initiative. Advanced Energy Office is targeted at opportunities that arise at the time leased office space is fitted out for a new tenant. In addition to lighting, plug load controls, advanced energy management controls and retro-commissioning of HVAC distribution systems will be promoted. Standard incentives for new equipment will apply.

In 2011, the Company will continue to seek out and promote emerging technologies for energy efficient lighting. For example, the Company is following advances in solid state (LED) lighting technology and now offers prescriptive incentives for five different types of solid state lighting. As more of this technology emerges, the Company will promote this to customers.

The Company is very active in USDOE/EPA's Energy Star Solid State Lighting (LED) Initiative. In addition, through the DesignLights™ Consortium, the Company is working with other energy efficiency program administrators across the region to identify and list LED lighting products that meet Energy Star requirements.

The Company has been offering a "performance lighting" option which provides an incentive based on the ability of a project to achieve lighting power densities (watts per sq. ft.) more efficient than what's required by the Rhode Island State Energy Code. This option targets architects, building design engineers and lighting equipment suppliers who have to ensure that installed lighting meets the code. Performance lighting achieves two things: 1) makes the practitioner more aware of lighting power density requirements in the code and 2) introduces them to technologies and design that will help their project deliver a lighting power density 30% or more less than code. The Company will continue to offer a "performance lighting" option in 2011 but will expand its penetration in the new construction market by offering expanded technical assistance and outreach to lighting practitioners.

High Performance Schools

The Company will continue offering a special initiative targeted to public schools through the Large Commercial New Construction Program. While Large Commercial New Construction has been effective in reaching public schools, a majority of schools have not participated due to a broad range of market barriers including limited funding and competitive bidding requirements. This program's intent is to help schools minimize the hurdles posed by these market barriers during a time when Rhode Island is seeing an unprecedented level of investment in new and renovated schools.

The Company proposes to fund the full cost for technical assistance studies for new construction or renovation under Large Commercial New Construction. All qualifying cost-effective electric and gas energy saving measures would be addressed through comprehensive treatment. It is anticipated that most projects will involve lighting. A key requirement for this initiative is that projects follow the Comprehensive Design Approach (CDA) track which entails an interactive analysis of proposed measures utilizing whole building simulation tools and that the building is at least 20% more efficient than code. As an alternative to CDA, smaller school projects may follow the New Buildings Institute Core Performance standards described previously.

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

The RI Department of Education (RIDE) has a major "asset protection" effort underway that ensures that schools are maintaining equipment that was funded through state housing aid. Building Operator Certification Training and Whole Building Assessment,

discussed in the next section, are two examples of where we will help RIDE. Funding for this initiative is included in the overall New Construction and Equipment program budget.

Commissioning

To ensure that energy savings features are installed and operated as designed, the Company provides a commissioning service. This service is an independent third party verification that complex building systems, such as HVAC projects involving energy management systems or other controls, are operating as designed. In some circumstances customers may wish to use their own engineer in lieu of a TA vendor supplied by the Company. In these cases, these companies must adhere to the same standards and criteria for a technical analysis as engineers supplied by National Grid and their work will be reviewed and approved by the Company's technical support consultant. National Grid requires all project which receive incentive over \$100,000 to be Commissioned. We also promote Commissioning on any projects where the savings are dependent on control measures or operational improvements. Typically National Grid provides these services at no cost.

Large Commercial Retrofit Program

Program	Description	Major Components	Participation qualifications
Large Commercial Retrofit Program	Targets existing facilities and energy savings opportunities for existing equipment	Technical assistance and financial incentives to developers, customers, manufacturers, vendors and design professionals	National Grid eligible non residential natural gas and/or electric customers

The structure of this program is similar to that of the Large Commercial New Construction Program; however the audience is much broader. The Large Commercial Retrofit Program educates and raises awareness of the benefits of energy efficiency through investing in energy efficient equipment today and saving significant energy dollars in the future. The projects will use the customer’s existing facility conditions as a baseline and incentives are paid for those projects which increase the operating efficiency of the facility.

The Large Commercial Retrofit Program provides technical consulting to identify better practices and efficiency improvement opportunities as well as incentives for the installation of many different mechanical, electrical and thermal energy efficient equipment and systems.

Energy efficiency measures which are eligible for incentives include, but are not limited to lighting, motors, heating and hot water, gas burner controls, steam traps, energy management systems, programmable thermostats, variable speed drives, refrigeration, industrial process, compressed air, and process cooling.

Incentives

For 2011, The Company has aligned gas and electric incentive structures. All projects are presented to customers as a single package of measures with a single incentive offer, further simplifying the process for customers. There are two types of incentives available with the Large Commercial Retrofit Program: prescriptive and custom.

Prescriptive Incentives

Prescriptive incentives are standardized in terms of incentive level and minimum efficiency criteria. Prescriptive incentives for high efficiency equipment and systems are offered to customers on a per unit basis. As with Large Commercial New Construction, the Company will explore ways that integration allows us to further simplify the offering of prescriptive incentives. These offerings may be expanded as new technologies are identified. The Company will work to add additional prescriptive measures to the current

offerings, including new technologies focused specifically to some of RI's commercial market segments. An example of this is the company is exploring the costs and benefits of a prescriptive salon spray valve reducing the amount of hot water, and consequently gas or electric use, in RI's beauty salons and barbershops.

Prescriptive Pre-Rinse Spray Valve

The Company will continue to promote high efficiency pre-rinse spray valves in the RI Large Commercial Retrofit Program. There are two paths for this offering: 1). National Grid will provide and install a high efficiency pre-rinse spray valve at no cost to the customer, or 2.) the customer may purchase and install a high efficiency pre-rinse spray valve and receive a \$25 incentive. The installation of the high efficiency pre-rinse spray valve has been incorporated in our energy audits, Whole Building Assessment Initiative and Small Business direct install program. In addition to the prescriptive incentive available to all Large C&I customers, the Company is expanding Project Expeditor Services to include high efficiency pre-rinse spray valve installations as one of the turnkey measures offered to both large C&I and small business customers.

Prescriptive Gas Heating Controls

The Company will promote high efficiency gas heating controls in the RI Large Commercial Retrofit Program. Although EnergyStar has removed their logo from seven-day programmable thermostats, the Company's research documents significant savings from this technology. The Company will also continue to support single and multi-stage boiler outdoor temperature reset controls.

Prescriptive Steam Traps

The Company will continue to promote failed steam trap replacement in the RI Large Commercial Retrofit Program. Based on customer and vendor feedback, the incentive will be increased from \$25 to \$75 in 2011. This works in tandem with the custom steam trap survey offering.

Prescriptive Variable Frequency Drives

The Company will continue to promote Variable Frequency Drives (VFDs) incentives in the RI Large Commercial Retrofit Program. The Company offers a prescriptive retrofit incentive for most HVAC-related fan and pump motors. In 2010 a combination Motor/VFD incentive was added in RI. These incentives target facilities with older motors that are not inverter-duty rated, and therefore can not use VFDs. For customers that are unable to retrofit an existing motor, the combination incentive offers additional money to offset the cost of replacing the existing motor with a new NEMA premium motor.

In addition to the prescriptive incentive available to all Large C&I customers, the Company is expanding Project Expeditor services to include VFD and motor installations as a turnkey measure offered to both large C&I and small business customers.

Prescriptive Energy Management System (EMS)

The Company will continue to promote the installation and expansion of Energy Management Systems (EMS) in the RI Large Commercial Retrofit Program.

EMS systems enable energy conserving strategies for HVAC equipment such as 7-day scheduling, optimal start/stop, night setback, DDC temperature control, chilled water reset, and enthalpy economizer.

In order to increase participation, the Company has been providing training to controls contractors and vendors to help them understand which EMS components are eligible for an incentive, as well as how to complete and submit incentive applications.

Prescriptive Retrofit High Performance Commercial Lighting Design

The Company will continue to offer prescriptive lighting incentives with a comprehensive number of efficient lighting technology selections. Included in these selections are incentives for solid state lighting (LED). The Company is also working with the DesignLights Consortium to develop standards for solid state lighting. We will continue to work with customers who are interested in solid state lighting as this technology continues to evolve. Currently, we are offering prescriptive incentives for five different solid state lighting technologies and custom incentives on a number of others.

As with Large Commercial New Construction, the Company will explore ways that integration allows us to further simplify the offering of prescriptive incentives. These offerings may be expanded as new technologies are identified. The Company will work to add additional prescriptive measures to the current offerings, including new technologies focused specifically to some of RI's commercial market segments. An example of this is the company is exploring the costs and benefits of a prescriptive salon spray valve reducing the amount of hot water, and consequently gas or electric use, in RI's beauty salons and barbershops.

Custom Incentives

Custom incentives are offered for any qualifying cost-effective efficiency opportunity, based on the unique energy savings and cost criteria of a project. These incentives include projects which are outside the scope of standard prescriptive equipment. In general, incentives for Large Commercial Retrofit projects are designed to cover up to 50% of the total project cost to move to premium efficiency including labor and equipment, or to buy down the cost of equipment to the customer to a one year payback, whichever is less. Similar to the New Construction Program for 2011., when customers leverage a comprehensive approach in which the package of measures achieves greater than 20% whole building (electric and gas if used) savings, the customer is eligible for an enhanced incentive up to 75% of the project cost. When considering these measures, the individual gas or electric contribution will not exceed 50% of the total project cost. Project incentive caps may be imposed based on budgetary constraints. Incentives may not be applied toward normal maintenance costs and must offset existing or potential

energy usage. Other custom incentives are offered on specific initiatives as described below in additional detail.

Technical Assistance Services

TA studies provide customers with detailed engineering studies that identify alternative energy systems that support lower operating costs in the buildings and the operational benefits that come from this selection. The administration and cost sharing, along with the commitment to continually streamline the process, of the technical assistance for the Large Commercial Retrofit Program are identical to the New Construction and Equipment Program highlighted in previous sections.

Initiatives

Non-Traditional Market Segmentation

In 2011, The Company will focus on unique market segments in the State of Rhode Island. In 2010, the Company laid the ground work for several significant efforts which will begin to bear fruit in 2011. This effort has resulted in scoping studies in 16 of the 18 waste water treatment plants in National Grid's RI service territory, which identified 96 potential Energy Conservation Measures which merit further review by TA studies. In 2011 the Company intends to continue with this work, which is challenged by the economy, finding ways to proceed with cost effective measures.

Hotels have been identified as having a large potential for a targeted approach. The Company has identified 83 hotels in the Company's R.I. Service territory. Occupancy based HVAC controls have been found to save a medium sized Providence hotel about 5.7% of its electrical consumption while providing a 2.1 year payback. By bringing custom solutions to these markets the company can dig deeper into individual market segments, moving us toward our more aggressive 2012-2014 goals.

The Company started working on equipment based segmentation as well in 2010. A combustion controls breakfast was held which used email and telemarketing, preceded by a direct mail campaign to contact customers whose usage profile was appropriate for this technology. Follow up work is under way and will be continued in 2011, targeting the 86 prospects the Company has identified as likely candidates for a successful combustion controls project.

Combined Heat and Power has a new incentive structure for 2011, which is highlighted below. Work has begun, and will continue, to market this technology by analyzing specific industries and usage patterns that make this technology a good fit and reaching out to customers proactively to garnish their interest.

Looking ahead to 2011, more market segmentation work is planned. Through a more comprehensive and coordinated marketing effort the Company will begin to gather additional market intelligence to aid our efforts. The Company will begin to evaluate custom solutions and increased offerings for more of R.I.'s market segments to include restaurants and office spaces, two more of R.I.'s larger segments.

Combined Heat and Power

A combined heat and power (CHP) system is one which generates electricity with an internal combustion engine, turbine engine or steam turbine, and captures the waste heat for use in the facility. In accordance with the work of the CHP task force and after approval from the RI Collaborative and stake holders, CHP formally began transition from its previous program model to an electric driven energy efficiency opportunity in August 2010. For 2011 the emphasis will be on getting this program rolled out to vendors and customers. This redesign aligns RI with other NE regional programs for CHP. The alignment allows CHP vendors to more easily operate across state lines, keeping RI competitive with its neighbors and giving RI customers equal access to the technology.

The Company will offer technical assistance on these projects beginning with a preliminary screening of a potential site. This screening will be based on an evaluation of:

- Monthly electric, gas, and other fuel usage.
- all end uses of natural gas
- proposed project cost

This screening will determine if further study of the site appears favorable for an appropriate application of CHP. Assuming a favorable screening, National Grid will co-fund a TA study of CHP with the customer. The TA study will be performed by an independent, qualifying engineering firm. This study is to measure thermal loads, appropriate CHP size, compile a budget cost estimate, and identify potential barriers to the technology, etc. National Grid will fund 50% of the cost of any TA conducted by a Preferred Vendor selected by the Company, and up to 50% of the TA for other qualifying independent engineering firms. Any TA by a CHP vendor or its representative which fulfills the CHP TA requirements will be accepted, though no co-funding will be provided. The TA study must be completed, submitted, and approved by the Company prior to implementation. All systems will require electric, thermal and gas metering for commissioning and monitoring of system efficiencies. Metering hardware and data collection services may be provided at little or no cost to the customer.

Incentives for the qualifying, approved and commissioned projects will be as follows:

- \$750/kW per installed kW, up to 150 kW
- Up to \$750/kW per installed kW, >150 kW
- Budgetary limitations and caps may apply.
- 20% of incentive payment retained until commissioning is complete

To Qualify:

- Customers must be in the franchise area served by National Grid Electric
- Systems must provide electric generation and off-set other facility thermal loads.
- Technical assessment study must be completed, submitted, and approved by utility prior to implementation.
- Efficiency $\geq 60\%$
- Annual useful energy = $\frac{\text{kWh} * 3413}{100000} + \frac{\text{utilized thermal output (therms)}}{\text{CHP gas input in therms (HHV)}}$
- Passes societal benefit cost test (BCR model > 1), a screening process internal to National Grid.
- Benefit cost test must include cost of all fuels and CHP maintenance.
- The customer has a three year contract for O&M services

Financing Initiative

In order to assist customers overcome the financial barriers to investing in energy efficiency, the Company will concentrate on securing sources of funding to offer finance options to large commercial and industrial customers. The Company expects to receive \$1.2 million in Regional Greenhouse Gas Initiative, Inc. (“RGGI”) Innovative ‘40%’ funds from 2010 auction proceeds for commercial-and-industrial financing through a Revolving Loan Fund. The Company will work with the state to leverage any remaining ARRA funds intended for energy efficiency financing so that customers may easily and fairly access the finance programs and that the finance funding ensures maximum energy savings.

The Company will also focus on securing an additional \$3.5 million in finance funds for large commercial-and-industrial customers. The Company is investigating outside sources that can invest in finance projects. The Company may use up to \$945,000 to leverage \$3.5 million in finance. The cost is included in the C&I budget and cost-effectiveness tests, found in Attachment 5, Tables E-2 and E-5.

Trade Ally Training Initiative

Energy efficiency awareness by the Company’s trade allies in RI is crucial to reducing barriers to energy efficiency and increasing acceptance of new technologies. Marketing activities to this segment will be a critical piece of the Company's promotion efforts. The Company will hold a RI based energy expo, with trade allies, commercial customers and Program Staff to begin cultivating broader program awareness and participation. This type of event is seen as essential for kicking off the program year and forging new relationships in the efficiency community, a necessity to achieve future goals. The Company will support and undertake a wide range of training events in collaboration

with GasNetworks, Northeast Energy Efficiency Partnerships (NEEP), R.I. Chapter of the US Green Building Council, manufacturing training representatives and other trade allies as well as regular visits by Company personnel to area distributors. Outreach will extend to contractors, engineers, builders, landlords, realtors, facility managers and housing authorities. The budget for the Trade Ally Training Initiatives will be included within each program's budget.

Steam Assessment and Savings Initiative Retrofit

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

Compressed Air Challenge

The Company will continue its active sponsorship of the national Compressed Air Challenge (CAC). The CAC is a broad based collaborative of government agencies, compressed air specialists, equipment manufacturers, end-use consumers and utilities whose objective is to promote the substantial energy savings improvements available by means of a comprehensive, systems approach to compressed air system design and operation. The CAC educational and technical materials being disseminated by the Company are intended to increase customer awareness of, and demand for, products and services that encompass a comprehensive, "systems optimization" approach. Coupled with this increased demand for enhanced services from customers, regional compressed air equipment and service vendors will be exposed in depth to the technical approaches promoted by the CAC. Over the past few years the Company has been actively coordinating local workshops that have been developed by the CAC. These workshops reflect consensus approaches to a variety of technical issues associated with the comprehensive system approach to compressed air quality, reliability, and efficiency. The first workshop, entitled "Fundamentals of Compressed Air Systems," has been very well received by industrial customers and vendors who have attended to date. The second is a more advanced two-day workshop entitled "Advanced Management of Compressed Air Systems." This complementary workshop is primarily targeted at larger, more sophisticated customers as well as regional vendors and engineering consultants. The Company anticipates that these workshops will result in an increased number of applications under the Company's programs that address more comprehensive solutions to system efficiency. The Company expects to hold one Level 1 workshop in Rhode Island. We will also target Rhode Island customers and compressed air vendors for Levels 1 and 2 classes that are offered in Eastern

Massachusetts.

In addition to promoting the two levels of CAC training currently available, the Company will also be providing comprehensive compressed air system O&M initiative for large industrial compressed air users as described below, as well as identify cost-effective compressed air efficiency opportunities in TA studies. The Company will offer customers incentives to implement the measures once they have been identified. The budget for this initiative is included in the overall budget for Large Commercial Retrofit.

Compressed Air Operations & Maintenance Improvement Program

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

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

One measure that might be identified during a compressed air assessment is the opportunity to recover heat generated by the compressor that could be applied to an industrial process that heats with gas. The budget for this initiative is included in the overall budget for Large Commercial Retrofit.

Retro-commissioning

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

The Retro-commissioning Initiative is best suited for the following:

- Commercial and industrial buildings that have an electric demand greater than 200 kW, although smaller facilities may be good candidates for this service.
- HVAC and process systems
- Desire to reduce operating costs

- Use an energy management system
- The objective of the Retro-commissioning Initiative is to:
- Reduce operating costs during peak and off peak periods
- Develop a comprehensive and acceptable operation and maintenance plan
- Identify and provide incentives as necessary for capital projects that can lead to substantial energy savings
- Identify and provide incentives as necessary for low cost or no cost projects that can lead to substantial energy savings
- Educate the building personnel how to operate the building efficiently

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

Incentives will be paid to encourage customers to implement the operations and maintenance (O&M) measures that are cost effective. Retro-commissioning projects also identify capital improvement measures which can receive incentives through our standard prescriptive or custom project approach.

Building Operator Training and Certification (BOTC)

The Building Operator Training and Certification (BOTC) initiative is a collaborative effort among gas and electric utilities in the region. Through this effort a training and certification program is administered and conducted by a third party and offered to commercial and industrial customers. The Company has offered Level 1 of the BOTC initiative for the past seven years.

As stated previously, the Rhode Island Department of Education is requiring BOTC training for all districts that receive state housing aid for capital and O&M projects at schools.

The BOTC's objectives include:

- Increasing O&M personnel knowledge and skills in operating and maintaining commercial and industrial buildings for efficiency, comfort, and safety.
- Expanding market awareness of the benefits of improved building performance.
- Building market demand for resource-efficient O&M services.
- Distinguishing resource-efficient practices, service providers, and knowledgeable building operators in the marketplace.

- Establishing a Training and Certification program that will become financially self-sustaining in the future.

Classes will continue to be offered in 2011 with additional classes and new locations being considered to train a larger portion of RI's building operators.

Whole Building Assessment

Since 2005, National Grid has offered the Whole Building Assessment (WBA) Initiative to encourage its commercial and municipal customers to make a long-term commitment to energy efficiency. The initiative provides assistance with: 1) assessing a building's energy performance, 2) identifying cost-effective energy upgrades and available utility incentives, and, 3) undertaking educational campaigns. The education and awareness campaigns are in addition to offering larger retrofit participation. WBA is a 4 step process that includes a very holistic approach "education and awareness for the occupants of the building". There are no barriers.

The initiative assesses one commercial building per customer and covers all fuels. Originally National Grid offered 4 buildings and as a result we were not able to reach as many customers within the budget. By offering one building as a "template" for other buildings – our customers can learn the whole building approach and adapt it to their other buildings. They are also encouraged to participate in our other energy efficiency program offerings. The customer must sign a Memorandum of Understanding which outlines the program features, requirements and cost. The cost of the mechanical assessment is split 50/50 with the customer. For a municipal customer the full cost of the study will be paid by the utility if a project is undertaken by the customer within one year of the Action Plan Meeting. The customer must also complete a prescreening questionnaire to provide information on the building characteristic, equipment and energy use.

National Grid's staff qualifies the building by working with the customer to input building data into the Energy Star Portfolio Manager which generates an Energy Star benchmarking score. This score (which ranges from 1-100) compares the energy performance of the building to other similar buildings across the country. To qualify the building must have an energy use greater than 200 kW, and have a relatively low or average Energy Star benchmarking score and high energy intensity.

For buildings that qualify, a whole building assessment is conducted where cost-effective mechanical, lighting, low cost/ no cost opportunities and other efficiency measures are identified. Of course we can offer WBA to any commercial and municipal customers. However, some customers have a low energy intensity and high benchmarking score and as a result – we logically offer those more efficient customers other assistance that would better fit their needs and be more cost effective for our program. The estimated energy savings, cost and available utility rebates are also identified. For the assessment National Grid's Energy Profiler On-Line (EPO) data (a cost based service) which provides energy use patterns within large commercial facilities is shared with the customer. The findings are provided to the customer in an Energy Audit Report and are reviewed with the

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customer at an Action Plan Meeting. The Account Executives and/or Commercial Efficiency Consultants are responsible for follow-up and assisting the customer with project applications.

The marketing is done in Rhode Island through Account Executives (for large customers) and Commercial Efficiency Consultants (for mid-size market customers). Lighting and mechanical service vendors that work with National Grid are also in the field, actively seeking participants for this Initiative. The program focus is on commercial and municipal buildings and that focus is expected to continue into 2011. Our program focus has been based on how many customers participate in the initiative. We also focus on achieving kWh savings that assists our delivery department goals.

Multifamily Initiative

Multifamily customers are unique in that they can be eligible for either residential or commercial programs based on their rates. This can lead to confusion for the customer in understanding which program offerings fit them best. In 2011, National Grid will streamline the program and create a more customer friendly program structure. The Company will combine the efforts of our residential and commercial groups, offering a common incentive structure and single point of contact for this market segment across RI. Both residential and commercial incentives will be reviewed to determine the best course forward for this market segment. This review will be complete and the program implemented beginning no later than March 31st, 2011.

Small Business Direct Install Program

Program	Description	Major Components	Participation qualifications
Small Business Direct Install Program	Provides Direct Retrofit installations to Commercial and Industrial Customers	Audit, direct installation of measures and on-bill financing for customer's co-pay portion	Commercial Electric customers with an avg. monthly demand of less than 200kW or annual energy usage of 483,600 kWh, those with gas accounts eligible for gas measures as well

The qualifying customer for the Small Business Direct Install Program is in a hard to reach market segment. The Primary obstacle to these smaller businesses is the up front capital required to fund the efficiency improvements identified. The incentive structure of these programs helps engage this market segment and provides a vehicle to energy savings for the customer.

The Small Business Direct Install Program creates broader program depth and appeal to customers by offering comprehensive energy efficiency opportunities intended to install all cost-effective gas and electric opportunities through a turn-key direct installation process. The program leverages the audit conducted to identify both gas and electric efficiency opportunities. It will also evaluate both a set of "standard" measures, such as lighting, as well as installation of "custom" measures, like EMS systems, that are deemed cost-effective specific to a particular customer.

The Company arranges the equipment purchase through a material vendor and installation with an administrative contractor. Program staff is trained to identify opportunities for both gas and electric efficiency.

The Small Business Direct Install Program offers incentives on the following measures including but not limited to:

- the installation of energy efficient fluorescent ballasts, lamps, and fixtures
- hard-wired and screw-in compact fluorescent systems
- high intensity discharge systems
- LED lighting, occupancy sensors
- energy management systems
- thermostats
- insulation
- hot water reset

- low flow pre-rinse spray valves
- refrigeration measures such as evaporator fan controls, efficient evaporator fan motors, automatic door closers and door heater control devices for walk-in coolers
- boiler reset control (single stage)
- pipe insulation

Incentives

Incentives cover up to 70% of both labor and material costs. Customers may finance the remainder for up to 24 months interest-free through their electric bill. If customers pay their portion up front, they receive a 15% discount off the amount due (i.e. 15% off of the 30% co-pay amount).

Community Based Initiative

As part of the Community based initiative outlined in the residential section of this document, the small business direct install program will be the means to serve the hard to reach customers identified by this initiative. As discussed in Attachment 2, the company experienced great success piloting the delivery of the Direct Install program vis-à-vis a Main Streets approach in *Energy Action: Aquidneck & Jamestown*. Testing the applicability of this Main Streets delivery model with hard to reach customer segments will be an important component of the company's strategy to meet ever increasing savings goals in 2011 and beyond.

COMMERCIAL & INDUSTRIAL MEASURE DETAILS

Electric

Program	Subprogram	Annual kWh Goal	Incentive
New Construction	CAIR	869,584	75% of Incremental Cost
	Cool Choice	476,324	
	CUSTA	11,144,717	
	HVAC	701,236	
	Light	2,159,188	
	MotorUp	74,630	
	VSD	202,033	
Retrofit	CAIR	16,674	50% of Project Cost
	CUSTA	6,892,786	
	HVAC	1,878,369	
	LIGHT	25,182,769	
	VSD	2,330,467	
	SCI	16,651,615	

Gas

Program	Measure	Quantity	Rebate Level
New Construction	Furnace 92+ AFUE (<150) w/ECM Motor	22	\$ 500.00
	Furnace 94+ AFUE (<150) w/ECM Motor	6	\$ 650.00
	Condensing boiler <= 300 mbh	43	\$ 2,000.00
	Hydronic boiler <= 300 mbh	4	\$ 750.00
	Infrared	15	\$ 500.00
	On demand, Tankless Water Heater >=.82,	16	\$ 500.00
	Indirect Water Heaters (Combined appliance efficiency rating >=85% (EF=.82)	16	\$ 300.00
	Condensing Stand Alone >95% TE, >75000 btu	2	\$ 500.00
	Integrated water heater/condensing boiler (0.9 EF, 0.9 AFUE)	5	\$ 1,600.00
	Integrated water heater/condensing boiler (0.86 EF, 0.85 AFUE)	2	\$ 1,000.00
	Condensing boiler 301-499 mbh	21	\$ 3,000.00
	Condensing boiler 500-999 mbh	2	\$ 5,000.00
	Condensing boiler 1000-1700 mbh	8	\$ 10,000.00
	Condensing boiler 1701+ mbh	12	\$ 15,000.00
	Hydronic boiler 301-499 mbh	1	\$ 2,000.00
	Hydronic boiler 500-999 mbh	15	\$ 2,500.00
	Hydronic boiler 1000-1700 mbh	15	\$ 3,500.00
	Hydronic boiler 1701+ mbh	34	\$ 5,000.00
	Fryers	15	\$ 1,000.00
	High Efficiency Gas Steamer (Energy Star >=38% efficiency)	1	\$ 1,000.00
	High Efficiency Gas Convection Oven (>=40% efficiency)	1	\$ 1,000.00
	High Efficiency Gas Combination Oven (>=40% efficiency)	1	\$ 1,000.00
	High Efficiency Gas Conveyor Oven (>=40% efficiency)	1	\$ 1,000.00
	High Efficiency Gas Rack Oven (>=50% efficiency)	1	\$ 1,000.00
	High Efficiency Gas Griddle	1	\$ 500.00
	C&I Custom New Construction	11	Average Incentive Based on Measures Installed
	Retrofit	Pre Rinse Spray Valve	56
Boiler Reset Controls - One Stage (retrofit only)		3	\$ 150.00
Boiler Reset Controls - Multi-Stage (retrofit only)		19	\$ 250.00
Steam Traps		432	\$ 75.00
Thermostat		191	\$ 25.00
Custom Retrofit	28	Average Incentive Based on Measures Installed	
Small Business Direct Install	Pre Rinse Spray Valve DI	60	\$ 100.00
	Thermostat DI	90	\$ 125.00
	Pipe insulation (linear ft)	650	\$ 7.50
	Boiler Reset Controls - One Stage	6	\$ 1,300.00

Table E-1
National Grid
Electric 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 E-2):	\$ 5,977.28	\$ 15,210.60	\$ 32,847.81	\$54,035.7
Sources of Other Funding:				
(2) Projected DSM Commitments at Year-End 2010:	\$0.0	\$0.0	\$750.0	\$750.0
(3) Projected Year-End 2010 Fund Balance and Interest:	\$713.3	\$209.8	\$3,272.7	\$4,195.8
(4) Projected FCM Payments from ISO-NE: ¹	\$75.7	\$837.6	\$1,392.2	\$2,305.4
(5) Projected RGGI Payments (from E1-a):	\$182.9	\$2,256.1	\$3,658.5	\$6,097.4
(6) Total Other Funding:	\$971.9	\$3,303.4	\$9,073.4	\$13,348.7
(7) Customer Funding Required:	\$5,005.4	\$11,907.2	\$23,774.4	\$40,687.0
(8) Forecasted kWh Sales:²	253,714,516	2,808,841,122	4,668,814,337	7,731,369,974
(9) Energy Efficiency Program charge per kWh:				\$ 0.00526
(10) Currently Effective DSM Charge				\$ 0.00320
(11) Adjustment to Reflect Fully Reconciling Funding Mechanism				\$ 0.00206

Notes:

¹ The total projection of FCM revenue is allocated by kWh sales to each sector.

² Projected street lighting and sales for resale kWh sales have been allocated to each sector based on the percentage of sales in each sector excluding expected street lighting sales.

**Table E-1a
RGGI Projections**

	Auction	Year	Gross Proceeds	RGGI Admin Costs	OER Admin Costs	Net Proceeds	60%	40%	80%	Total
2008 - 2010 Carryover	1	2008	\$1,347,036	\$46,150	\$0	\$1,300,886	Received March 2010	Expected by 4Q 2010		
	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				
	6	2009	\$944,535	\$0	\$47,227	\$897,308	\$538,385	Expected by 4Q 2010		
	7	2010	\$1,422,257	\$20,000	\$0	\$1,402,257	\$841,354			
	8	2010	\$1,298,533	\$0	\$0	\$1,298,533	\$779,120			
	9	2010	\$961,773	\$0	\$0	\$961,773	\$577,064			
	10	2010	\$961,773	\$0	\$232,217	\$729,556	\$437,734			
Carryover Subtotal							\$3,173,657		\$0	
2011	11	2011	\$961,773	\$0	\$0	\$961,773			\$769,418.4	
	12	2011	\$961,773	\$0	\$0	\$961,773		\$769,418.4		
	13	2011	\$961,773	\$0	\$0	\$961,773		\$769,418.4		
	14	2011	\$961,773	\$0	\$192,355	\$769,418		\$615,534.7		
2011 Subtotal			\$3,847,092	\$0	\$192,355	\$3,654,737			\$2,923,790	
Total RGGI Funds							\$3,173,657	\$0	\$2,923,790	\$6,097,447

Notes

- (1) Actual proceeds data through Auction 9 from http://www.rggi.org/market/co2_auctions/results
- (2) Projected proceeds based on 658,000 vintage allowances and 33,000 future allowances at Auction 9 prices
- (3) 2009 Rules dedicate 60% of Auctions 1-10 to utility energy efficiency programs
- (4) 2009 Rules dedicate 40% of Auctions 1-10 to be used for Innovative Programs; EERMC and OER approved National Grid's proposal for Innovative programs, no funding has been received as of October 31, 2010
- (5) Assume 80% of proceeds from Auction 11-14 will be dedicated to utility energy efficiency programs
- (6) 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>
- (7) OER Administrative costs based on OER Guidance, 5% of annual proceeds have been deducted for administrative costs

Table E-2
National Grid
2011 Electric Energy Efficiency Program Budget
\$(000)

	Program Planning & Administration	Marketing	Rebates and Other Customer Incentives	Sales, Technical Assistance & Training	Evaluation & Market Research	Grand Total
Non-Low Income Residential						
Residential New Construction	\$46.3	\$4.9	\$414.9	\$268.7	\$182.1	\$916.8
Electric HVAC	\$88.3	\$76.8	\$855.7	\$182.7	\$72.8	\$1,276.3
EnergyWise	\$476.3	\$203.6	\$4,585.8	\$487.4	\$109.3	\$5,862.4
ENERGY STAR [®] Lighting	\$146.8	\$416.3	\$1,390.7	\$374.4	\$109.3	\$2,437.5
ENERGY STAR [®] Appliances	\$128.2	\$370.6	\$1,218.4	\$367.2	\$0.0	\$2,084.3
EERMC - Residential	\$324.3	\$0.0	\$0.0	\$0.0	\$0.0	\$324.3
Energy Efficiency Educational Programs	\$0.0	\$0.0	\$0.0	\$50.0	\$0.0	\$50.0
Residential Behavior Pilot	\$35.9	\$29.0	\$220.0	\$102.8	\$72.8	\$460.6
Residential Products Pilot	\$18.9	\$2.0	\$40.1	\$50.0	\$218.5	\$329.6
Community Based Initiatives - Residential	\$113.4	\$26.5	\$0.0	\$1.0	\$95.2	\$236.1
Comprehensive Marketing - Residential ²	\$0.0	\$605.4	\$0.0	\$0.0	\$0.0	\$605.4
Shareholder Incentive						\$627.4
Subtotal - Non-Low Income Residential	\$1,378.4	\$1,735.1	\$8,725.4	\$1,884.2	\$860.0	\$15,210.6
Low Income Residential						
Single Family - Low Income Services	\$419.0	\$46.5	\$3,976.8	\$1,283.1	\$0.0	\$5,725.4
Shareholder Incentive						\$251.9
Subtotal - Low Income Residential	\$419.0	\$46.5	\$3,976.8	\$1,283.1	\$0.0	\$5,973.3
Commercial & Industrial						
Large Commercial New Construction	\$315.0	\$19.4	\$7,460.7	\$1,250.5	\$72.8	\$9,118.5
Large Commercial Retrofit	\$487.9	\$100.2	\$8,470.9	\$1,991.9	\$394.8	\$11,445.6
Small Business Direct Install	\$153.8	\$126.7	\$8,693.7	\$489.7	\$72.8	\$9,536.7
Community Based Initiatives - C&I	\$4.8	\$10.4	\$78.0	\$11.8	\$0.0	\$105.0
EERMC - C&I	\$489.5	\$0.0	\$0.0	\$0.0	\$0.0	\$489.5
Comprehensive Marketing - C&I	\$0.0	\$94.3	\$0.0	\$0.0	\$0.0	\$94.3
Shareholder Incentive						\$1,113.2
Outside Finance Costs ³	\$0.0	\$0.0	\$945.0	\$0.0	\$0.0	\$945.0
Subtotal - Commercial & Industrial	\$1,451.0	\$351.0	\$25,648.2	\$3,743.9	\$540.5	\$32,847.8
SRPP	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Grand Total	\$3,248.4	\$2,132.6	\$38,350.5	\$6,911.1	\$1,400.5	\$54,035.7

Notes:

(1) Includes Total Commitments for 2011, expected to be \$5,000,000. The allocation between Large Commercial New Construction and Large Commercial Retrofit is:

Large Commercial New Const. Commitments (\$000): \$3,570.0

Large Commercial Retrofit Commitments (\$000): \$1,430.0

These commitments reflect agreements with customers to provide funding for approved energy efficiency projects that will be completed after year-end 2011. The split of commitments between the large C&I programs reflects the thinking that more of the commitments will be made in New Construction as projects become more comprehensive. This assumption will be re-assessed through the year.

(2) Comprehensive Marketing is a multi-sector initiative with funding from each sector.

(3) For more information on Outside Finance Costs, please refer to page 10 of the 2011 EE Plan.

Table E-3
Derivation of the 2011 Spending and Implementation Budgets

	Proposed 2011 Budget (\$000) From E-2	Commitments and Copays (\$000)	EERMC Costs (\$000)	Shareholder Incentive (\$000)	Evaluation Expenses (\$000)	Eligible Sector Spending Budget for Shareholder Incentive on E-9 (\$000)	Implementation Expenses for Cost- Effectiveness on E-5 (\$000)
Non-Low Income Residential							
Residential New Construction	\$916.8				\$182.1		\$734.7
Electric HVAC	\$1,276.3				\$72.8		\$1,203.5
EnergyWise	\$5,862.4				\$109.3		\$5,753.1
ENERGY STAR® Lighting	\$2,437.5				\$109.3		\$2,328.2
ENERGY STAR® Appliances	\$2,084.3				\$0.0		\$2,084.3
EERMC - Residential	\$324.3		\$324.3		\$0.0		\$324.3
Energy Efficiency Educational Programs	\$50.0				\$0.0		\$50.0
Residential Behavior Pilot	\$460.6				\$72.8		\$387.8
Residential Products Pilot	\$329.6				\$218.5		\$111.0
Community Based Initiatives - Residential	\$236.1				\$95.2		\$140.9
Comprehensive Marketing - Resi	\$605.4				\$0.0		\$605.4
Shareholder Incentive	\$627.4			\$627.4			\$0.0
Subtotal - Residential	\$15,210.6	\$0.0	\$324.3	\$627.4	\$860.0	\$14,258.9	\$13,723.2
Low Income Residential							
Single Family - Low Income Services	\$5,725.4				\$0.0		\$5,725.4
Shareholder Incentive	\$251.9			\$251.9			
Subtotal - Low Income Residential	\$5,977.3	\$0.0	\$0.0	\$251.9	\$0.0	\$5,725.4	\$5,725.4
Commercial & Industrial							
Large Commercial New Construction	\$9,118.5	\$3,570.0			\$72.8		\$5,475.7
Large Commercial Retrofit	\$11,445.6	\$1,430.0			\$394.8		\$9,620.8
Small Business Direct Install ¹	\$9,536.7	\$0.0			\$72.8		\$9,463.9
Community Based Initiatives - C&I	\$105.0				\$0.0		\$105.0
EERMC - C&I	\$489.5		\$489.5		\$0.0		\$489.5
Comprehensive Marketing - C&I	\$94.3				\$0.0		\$94.3
Shareholder Incentive	\$1,113.2			\$1,113.2	\$0.0		\$0.0
Outside Finance Costs	\$945.0	\$945.0			\$0.0		\$945.0
Subtotal - Commercial & Industrial	\$32,847.8	\$5,945.0	\$489.5	\$1,113.2	\$540.5	\$25,300.1	\$26,194.1
SRPP	\$0.0						
Grand Total	\$54,035.7	\$5,945.0	\$813.8	\$1,992.5	\$1,400.5	\$45,284.4	\$45,642.7

Notes:

- (1) There are \$0 for Small Business Direct Install Copays in 2011 due to the creation of the Small Business Revolving Loan Fund, funded by the 2010 Innovative RGGI 40%. The incentives budget for Small Business Direct Install does not include financing because it will come from the revolving loan fund. Customers who receive financing in 2011 will repay it to the revolving loan fund.
- (2) Outside Finance Costs are capital costs to secure outside financing funds. Like the historical treatment of copays, outside finance costs do not directly lead to savings, therefore they are excluded from the eligible spending budget and a shareholder incentive is not collected on these funds. They are counted as an implementation expense.
- (3) Spending budget = Total Budget from E-2 minus Commitments, Copays, EERMC costs, and shareholder incentive.
- (4) Implementation Expenses = Total Budget from E-2 minus Commitments, Copays, Evaluation expenses, and shareholder incentive.

Table E-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 New Construction	\$734.7	\$823.7	(\$89.0)
Electric HVAC ¹	\$1,203.5	\$891.8	\$311.7
EnergyWise	\$5,753.1	\$3,973.4	\$1,779.7
ENERGY STAR [®] Lighting	\$2,328.2	\$1,677.4	\$650.8
ENERGY STAR [®] Appliances	\$2,084.3	\$1,609.6	\$474.7
EERMC - Residential	\$324.3	\$194.4	\$129.9
Energy Efficiency Educational Programs	\$50.0	\$50.7	(\$0.7)
Residential Behavior Pilot	\$387.8		\$387.8
Residential Products Pilot	\$111.0	\$79.0	\$32.1
Community Based Initiatives - Residential ²	\$140.9	\$150.0	(\$9.1)
Comprehensive Marketing- Residential ³	\$605.4		
Subtotal - Non-Low Income Residential	\$13,723.2	\$9,300.5	\$4,422.7
Low Income Residential			
Single Family - Low Income Services	\$5,725.4	\$3,532.1	\$2,193.3
Commercial & Industrial			
Large Commercial New Construction	\$9,045.7	\$7,036.6	\$2,009.0
Large Commercial Retrofit	\$11,050.8	\$6,948.1	\$4,102.7
Small Business Direct Install	\$9,463.9	\$7,684.5	\$1,779.4
Community Based Initiatives - C&I	\$105.0	\$150.0	(\$45.0)
EERMC - C&I	\$489.5	\$290.0	\$199.5
Comprehensive Marketing - C&I	\$94.3		
Subtotal Commercial & Industrial	\$30,249.1	\$22,259.2	\$7,990.0
OTHER EXPENSE ITEMS			
Company Incentive	\$2,004.5	\$1,267.0	\$737.4
Program Design, Evaluation and Planning	\$1,400.5	\$797.5	\$603.0
SRPP	\$0.0	\$425.0	(\$425.0)
Outside Finance Costs ⁴	\$945.0		\$945.0
Subtotal Other Items	\$4,349.9	\$2,489.6	\$1,860.4
TOTAL BUDGET	\$54,047.6	\$37,581.3	\$16,466.4

Notes:

- (1) In 2011, the Electric HVAC incorporates the previous ENERGY STAR[®] Heating program. The 2010 budget shown here combines the 2 separate budgets from 2010.
- (2) In 2010, Community Based Initiative appeared as a C&I Sector only, in 2011 it is divided between Residential and C&I. 2010 costs are split evenly between C&I and Residential sectors.
- (3) Comprehensive Marketing is a new initiative in 2011.
- (4) Outside Finance Costs are new in 2011

Table E-5
Calculation of 2011 Program Year Cost-Effectiveness
Summary of Benefit, Expenses, Evaluation Costs (\$000)

	TRC Benefit/ Cost ¹	Total Benefit	Program Implementation Expenses ²	Customer Contribution	Evaluation Cost	Shareholder Incentive	¢/Lifetime kWh
Commercial & Industrial							
Large Commercial New Construction	5.83	\$ 35,463.3	\$ 5,475.7	\$ 530.1	\$ 72.8	NA	2.5
Large Commercial Retrofit	3.88	\$ 64,754.1	\$ 9,620.8	\$ 6,667.0	\$ 394.8	NA	3.8
Small Business Direct Install	2.86	\$ 33,025.8	\$ 9,463.9	\$ 1,999.5	\$ 72.8	NA	5.6
Community Based Initiatives - C&I			\$ 105.0	\$ -	\$ -	NA	
EERMC - C&I			\$ 489.5	\$ -	\$ -	NA	
Comprehensive Marketing - C&I			\$ 94.3	\$ -	\$ -	NA	
Outside Finance Costs			\$ 945.0	\$ -	\$ -	NA	
SUBTOTAL	3.64	\$ 133,243.1	\$ 26,194.1	\$ 9,196.6	\$ 540.5	\$ 627.4	4.1
Low Income Residential							
Single Family - Low Income Services	1.69	\$ 10,122.3	\$ 5,725.4	\$ -	\$ -	\$ 251.9	15.9
Non-Low Income Residential							
Residential New Construction	1.25	\$ 1,903.3	\$ 734.7	\$ 600.3	\$ 182.1	NA	20.0
Electric HVAC	1.83	\$ 2,682.4	\$ 1,203.5	\$ 190.8	\$ 72.8	NA	13.9
EnergyWise	1.36	\$ 11,049.9	\$ 5,753.1	\$ 2,251.3	\$ 109.3	NA	8.6
ENERGY STAR [®] Lighting	4.59	\$ 14,368.5	\$ 2,328.2	\$ 689.6	\$ 109.3	NA	2.9
ENERGY STAR [®] Products	1.99	\$ 4,790.5	\$ 2,084.3	\$ 322.6	\$ -	NA	6.0
Energy Efficiency Education Programs			\$ 50.0	\$ -	\$ -	NA	
EERMC - Residential			\$ 324.3	\$ -	\$ -	NA	
Residential Behavior Pilot			\$ 387.8	\$ -	\$ 72.8	NA	
Residential Products Pilot			\$ 111.0	\$ -	\$ 218.5	NA	
Community Based Initiatives - Residential			\$ 140.9	\$ -	\$ 95.2	NA	
Comprehensive Marketing - Residential			\$ 605.4	\$ -	\$ -	NA	
SUBTOTAL	1.76	\$ 34,794.7	\$ 13,723.2	\$ 4,054.6	\$ 860.0	\$ 1,113.2	7.1
TOTAL	2.86	\$ 178,160.1	\$ 45,642.7	\$ 13,251.2	\$ 1,400.5	\$ 1,992.5	5.2

Notes:

- (1) TRC B/C Test = (Energy + Capacity + Resource Benefits) /
(Program Implementation + Evaluation Costs + Customer Contribution + Shareholder Incentive)
Also includes effects of free-ridership and spillover.
(2) For Implementation Expenses derivation, see Table E-3.

Table E-6
2011 Program Year Goals
Summary of Benefits, kW, and kWh by Program

	Benefits (000's)												Load Reduction in kW			MWh Saved		
	Total	Capacity					Energy					Non Electric		Summer	Winter	Lifetime	Maximum Annual	Lifetime
		Generation		Trans	MDC	DRIPE	Winter		Summer		DRIPE	Resource	Non Resource					
		Summer	Winter				Peak	Off Peak	Peak	Off Peak								
Commercial & Industrial																		
Large Commercial New Construction	\$35,463	1,972	\$0	\$1,394	\$6,087	\$2,514	\$8,251	\$3,889	\$4,227	\$1,835	\$5,230	\$0	\$65	4,530	3,752	70,626	15,628	240,837
Large Commercial Retrofit	64,754	2,209	0	1,753	7,658	3,992	15,228	7,384	7,739	3,467	12,074	1,236	2,014	7,196	5,498	87,306	36,301	443,830
Small Business Direct Install	33,026	1,156	0	934	4,079	2,068	8,761	2,014	4,452	946	5,876	0	2,740	3,727	1,960	45,768	16,652	204,474
SUBTOTAL	\$133,243	\$5,337	\$0	\$4,081	\$17,823	\$8,574	\$32,240	\$13,287	\$16,417	\$6,248	\$23,180	\$1,236	\$4,818	15,454	11,210	203,699	68,580	889,142
Low Income Residential																		
Single Family - Low Income Services	10,122	129	\$0	\$62	\$271	\$178	\$839	\$985	\$413	\$464	\$896	\$3,964	\$1,923	325	659	4,159	3,091	37,689
SUBTOTAL	\$10,122	\$129	\$0	\$62	\$271	\$178	\$839	\$985	\$413	\$464	\$896	\$3,964	\$1,923	325	659	4,159	3,091	37,689
Non-Low Income Residential																		
Residential New Construction	1,903	195	\$0	\$76	\$332	\$120	\$167	\$195	\$82	\$92	\$172	\$435	\$37	215	213	4,438	616	7,581
Electric HVAC	2,682	184	\$0	\$91	\$398	\$227	\$377	\$108	\$244	\$77	\$210	\$740	\$27	424	110	5,945	622	10,522
EnergyWise	11,050	280	\$0	\$103	\$450	\$495	\$2,084	\$2,478	\$1,067	\$1,166	\$2,515	\$216	\$194	891	2,119	9,688	8,716	94,349
ENERGY STAR® Lighting	14,369	334	\$0	\$27	\$120	\$898	\$2,506	\$2,918	\$1,220	\$1,364	\$4,011	\$0	\$970	1,619	3,238	11,805	15,088	109,634
ENERGY STAR® Appliances	4,791	48	\$0	\$33	\$144	\$108	\$922	\$1,071	\$462	\$507	\$1,496	\$0	\$0	214	221	1,783	5,914	40,388
SUBTOTAL	\$34,795	\$1,041	\$0	\$331	\$1,444	\$1,847	\$6,055	\$6,771	\$3,075	\$3,207	\$8,404	\$1,391	\$1,228	3,364	5,901	33,659	30,956	262,475
TOTAL	\$178,160	\$6,508	\$0	\$4,473	\$19,538	\$10,598	\$39,135	\$21,043	\$19,905	\$9,920	\$32,480	\$6,591	\$7,969	19,142	17,770	241,517	102,627	1,189,306

Table E-7
Comparison of Goals to Prior Year

Program	Proposed 2011		Projected Year-End 2010		Difference	
	Annual Energy Savings (MWh) ¹	Participants	Annual Energy Savings (MWh) ²	Participants ³	Annual Energy Savings (MWh)	Participants
Commercial & Industrial						
Large Commercial New Construction	15,628	204	9,016	150	6,612	54
Large Commercial Retrofit	36,301	392	21,347	288	14,954	104
Small Business Direct Install	16,652	1,700	12,671	1,250	3,981	450
SUBTOTAL	68,580	2,296	43,033	1,688	25,547	608
Low Income Residential						
Single Family - Low Income Services	3,091	1,813	1,827	1,642	1,264	171
SUBTOTAL	3,091	1,813	1,827	1,642	1,264	171
Non-Low Income Residential						
Residential New Construction	616	450	448	300	168	150
Electric HVAC	622	1,695	425	1,185	197	510
EnergyWise	8,716	11,113	5,506	8,232	3,210	2,881
ENERGY STAR® Lighting	15,088	192,503	11,173	110,330	3,915	82,173
ENERGY STAR® Appliances	5,914	15,568	4,430	11,300	1,484	4,268
SUBTOTAL	30,956	221,329	21,982	131,347	8,974	89,983
TOTAL	102,627	225,438	66,842	134,677	35,785	90,761

Notes:

- (1) Net Savings calculated under Total Resource Cost Test.
- (2) 2010 Projected Year-End Savings are based on preliminary results through September 2010, projected forward.
- (3) 2010 Projected Year-End participants are based on preliminary results through September 2010, projected forward.

Table E-8
Annual Electric Avoided Costs for Rhode Island

	Rhode Island					DRIPE for Installations in 2011				
	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
Units:	\$/kWh	\$/kWh	\$/kWh	\$/kWh	\$/kW-yr	\$/kWh	\$/kWh	\$/kWh	\$/kWh	\$/kW-yr
Period:										
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-9
Target 2011 Shareholder Incentive

Incentive Rate: 4.40%

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sector	Spending Budget	Incentive Rate	Target Incentive - Annual kWh Savings	Annual kWh Savings Goal	Threshold kWh Savings	Target Incentive Per kWh	Incentive Cap - Annual kWh Savings
Low Income Residential	\$5,725,360		\$251,916	3,091,064	1,854,639	\$0.081	\$314,895
Non-Low Income Residential	\$14,258,907		\$627,392	30,955,977	18,573,586	\$0.020	\$784,240
Commercial & Industrial	\$25,300,109		\$1,113,205	68,580,392	41,148,235	\$0.016	\$1,391,506
Total	\$45,284,376	4.40%	\$1,992,513	102,627,433	61,576,460		\$2,490,641

Notes:

- (1) Sector budget net of projected commitments and copays. For derivation, see Table E-3.
- (2) 4.40% of the sector spending budget.
- (3) Target Incentive for Savings = Incentive Rate x Spending Budget Total (Column (1)).
- (4) 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 (5), (6), and (7) will be adjusted as well.
- (5) 60% of Column (4). No incentive is earned on annual kWh savings in the sector unless the Company achieves at least this threshold level of performance.
- (6) Column (4)/Column (5). Applicable to all annual kWh savings up to 125% of target savings if at least 60% of target savings have been achieved.
- (7) Column (3) x 1.25.

**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):				\$11,506.4
Sources of Other Funding:				
(2) Projected Year-End 2010 Fund Balance and Interest:	\$ (106.6)	\$ (2,022.5)	\$ 996.6	\$ (1,132.5)
(3) Low Income Weatherization in Base Rates:	<u>\$ 200.0</u>			<u>\$ 200.0</u>
(4) Total Other Funding:	\$ 93.4	\$ (2,022.5)	\$ 996.6	\$ (932.5)
(5) Customer Funding Required:				\$ 12,438.9
(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:				\$ 0.411
(11) Currently Effective DSM Charge				\$ 0.150
(12) Adjustment to Reflect Fully Reconciling Funding Mechanism				\$ 0.261

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	\$210.3	\$209.2	\$1,836.7	\$150.6	\$50.3	\$2,457.1
EnergyWise	\$551.1	\$136.2	\$1,632.0	\$194.8	\$0.0	\$2,514.1
Residential Products Pilot	\$75.3	\$0.6	\$55.2	\$0.3	\$0.0	\$131.4
Comprehensive Marketing - Residential	\$0.0	\$321.3	\$0.0	\$0.0	\$0.0	\$321.3
EERMC - Residential	\$131.5	\$0.0	\$0.0	\$0.0	\$0.0	\$131.5
Shareholder Incentive	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$238.7
Subtotal - Non-Low Income Residential	\$968.2	\$667.4	\$3,523.9	\$345.7	\$50.3	\$5,794.1
LOW-INCOME RESIDENTIAL:						
Single Family Low Income Services	\$32.8	\$0.0	\$1,632.0	\$0.0	\$0.0	\$1,664.8
Shareholder Incentive						\$73.3
Subtotal - Low Income Residential	\$32.8	\$0.0	\$1,632.0	\$0.0	\$0.0	\$1,738.1
COMMERCIAL AND INDUSTRIAL:						
Large Commercial New Construction	\$153.2	\$114.6	\$910.2	\$274.6	\$109.5	\$1,562.1
Large Commercial Retrofit	\$240.8	\$127.7	\$1,029.9	\$385.6	\$180.7	\$1,964.7
Small Business Direct Install	\$50.0	\$28.2	\$29.9	\$65.8	\$0.0	\$173.9
EERMC - C&I	\$73.8	\$0.0	\$0.0	\$0.0	\$0.0	\$73.8
Comprehensive Marketing - C&I	\$0.0	\$35.3	\$0.0	\$0.0	\$0.0	\$35.3
Shareholder Incentive	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$164.4
Subtotal - Commercial & Industrial	\$517.8	\$305.8	\$1,970.0	\$726.0	\$290.2	\$3,974.2
Grand Total	\$1,518.8	\$973.2	\$7,125.9	\$1,071.8	\$340.5	\$11,506.4

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	\$ 2,457.1			\$ 50.3		\$ 2,406.8
EnergyWise	\$ 2,514.1			\$ -		\$ 2,514.1
Residential Products Pilot	\$ 131.4			\$ -		\$ 131.4
Comprehensive Marketing - Residential	\$ 321.3			\$ -		\$ 321.3
EERMC - Residential	\$ 131.5	\$ 131.5		\$ -		\$ 131.5
Shareholder Incentive	\$ 238.7		\$ 238.7	\$ -		\$ -
Subtotal - Non-Low Income Residential	\$ 5,794.1	\$ 131.5	\$ 238.7	\$ 50.3	\$ 5,424.0	\$ 5,505.2
LOW-INCOME RESIDENTIAL:						
Single Family Low Income Services	\$ 1,664.8			\$ -		\$ 1,664.8
Shareholder Incentive	\$ 73.3		\$ 73.3	\$ -		
Subtotal - Low Income Residential	\$ 1,738.1	\$ -	\$ 73.3	\$ -	\$ 1,664.8	\$ 1,664.8
COMMERCIAL AND INDUSTRIAL:						
Large Commercial New Construction	\$ 1,562.1			\$ 109.5		\$ 1,452.6
Large Commercial Retrofit	\$ 1,964.7			\$ 180.7		\$ 1,784.0
Small Business Direct Install	\$ 173.9			\$ -		\$ 173.9
EERMC - C&I	\$ 73.8	\$ 73.8		\$ -		\$ 73.8
Comprehensive Marketing - C&I	\$ 35.3			\$ -		\$ 35.3
Shareholder Incentive	\$ 164.4		\$ 164.4	\$ -		\$ -
Subtotal - Commercial & Industrial	\$ 3,974.2	\$ 73.8	\$ 164.4	\$ 290.2	\$ 3,736.0	\$ 3,519.6
Grand Total	\$ 11,506.4	\$ 205.3	\$ 476.3	\$ 340.5	\$ 10,824.8	\$ 10,689.6

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	\$ 2,406.8	\$ 479.8	\$ 1,927.0
EnergyWise	\$ 2,514.1	\$ 825.8	\$ 1,688.4
Residential Products Pilot	\$ 131.4	\$ 29.1	\$ 102.4
EERMC - Residential	\$ 131.5	\$ 52.3	\$ 79.2
Comprehensive Marketing - Residential	\$ 321.3	\$ -	\$ 321.3
Subtotal - Non-Low Income Residential	\$ 5,183.9	\$ 1,413.3	\$ 3,770.6
Low Income Residential			
Low Income	\$ 1,664.8	\$ 368.2	\$ 1,296.7
Subtotal - Low Income Residential	\$ 1,664.8	\$ 368.2	\$ 1,296.7
Commercial & Industrial¹			
Large Commercial New Construction	\$ 1,452.6	NA	NA
Large Commercial Retrofit	\$ 1,784.0	NA	NA
Small Business Direct Install	\$ 173.9	NA	NA
EERMC - C&I	\$ 73.8	\$ 55.9	\$ 17.9
Comprehensive Marketing - C&I	\$ 35.3	\$ -	\$ 35.3
Subtotal Commercial & Industrial	\$ 3,484.3	\$ 2,620.8	\$ 863.5
Other Expense Items			
Company Incentive	\$ 476.3	\$ 197.0	\$ 279.3
Program Design, Evaluation and Planning	\$ 340.5	\$ 180.0	\$ 160.5
Subtotal Other Items	\$ 816.8	\$ 377.0	\$ 439.8
TOTAL BUDGET	\$ 11,506.4	\$ 4,779.3	\$ 6,727.1

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	3.70	\$10,475.2	\$2,406.8	\$371.6	\$54.8	NA	3.54
EnergyWise	2.91	\$9,350.9	\$2,514.1	\$703.0	\$0.0	NA	4.54
Residential Products Pilot		\$0.0	\$131.4	\$0.0	\$0.0	NA	
Comprehensive Marketing		\$0.0	\$321.3	\$0.0	\$0.0	NA	
EERMC Assessment-Residential		\$0.0	\$131.5	\$0.0	\$0.0	NA	
SUBTOTAL	2.88	\$19,826.2	\$5,505.2	\$1,074.6	\$54.8	\$238.7	4.39
Low Income Programs							
Low Income	1.95	\$3,385.6	\$1,664.8	\$0.0	\$0.0	\$73.3	11.43
Large Commercial & Industrial							
Large Commercial Retrofit	1.59	\$6,230.1	\$1,784.0	\$1,941.8	\$180.7	NA	6.77
Large Commercial New Construction	2.48	\$6,265.2	\$1,452.6	\$964.3	\$109.5	NA	4.32
Small Business Direct Install	2.70	\$470.3	\$173.9	\$0.0	\$0.0	NA	6.51
Comprehensive Marketing		\$0.0	\$35.3	\$0.0	\$0.0	NA	
EERMC Assessment-C&I		\$0.0	\$73.8	\$0.0	\$0.0	NA	
SUBTOTAL	1.88	\$12,965.6	\$3,519.6	\$2,906.1	\$290.2	\$164.4	4.45
TOTAL	2.34	\$36,177.3	\$10,689.6	\$3,980.8	\$345.0	\$476.3	5.28

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	\$6,265.2	\$6,265.2	\$0.0	27,748	585,381
Large Commercial Retrofit	\$6,230.1	\$6,230.1	\$0.0	52,163	577,418
Small Business Direct Install	\$470.3	\$470.3	\$0.0	3,051	26,723
EERMC - C&I	NA	NA	\$0.0	NA	NA
SUBTOTAL	\$12,965.6	\$12,965.6	\$0.0	82,962	1,189,522
Low Income Residential					
Low Income	\$3,385.6	\$1,922.3	\$1,463.2	7,286	145,712
SUBTOTAL	\$3,385.6	\$1,922.3	\$1,463.2	7,286	145,712
Non Low Income Residential					
EnergyWise	\$9,350.9	\$9,350.9	\$0.0	35,440	708,800
Residential High-Efficiency Heating	\$10,475.2	\$10,475.2	\$0.0	47,691	800,843
Residential Products Pilot	\$0.0	\$0.0	\$0.0	0	0
EERMC - Residential	NA	NA	\$0.0	NA	NA
SUBTOTAL	\$19,826.2	\$19,826.2	\$0.0	83,131	1,509,643
TOTAL	\$36,177.3	\$34,714.1	\$1,463.2	173,379	2,844,877

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
Program
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	27,748	271	NA	NA	NA	NA
Large Commercial Retrofit	52,163	729	NA	NA	NA	NA
Small Business Direct Install	3,051	806	NA	NA	NA	NA
EERMC - C&I						
SUBTOTAL	82,962	1,806	75,830	864	7,132	942
Low Income Residential						
Low Income	7,286	948	1,515	83	5,770	865
SUBTOTAL	7,286	948	1,515	83	5,770	865
Non-Low Income Residential						
Energy Wise	35,440	4,700	9,541	1,368	25,899	3,332
Residential High-Efficiency Heating Equipment	47,691	6,276	40,857	4,559	6,835	1,717
Residential Products Pilot						
EERMC - Residential						
SUBTOTAL	83,131	10,976	50,397	5,927	32,734	5,049
TOTAL	173,379	13,730	127,742	6,874	45,636	6,856

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	\$1,665	\$73.3	7,286	4,371	\$10.054
Non-Low Income Residential	\$5,424	\$238.7	83,131	49,879	\$2.871
Commercial & Industrial	\$3,736	\$164.4	82,962	49,777	\$1.981
Total	\$ 10,825	\$476.3	173,379	104,027	\$2.747

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)

2011 Measurement and Verification Plan

The Measurement and Verification (M&V) plan outlines studies that will begin in 2011 and lists completed studies from 2010 that have informed 2011 planning. In 2011, National Grid's M&V will focus on evaluating Rhode Island specific sites and markets while leveraging as many resources as possible from studies in additional National Grid territories in order to keep costs low. Evaluation budgets are included in Attachment 5, Table E-2 and Attachment 6, Table G-2.

Residential New Construction - Baseline Market Assessment Study: An assessment of the baseline characteristics of new homes being built today is planned in Massachusetts in 2011. Several other New England states, including Rhode Island, would like to join this evaluation effort. The study will involve telephone and on-site surveys. Results will be used to help assess the programs effectiveness at transforming the market for energy efficiency in new homes and calculate program savings.

Electric HVAC – ECM Impact Evaluation: This evaluation seeks to identify savings achieved by installing electronically commutated motors (ECMs) in both new construction and retrofits in residential HVAC applications. The evaluation will assess impacts of installed ECMs through on-site power logging for a sample of participants. Similar work is being completed in Massachusetts and therefore this study will leverage the resources being used in Massachusetts.

EnergyWise Impact Evaluation: Impact evaluation of the EnergyWise program using billing analysis.

ENERGY STAR® Lighting Evaluation: The evaluation will concentrate on follow-up research, as needed, resulting from the completion of the 2010 lighting program evaluation.

Residential Behavior and Residential Product Pilots: Evaluation studies of new pilot programs will begin in 2011. Evaluations on residential product pilots from 2010 will continue. These will include process and impact evaluations if the pilots have served enough customers to make studies worthwhile.

Large Commercial New Construction and Large Commercial Retrofit – Impact Studies (Electric): The Custom HVAC, Custom Lighting, Comprehensive Design Approach (CDA), Custom Process and Prescriptive VSD studies all involve impact evaluation of components of the Energy Initiative and Design 2000 Large Commercial and Industrial efficiency programs. The studies involve on-site engineering and end-use metering of a statistically drawn random sample of participants.

NEEP Evaluation M&V Forum Studies: Includes studies to done in conjunction with other states in the Northeast with the goals of reducing costs and providing results using more common methodologies.

Combined Heat and Power: Includes the metering of combined heat and power projects. The metering will include gas consumption, electric output and measurement of useful heat recovered. The evaluation will include 2-3 Rhode Island sites.

Residential High-Efficiency Heating Program Follow-up (Gas): This evaluation will concentrate on follow-up research, as needed, resulting from the completion of the 2010 Residential High-Efficiency Heating program evaluation.

Large Commercial New Construction and Large Commercial Retrofit Evaluations (Gas): These evaluations include impact evaluations of custom and prescriptive gas efficiency measures. In addition, if needed, the evaluation will include market assessments of particular measures of interest. The specific details of what will be studied will be determined in 2011.

2010 Evaluations

Additionally, the following studies completed in 2010 have informed planning the 2011 RI programs. Executive summaries of each of the studies were included in the Summary of Evaluation Results, Docket 4116, filed on September 30, 2010.

Study No.	Study	Impact Descriptions
1	PA Consulting Group. <i>2009 Commercial and Industrial Programs Free-ridership and Spillover Study</i> , June 21, 2010.	Free ridership and spillover rates for the Large Commercial New Construction, Large Commercial Retrofit, and Small Business Direct Install programs.
2	The Cadmus Group, Inc./Energy Services, <i>EnergyWise 2008 Program Evaluation</i> , May, 24, 2010	Program savings for the EnergyWise Program
3	ADM Associates, Inc., <i>Residential Central AC Regional Evaluation, Final Report</i> , October 2009	KWh and kW savings figures for the installation of efficient residential CAC systems
4	KEMA, Inc., <i>Sample Design and Impact Evaluation Analysis of 2009 Custom Program</i> , June 1, 2010	Realization rates for the custom program
5	DMI, <i>Impact Evaluation of 2008 Custom Process Installations - Part 1</i> , July 1 2010	Weighted realization rates for specific custom measures
6	UTS Energy Engineering, LLC., <i>Impact Evaluation of 2008 Custom process Installations - Part 2</i> , July 16, 2010	Peak percentage coincidence rates for several custom process projects

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7	Sebesta Blomberg, <i>Impact Evaluation of 2008 Custom Process Installations Part 3</i> , July 14, 2010	Analysis of specific custom program projects with diversified energy and demand savings estimates
8	L&S Energy Services, <i>Impact Evaluation of 2006 Custom CDA Installations</i> , July 11, 2010	Analysis of specific custom program projects with diversified energy and demand savings estimates

2011 RHODE ISLAND MARKETING PLAN

Energy efficiency goals for 2011 are significantly more challenging than those for 2010. The 2011 plan calls for goals to increase by 26.3 gigawatt-hours (35%) in annual energy savings and over 91,000 participants (68%) for electric programs. Similarly, gas program goals are increasing by nearly 103,000 MMBtu (93%) and nearly 11,000 participants (273%). To enable the achievement of these much higher metrics, the message for energy efficiency must be delivered with new vigor and new strategies.

To achieve the significantly higher goals in a cost-effective manner will require that marketing activities are closely integrated across all customer segments, regions, and programs. Additionally, the Company's standing in the marketplace, as measured by overall customer satisfaction and awareness of efficiency programs, provides a significant asset that can be leveraged to increase program participation. And, the Company's existing infrastructure, especially the corporate website, will be adapted to support program awareness and facilitate participation without costly investments that would be required to create a new web presence or launch a separate branding effort.

Experience in other states has shown that multi-channel marketing is a best practice that cost effectively increases awareness and participation in energy efficiency programs. From lessons learned during the implementation of energy efficiency programs in Rhode Island, the Program Administrators believe strongly that program participation increases significantly with more frequent media and grass-roots exposure highlighting the benefits of energy efficiency.

While programs in other states have shown marketing budgets comprising between 10-15% of total program costs, the Company believes its comprehensive approach can achieve the higher goals while keeping marketing to less than 5% of the total program costs.

Delivery

A new multi-channel marketing effort for Rhode Island's energy efficiency program portfolio will evolve in 2011. Television and radio advertisements will augment the existing marketing channels of print, billboard, events, and web. Rhode Islanders will be urged to visit a customized web link to learn about and participate in energy efficiency programs. Besides increasing the reach for all EE programs, the expected benefits from this umbrella marketing initiative include more cohesive messaging to customers, improved coordination, and media synergies enabling a higher return for each marketing dollar spent.

The multi-channel effort aims to create broader awareness of the availability and benefits of energy efficiency and a call to action to enroll or find out more about available

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programs and opportunities for Rhode Island's residential and business customers and trade allies by visiting a specially designed, Rhode Island specific, area on the Company's website. This approach will leverage the Company's ongoing web functionalities and continuing enhancements to educate customers about the need and urgency for action, moving the customer through the continuum from awareness to action.

Additionally, for business customers, the Company will target specific customer segments and building types that might have both unique needs and significant opportunity to reduce energy consumption. Because experience has shown success with business customers is driven by one-on-one communications by account managers and trade allies with customers, vendors, contractors and design professionals, much of the business segment marketing will focus on enabling conversations with materials such as industry-specific case studies. These segment-specific materials will also be supported by coordinated outreach using, where appropriate, telemarketing, direct mail and email. Trade allies will be supported with seminars, training sessions, and related activities.

Market research is seen as a vital tool to help identify program communication gaps and to evolve marketing strategy and tactics in 2011. The Plan proposes using qualitative and quantitative benchmark and tracking studies to: (1) identify baseline awareness and knowledge of, and attitudes towards, energy efficiency by residential and business customers; (2) understand the characteristics and needs of residential and business customers that will enable segmentation and customized communications; (3) find the optimal mix of channels and messaging needed to reach and resonate with Rhode Island customer segments to drive significant increases in program participation; and (4) measure changes in awareness and knowledge of, and attitudes towards, energy efficiency by residential and business customers as the result of the Plan. Qualitative research studies may include observations from instruments such as customer interviews and focus group sessions and quantitative research studies include analysis of results from statistically valid surveys.