

June 8, 2004

VIA HAND DELIVERY & BY ELECTRONIC MAIL

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

RE: Docket 3463 - Report of the Rhode Island DSM Collaborative Meeting of May 19, 2004

Dear Ms. Massaro:

Enclosed on behalf of the Rhode Island DSM Collaborative are 10 copies of a report of meeting minutes, including attachments, from the Collaborative's May 19, 2004 meeting. Please circulate a copy of this report to the Commissioners as well as other interested staff members. Although this report is not required by the settlement approved in Docket 3463, the Collaborative is forwarding a copy of this report as a means to keep the Commission informed of its ongoing actions during the course of the year. I would also appreciate it if you would put a copy of this report in the official file for this docket.

Thank you for your attention to our report. Please contact me if you have any questions concerning this matter.

Very truly yours,

Laura S. Olton

Laura S. Olton

Enclosures

cc: Docket 3463 Service List
RI Collaborative Members (w/attachments)

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RHODE ISLAND DSM COLLABORATIVE
MAY 19, 2004
MEETING MINUTES

Attendance

Non-Utility Parties	For Narragansett Electric
Bill Lueker, RIAG for the Division Erich Stephens, for CCJ Doug Hartley, RI PUC Janice McClanaghan, RI SEO Dave Stearns, Division Al Contente, Division Tim Woolf, for the Division	Fred Mason Carol White Michael McAteer Laura McNaughton Jeremy Newberger Laura Olton

Absent: Bill Martin, TEC-RI

Meeting Highlights

- New Narragansett Counsel Laura Olton was introduced.
 - The Company reviewed results through the end of April; C&I and residential programs are on target to meet annual goals.
 - Metric progress was reviewed.
 - The Company presented its proposal to allocate additional funds available in the True-Up process to the Large Commercial and Industrial programs; pending review of additional information, the Collaborative will support or suggest modifications to the proposal.
 - The proposal legislation to use DSM funds to reimburse standby charges paid by large companies who cogenerate was presented and discussed.
 - There will be a Technical Session on shareholder incentives at the request of the RI PUC on Wednesday, July 7, 2004 at 9:30 a.m.; this may entail some adjustments to the Collaborative's calendar.
-

Meeting Details

The second Rhode Island DSM Collaborative meeting of 2004 began at 9:10 a.m. at the offices of the Narragansett Electric Company in Providence, RI.

1. Introductions

Laura Olton was welcomed as the new Counsel for Narragansett Electric, replacing Terry Schwennesen. Nataliya Parasyuk, a graduate student from the Ukraine studying energy and environmental policy at Brown University, was welcomed as an observer. Supplemental Item 1 updates the contact list for the Collaborative.

2. 2004 Program Status

Jeremy Newberger introduced the table of program status through April 2004. Because it was the beginning of the year and the impending Collaborative meeting, the status report presents results through April, rather than March. The next report will be issued in July and contain results through the second quarter, and include kW results.

Supplemental Item 2a shows the program results through April, updated from the meeting with a few minor corrections.

A. C&I Programs

Michael McAteer reviewed C&I program results to date. Implementation expenses are at 11% of the budget for large C&I programs and energy savings are at 15% of the target. However, after accounting for commitments, applications in progress, and prospects, he estimated that there is only about \$200,000 of funds left for 2004. While C&I program managers often have to nurse the budget to make sure funds are available throughout the year, it is unusually early for the programs to be in this financial situation.

The Collaborative examined some possible causes for the financial situation: rebounding economy, higher energy prices, and the attainment of a “tipping point” in market education and cultivation of demand for energy efficiency. In future program years, Michael suggested that the situation may be relieved by incentive reduction, more project management services, and increased partnering with other energy efficiency stakeholders.

Small business services participation to date is strong.

B. Residential Programs

Laura McNaughton presented results for the Residential programs to date. Participation is excellent in all programs. The Company expects to hit its savings goals for all programs. Energy Wise and New Construction savings are lagging behind spending because of accounting. She also noted that a special clothes washer manufacturer incentive of \$25 to \$50 has just started.

C. Performance Metrics

Supplemental Item 2b summarizes the metrics and progress to date, with a minor change to the SBS Comprehensiveness metric, as described below. The following additional points were made.

1. Clothes Washers. The recently launched enhanced clothes washer incentive should help increase RI market share above the national average.
2. BOC Training. Twenty-five participants is not a large number, but the financial and time commitment required is a significant barrier to participation.

Action Item: The Company will attempt to determine the size of the potential BOC market from Northeast Energy Efficiency Partnerships, who runs the training, or from a review of G-2 and G-3 accounts.

3. Schools Initiative. A working group has convened in Rhode Island, consisting of the RI Department of Education, Northeast Energy Efficiency Partnerships, the SEO, a professor of architecture at RISD, and the Company, to develop ways to increase awareness of high performance features for schools.

Eric Stephens suggested that the Company may want to try to apply lessons learned from the Schools Initiative to other market segments, such as office buildings.

4. SBS Comprehensiveness. Following the February 12 Collaborative Meeting, at which the Company reported that the HVAC tune-up measure was not cost-effective, the Collaborative agreed to an adjusted comprehensiveness target of 5%. The revised metric is described in Revised Attachment 7 in the proposed True-Up filing. While comprehensiveness to date is at 3.3%, five of the 9 installations involved variable frequency drives. We are attempting to broaden the comprehensive measure mix for small business customers.

Action Item: Jeremy Newberger said he would recalculate the SBS Comprehensiveness index to exclude cooler installations.

Through April, there have been 24 cooler installations. Eliminating them from the calculation yields a comprehensive index of 3.7% (9/244).

Action Item: Laura Olton will confirm with Cindy Wilson of the RI PUC that the adjustment to the Small Business Service Comprehensiveness Metric is consistent with the Settlement Agreement.

Laura Olton conferred with Cindy Wilson, who advised that the Company notify the Commission about this change in the True-Up memorandum.

Action Item: The Company will provide detail data on small business comprehensive project tracking to the Collaborative as part of its next report on metric progress.

D. Load Response

Jeremy Newberger noted that 12 to 15 demand response field surveys have been performed. Enrollment of customers awaits approval of contracts by the PUC.

3. 2003 Year-End Report

Jeremy Newberger reviewed the highlights of the Company's 2003 Year-End Report, which was filed on May 7, 2004.

The Collaborative discussed the Residential EnergyStar Central HVAC Program benefit cost ratio of 0.53. The program was initiated in mid-2002, so 2003 was the first full year of the program. The program is still ramping up and a higher level of participation is required to offset the start-up costs. The RI program was compared to the new Massachusetts program. The Rhode Island program is much more prescriptive than the Massachusetts program, and the Mass. Program has greater rebates, as justified by the societal benefits that are counted in Massachusetts.

4. 2004 True-Up Proposal

Carol White walked the Collaborative through the True-Up proposal. The True-Up filing consists of the True-Up letter; a series of tables that show the changes from the 2004 Settlement Agreement; and an update to Settlement Attachment 7 showing the final performance metrics.

An additional \$411,600 is available for energy efficiency programs due to a higher sales forecast and a positive 2003 year end fund balance. The Company's proposal is to put virtually all of this money into Large C&I program rebates, with \$17,100 going to the increased incentive that results from the increased C&I spending. The reality is that the extra funds could be used in all programs, but the proposal is to spend it where the money is needed most. As reflected in the discussion on Large C&I prospects for the remainder of the year, the Company's position is that the funds are most needed in the Large C&I programs to allow them to remain open.

The Collaborative was generally in agreement with the Company's recommendation, though it withheld approval of the proposal pending the provision of additional information and some modifications to the draft filing.

Action Item: The Company will provide to the Collaborative, on a program-by-program basis \$/MWh, \$/customer, and MWh/customer for 2002, 2003, and the proposed 2004 true-up, along with an explanation of significant differences.

This information was sent to the Collaborative on May 21, 2004. It is attached as Supplemental Items 4d, 4e, and 4f.

Action Item: the Company will add to the True-Up letter and Updated Attachment 5 a note explaining that small decrease in residential program funds (due to the formula for allocating common expenses) is the result of the increase in C&I spending and will affect only A&G expenses and not direct program expenses.

Action Item: The Company will add the difference between the RI market share and national market share for clothes washers to the table on the first page of Updated Attachment 7.

Action Item: The Company will add to the True-up letter language explaining why the additional funds are being allocated exclusively to the large Commercial and Industrial programs.

The Company added this information in the True-Up filing made on May 28, 2004.

The Collaborative agreed to the following timetable for developing a consensus on the True-Up filing:

- By Friday May 21: Collaborative Members to inform Carol White of any further changes to the True-up Letter
- By Friday May 21: Company to send out additional information pursuant to Action Item above.
- By Wednesday May 26: Collaborative to provide feedback to Company on additional information and indicate whether there are any remaining issues with the Company's True-Up proposal
- Friday May 28, 10 am: Conference call, if necessary, to achieve final consensus on the True-Up proposal.
- Tuesday, June 1: File true-up memorandum (delayed one day because of Memorial Day holiday).

5. Review of Collaborative Calendar

Jeremy Newberger and Carol White reviewed the Collaborative calendar for the year leading up to the Commission mandated filing date of September 15, 2004, for the 2005 programs. The Commission also expressed a wish to have a Technical Session devoted to the shareholder incentive mechanism. While the Commission suggested a date of August 3 for the Technical Session, the Company felt that an earlier date would be appropriate, as the incentive structure would influence the design of the 2005 programs.

Action Item: Laura Olton will contact Commission staff to identify earlier dates for the Technical Session. The Company will propose revisions to the meeting schedule based on the Technical Session date.

Commission Staff suggested an alternative Tech Session date of July 7. This date is acceptable to the large majority of Collaborative members. A Collaborative will be scheduled in advance to this date to prepare for the Technical Session. For now, other Collaborative meetings will take place as scheduled.

6. Other Business

A. Fred Mason brought to the attention of the Collaborative draft legislation released on May 19, 2004. The legislation, S3123, attached as Supplemental Item 6a, proposes to reimburse the backup charges paid by large customers (greater than 3 MW) who install cogeneration from the DSM fund. This would benefit a small number of customers and take money away from the DSM budget that is already stretched thin every year. Fred invited any Collaborative members to get in touch with him to discuss possible responses.

B. Erich Stephens sent a list of questions on the Company's DSM programs to Jeremy Newberger via e-mail on Monday May 10. Erich posed these questions to help provide some background on the orientation on the programs, without taking up meeting time, and thought others might be interested in the responses.

Action Item: Jeremy Newberger to provide outline responses to Erich Stephens and all Collaborative members. Collaborative members will let Jeremy know if they would like to be involved in further discussion in these issues. Jeremy will establish a date to follow up with Erich and other interested parties.

Jeremy forwarded the questions and draft responses to the Collaborative on May 21.

The meeting adjourned at approximately 11:50 a.m.

Minutes prepared by Jeremy Newberger

RHODE ISLAND DSM COLLABORATIVE CONTACT LIST – 2004

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NARRAGANSETT ELECTRIC COMPANY

Table 1. Summary of 2004 Target and YTD Results

Year to Date through April 2004

	Demand Reduction (Annual kW)			Energy Savings (Annual MWh)			Customer Participation (Completed Projects)			Implementation Expenses		
	Approved Target (6)	YTD (7)	Pct Achieved	Approved Target (6)	YTD	Pct Achieved	Approved Target	YTD	Pct Achieved	Approved Target (1)	YTD	Pct Achieved
Large Commercial and Industrial												
Design 2000 <i>plus</i> (2)(3)	2,131		0.0%	9,518	595	6.3%	281	11	3.9%	\$3,201.4	\$160.8	5.0%
Energy Initiative (2)(3)	3,073		0.0%	14,826	2,963	20.0%	304	29	9.5%	3,838.5	633.3	16.5%
Load Response							n/a			25.6		0.0%
SUBTOTAL	5,203		0.0%	24,344	3,558	14.6%	585	40	6.8%	\$7,065.5	\$794.1	11.2%
Small Commercial and Industrial												
Small Business Services (4)	1,279	559	43.7%	4,598	1,760	38.3%	623	268	43.0%	2,266.8	\$798.4	35.2%
SUBTOTAL	1,279	559	43.7%	4,598	1,760	38.3%	623	268	43.0%	\$2,266.8	\$798.4	35.2%
Residential												
IN-HOME	1,806		0.0%	3,493	292	8.4%	9,030	5,110	56.6%	\$3,097.5	\$643.1	20.8%
Appliance Management Program (Low Income)	97		0.0%	787	172	21.9%	530	116	21.9%	950.6	400.1	42.1%
Energy Wise	395		0.0%	2,706	120	4.4%	4,100	861	21.0%	1,994.4	202.1	10.1%
Home Energy Management (5)	1,314		0.0%	0	0	n/a	4,400	4,133	93.9%	152.5	40.9	26.8%
PRODUCTS	526		0.0%	8,423	3,123	37.1%	49,500	18,315	37.0%	\$1,967.3	\$756.7	38.5%
Energy Star Products	159		0.0%	517	212	41.0%	2,800	1,149	41.0%	442.2	94.7	21.4%
Energy Star Lighting	314		0.0%	7,864	2,900	36.9%	46,000	16,964	36.9%	1,156.2	582.4	50.4%
Energy Star Heating System	0		0.0%	12	4	31.8%	600	191	31.8%	200.3	62.3	31.1%
Energy Star Central Air Conditioning	52		0.0%	30	6	21.1%	100	11	21.1%	168.6	17.3	10.3%
INFORMATION AND EDUCATION	0		n/a	0	n/a	n/a	n/a	n/a	n/a	\$106.8	\$26.2	24.5%
NEW CONSTRUCTION	57		0.0%	85	8	9.1%	350	32	9.1%	\$690.3	\$174.3	25.2%
SUBTOTAL	2,389		0.0%	12,001	3,422	28.5%	58,880	23,457	39.8%	\$5,861.9	\$1,600.3	27.3%
TOTAL	8,871		0.0%	40,943	8,740	21.3%	60,088	23,765	39.6%	\$15,194.2	\$3,192.8	21.0%

NOTES

- (1) Approved Target Budget from "Settlement of the Parties in Re: The Narragansett Electric Company, Demand-Side management Programs for 2004," Attachment 10 page 1 of 3.
- (2) Approved Target Budget for Design 2000 *plus* and Energy Initiative exclude commitments. The 2004 commitment budget was estimated to be \$1,962,000 for Design 2000 *plus* and \$3,339,500 for Energy Initiative.
- (3) Approved Target Budget for Large Commercial and Industrial programs is net of projected technical assistance copays of \$74,800. YTD Implementation expenses are net of copayments, but exact number is not currently available.
- (4) Approved Target Budget for the Small Business Services Program are net of all copay amounts to be collected from 2004 participants, projected to be \$587,236. YTD Implementation Expenses are net of copayments, but exact number is not currently available.
- (5) Funds expended for maintenance of Home Energy Management savings from system installed prior to 1998.
- (6) Approved Target MWh and kW savings from "Settlement of the Parties in Re: The Narragansett Electric Company, Demand-Side management Programs for 2004," Attachment 10 page 2 of 3.
- (7) 1st quarter 2004 demand savings are not currently available for most programs

NARRAGANSETT ELECTRIC COMPANY
2004 Performance Metrics

Metric	Status through April 2004
Residential Metric 1: ENERGY STAR Clothes Washers	
The Company will achieve an ENERGY STAR qualified Clothes Washer market share for 2004 in Rhode Island that is 7 percentage points above the national average.	No data is available yet for the 1 st quarter of 2004. Full year data for 2003 indicates Rhode Island market share was 2.3% better than national average.
Residential Metric 2: ENERGY STAR Homes	
The Company will conduct plans analyses and home ratings and sign ENERGY STAR builders agreements with 15% of the new homes built in Rhode Island in 2004.	Through April, the ratio of signed Energy Star builders' agreements to number of permits in Rhode Island is 18%.
C& I Metric 1: Building Operator Certification (BOC) Training	
The Company will enroll in 2004 an additional 25 Rhode Island facility building engineers, technicians, contractors, or operators in the NEEP- Level 1- O&M training and certification course.	A BOC class is scheduled to start in RI on June 28. This class will be available to all customers in RI with an emphasis on school personnel.
C&I Metric 2: High Performance Schools	
The Company will contract with three new school projects through Design 2000plus to provide full incremental cost for high performance design and construction practices with a special focus on high quality energy efficient lighting.	No contracts have been signed to date. Active negotiations are underway with two schools, one of which is a private school. Preliminary contact has been made with three additional school prospects.
C&I Metric 3: Comprehensiveness in Small Business Installations	
The Company will achieve 5% comprehensiveness in Small Business Services in 2004.	9 custom projects completed to date, out of 244 projects completed (excluding cooler projects), or 3.7% comprehensiveness. An additional 12 custom projects are in various stages of development.

Memorandum

To: RI DSM Collaborative
From: Carol S. White, Director, Evaluation & Planning
Date: 05/21/2004
Subject: Comparison of Implementation Costs Per kWh and Participant

At the May 19 Collaborative meeting, Tim Woolf requested a table that provides a series of comparative ratios including implementation dollars per annual kWh and per participant by program and kWh per per participant by program using actual information for the years 2002 and 2003 and planning information for 2004. This exercise has proved to be very helpful to the Company. As a result of our analysis, we identified an error in the Energy Initiative goals estimate. We have corrected that error and have increased the annual energy savings goal for the Energy Initiative Program from 15,705 MWh to 16,766 MWh. We have not made any other adjustments to the Company's proposed 2004 goals as a result of this analysis.

The attached two tables provide the comparative data that Tim requested. One table provides the data that we used to develop the ratios. The second table provides the requested ratios.

In these tables, we have highlighted in blue the updated Energy Initiative information. We have highlighted in yellow other ratios that require explanation. Each of the programs with highlighted cells is discussed below.

Energy Initiative

The expected implementation expense and savings per participant in the Energy Initiative Program have trended higher in 2003 and 2004 as we account for the additional costs associated with large, complex projects. A greater proportion of these more complex projects were completed in 2003 or will be completed in 2004 as compared to 2002.

Small Business Services (SBS)

The \$/annual kWh for SBS are higher than the actual cost of energy savings that we show for 2002 and 2003. This higher cost takes into account the increased focus on comprehensiveness and custom measures in SBS during 2004. Those measures are more expensive than the prescriptive measures provided through the program.

Energy Wise

The Company continues to increase its focus on non-electric measures offered to existing residential customers served through the Energy Wise Program while also attempting to mine electric efficiency opportunities. As a result, \$/annual kWh and \$/participant are expected to increase in 2004 relative to 2003; kWh per participant in this program is also expected to increase, though at a lower rate.

Energy Star Appliances and Residential Lighting

The Company has increased its advertising budget for both the Energy Star Appliances and Residential Lighting Programs relative to funding for rebates in anticipation of providing support for national and regional Energy Star advertising campaigns. These campaigns focus on providing consumers with education about the benefits of Energy Star. As a result, \$/annual kWh and \$/participant are both expected to increase in 2004. In the Residential Lighting Program, savings per participant are expected to decline over time as the Company focuses on industry initiatives. We anticipate that the number of products purchased by each participant, on average, will decline.

Energy Star Homes

The Energy Star Homes Program is a fuel blind performance based program. The vast majority of savings we anticipate securing through this program in 2004 are fossil fuel savings and not electricity savings. As a result, the expected implementation \$/annual kWh is expected to increase in 2004 relative to prior years. The cost per participant, however, is expected to decline slightly in 2004.

Narragansett Electric - Implementation Expense Compared to Energy Savings and Participation

Program	\$/Annual kWh			kWh/Participant			\$/Participant		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
Large Commercial / Industrial									
Design 2000plus	\$0.34	\$0.31	\$0.32	38,339	36,586	35,670	\$13,005	\$11,397	\$11,378
Energy Initiative	\$0.23	\$0.22	\$0.24	46,990	56,156	55,152	\$10,580	\$12,625	\$13,505
SUBTOTAL	\$0.27	\$0.25	\$0.27	43,220	48,050	45,591	\$11,637	\$12,117	\$12,461
Small Business									
Small Business Services	\$0.39	\$0.45	\$0.49	6,743	8,092	7,380	\$2,651	\$3,641	\$3,637
SUBTOTAL	\$0.39	\$0.45	\$0.49	6,743	8,092	7,380	\$2,651	\$3,641	\$3,637
Residential Programs									
IN-HOME	\$0.72	\$0.71	\$0.81	444	460	426	\$318	\$325	\$343
Appliance Management Program	\$1.11	\$1.07	\$1.06	1,328	1,599	1,694	\$1,479	\$1,718	\$1,793
Energy Wise	\$0.60	\$0.60	\$0.68	590	680	719	\$354	\$405	\$486
Home Energy Management	N/A	N/A	N/A	-	-	-	\$20	\$20	\$35
PRODUCTS	\$0.18	\$0.14	\$0.23	203	198	170	\$36	\$29	\$40
Energy Star Appliances	\$0.66	\$0.58	\$0.87	139	135	181	\$92	\$79	\$158
Residential Lighting	\$0.13	\$0.08	\$0.15	210	205	171	\$27	\$17	\$25
Energy Star Heating System	\$6.77	\$26.51	\$16.44	79	20	20	\$535	\$530	\$334
High Efficiency Central AC Program	N/A	\$5.71	\$5.64	N/A	334	299	N/A	\$1,904	\$1,686
ENERGY STAR HOMES	\$2.82	\$1.74	\$8.17	812	1,412	241	\$2,294	\$2,459	\$1,972
SUBTOTAL	\$0.76	\$0.58	\$0.88	253	232	210	\$191	\$134	\$184
TOTAL	\$0.45	\$0.40	\$0.46	702	585	735	\$317	\$234	\$341

Reflects a revision to the goals discussed at the Collaborative meeting. Goals for the Energy Initiative Program have been increased.

Narragansett Electric - Data for Ratios

Program	Implementation Expense (\$000)			Annual MWh			Participants		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
Large Commercial / Industrial									
Design 2000plus	\$3,707	\$2,724	\$3,334	10,927	8,744	10,451	285	239	293
Energy Initiative	\$3,904	\$4,267	\$4,105	17,339	18,981	16,766	369	338	304
SUBTOTAL	\$7,611	\$6,991	\$7,439	28,266	27,725	27,218	654	577	597
Small Business									
Small Business Services	\$1,633	\$2,411	\$2,266	4,154	5,357	4,598	616	662	623
SUBTOTAL	\$1,633	\$2,411	\$2,266	4,154	5,357	4,598	616	662	623
Residential Programs									
IN-HOME	\$4,440	\$3,538	\$3,097	6,207	5,016	3,846	13,969	10,896	9,030
Appliance Management Program	\$1,353	\$1,039	\$950	1,215	967	898	915	605	530
Energy Wise	\$2,994	\$2,412	\$1,994	4,992	4,049	2,948	8,462	5,951	4,100
Home Energy Management	\$93	\$87	\$152	0	0	0	4,592	4,340	4,400
PRODUCTS	\$2,024	\$2,298	\$1,967	11,415	15,903	8,413	56,130	80,505	49,500
Energy Star Appliances	\$456	\$560	\$442	688	959	507	4,964	7,125	2,800
Residential Lighting	\$1,350	\$1,247	\$1,156	10,700	14,901	7,864	50,834	72,691	46,000
Energy Star Heating System	\$178	\$317	\$200	26	12	12	332	597	600
High Efficiency Central AC Progra	\$41	\$175	\$169	0	31	30	0	92	100
ENERGY STAR HOMES	\$537	\$656	\$690	190	377	85	234	267	350
SUBTOTAL	\$7,001	\$6,493	\$5,753	17,812	21,296	12,343	70,333	91,668	58,880
TOTAL	\$16,245	\$15,894	\$15,459	50,231	54,378	44,159	71,603	92,907	60,100

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LC03293
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2004

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A N A C T

RELATING TO PUBLIC UTILITIES AND CARRIERS -- DUTIES OF UTILITIES AND
CARRIERS

Introduced By: Senators Paiva-Weed, Walaska, DaPonte, Lenihan, and Gibbs

Date Introduced: May 18, 2004

Referred To: Senate Financial, Technology, Regulatory

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 39-2-1.2 of the General Laws in Chapter 39-2 entitled "Duties of
2 Utilities and Carriers" is hereby amended to read as follows:

3 **39-2-1.2. Utility base rate -- Advertising, demand side management and renewables.**

4 -- (a) In addition to costs prohibited in section 39-1-27.4(b), no public utility distributing or
5 providing heat, electricity, or water to or for the public shall include as part of its base rate any
6 expenses for advertising, either direct or indirect, which promotes the use of its product or
7 service, or is designed to promote the public image of the industry. No public utility may furnish
8 support of any kind, direct, or indirect, to any subsidiary, group, association, or individual for
9 advertising and include the expense as part of its base rate. Nothing contained in this section shall
10 be deemed as prohibiting the inclusion in the base rate of expenses incurred for advertising,
11 informational or educational in nature, which is designed to promote public safety conservation of
12 the public utility's product or service. The public utilities commission shall promulgate such rules
13 and regulations as are necessary to require public disclosure of all advertising expenses of any
14 kind, direct or indirect, and to otherwise effectuate the provisions of this section.

15 (b) Effective as of January 1, 2003, and for a period of ten (10) years thereafter, each
16 electric distribution company shall include charges of 2.0 mills per kilowatt-hour delivered to
17 fund demand side management programs and 0.3 mills per kilowatt-hour delivered to fund
18 renewable energy programs. Existing charges for these purposes and their method of

1 administration shall continue through December 31, 2002. Thereafter, the electric distribution
2 company shall establish two (2) separate accounts, one for demand side management programs,
3 which shall be administered and implemented by the distribution company, subject to the
4 regulatory reviewing authority of the commission, and one for renewable energy programs, which
5 shall be administered by the state energy office.

6 During the ten (10) year period the commission may, in its discretion, after notice and
7 public hearing, increase the sums for demand side management and renewable resources;
8 thereafter, the commission shall, after notice and public hearing, determine the appropriate charge
9 for these programs. The energy office and the administrator of the renewable energy programs
10 shall seek to secure for the state an equitable and reasonable portion of renewable energy credits
11 or certificates created by projects funded through those programs. As used in this section,
12 "renewable energy resources" shall mean power generation technologies that produce electricity
13 from wind energy, small scale (less than 100 megawatts) hydropower plants that do not require
14 the construction of new dams, solar energy, and sustainably managed biomass. Fuel cells may be
15 considered an energy efficiency technology to be included in demand sided management
16 programs. Special rates for low income customers in effect as of August 7, 1996 shall be
17 continued, and the costs of all of these discounts shall be included in the distribution rates
18 charged to all other customers. Nothing in this section shall be construed as prohibiting an electric
19 distribution company from offering any special rates or programs for low income customers
20 which are not in effect as of August 7, 1996, subject to the approval by the commission.

21 (c) The director of the state energy office is authorized and shall enter into a contract
22 with a contractor for the effective administration of the renewable energy programs funded by
23 this section. The director shall initiate the competitive bid process by the issuance and
24 advertisement of specifications and request for proposals, on or before September 1, 2002. The
25 contract resulting from the competitive bid process shall be awarded to become effective for a
26 three (3) year period commencing no later than January 1, 2003. A competitive bid and contract
27 award for administration of the renewable energy programs shall occur every three (3) years
28 thereafter.

29 (d) In 1996, with the enactment of the Rhode Island utility deregulation act, it was found
30 and declared that lower retail electricity rates would promote the state's economy and that greater
31 competition in the electric industry would stimulate economic growth. As consistent therewith,
32 the promotion and encouragement of self-generated electricity by large commercial and/or
33 industrial customers will stimulate critical economic growth in the state and benefit the public as
34 part of the total energy supply to the entire electric grid of the state. Therefore, the promotion and

1 encouragement of such self-generating electric projects, pursuant to section 39-2-1.5, shall be
2 included in the demand side management program. Such demand side management programs
3 shall be implemented on or before September 15, 2004.

4 SECTION 2. Chapter 39-2 of the General Laws entitled "Duties of Utilities and
5 Carriers" is hereby amended by adding thereto the following section:

6 **39-2-1.5. Economic incentive program for backup electric and supplemental rates. –**

7 (a) Electricity that is self-generated by large commercial and/or industrial customers stimulates
8 critical economic growth in the state of Rhode Island and benefits the public as part of the total
9 energy supply to the entire electric grid of the state. Pursuant to section 39-2-1.4, each electric
10 distribution company is required to provide backup and supplemental service to any customer
11 who is self-generating electricity. Thus, the commission, pursuant to section 39-2-1.4,
12 commencing January 1, 2005, is required to adopt and implement backup and supplemental rates
13 that shall be cost based and which may be discounted in order to encourage economically
14 efficient self-generation projects. Pending and consistent with the exercise of such authority, it
15 serves the public interest to reward and provide incentive to customers who have undertaken
16 financial obligations with regard to self-generating electricity projects that promote the state's
17 economy and result in greater competition in the electric industry.

18 (b) An eligible customer may enter into a backup rate economic incentive agreement with
19 the Rhode Island economic development corporation and, upon presentation thereof to the
20 commission, shall be entitled to a rebate of all backup and supplemental service rate charges
21 during the term of the backup rate economic incentive agreement, except for the distribution
22 demand charge per kilowatt for which that customer qualified as of the effective date of the
23 backup rate economic incentive agreement. Any and all backup and supplemental service
24 demand charges to an eligible customer shall be based upon a monthly average during the term of
25 a backup rate economic incentive agreement. Said rebate shall be funded by and through the
26 demand side management program pursuant to section 39-2-1.2. The term of a rate economic
27 incentive agreement shall be the earlier of five (5) years from the effective date thereof or January
28 31, 2010.

29 (c) The term of a backup rate economic incentive agreement may be extended by the
30 Rhode Island economic development corporation upon terms approved by the commission, if the
31 customer commits to a supplemental compact which provides for additional investment in the
32 state, additional job creation within the state, job training programs within the state, or programs
33 designed to produce more efficient manufacturing capabilities or efficiencies which further
34 stimulate the economy of the state. The compact commitments shall be monitored by the Rhode

1 Island economic development corporation and the extended backup rate economic incentive
2 agreement may be terminated upon petition to the commission, if the customer fails to satisfy the
3 compact.

4 (d) An eligible customer is defined as an electric distribution customer who:

5 (1) Has an average annual electricity demand of three thousand (3,000) kilowatts or
6 greater;

7 (2) Has undertaken an investment or obligation to satisfy a portion of its demand by and
8 through a self-generating electricity project within the state of Rhode Island; and

9 (3) Employs a minimum of three hundred (300) persons in the state of Rhode Island.

10 Upon a determination of such eligibility, the Rhode Island economic development
11 corporation shall enter into a backup rate economic incentive agreement to be presented to the
12 commission for the funding of rebates by and through the demand side management fund.

13 (e) In a proceeding commenced under section 39-2-1.4, an eligible customer may apply
14 to the commission to seek funding from the demand side management program to engage expert
15 witnesses for said proceeding.

16 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO PUBLIC UTILITIES AND CARRIERS -- DUTIES OF UTILITIES AND
CARRIERS

- 1 This act would amend the Rhode Island utility deregulation act to provide economic
- 2 incentives for the self-generation of electricity by large commercial and/or industrial customers.
- 3 This act would take effect upon passage.

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