

# **2002 DSM Year-End Report**

**for**

# **The Narragansett Electric Company**

May 1, 2003



**National Grid**

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# The Narragansett Electric Company

## Introduction

This report describes the cumulative results for 2002 of The Narragansett Electric Company's (Company's) commercial and industrial (C&I) and residential demand-side management (DSM) programs.

For the 2002 DSM program year, the Company established a goal to achieve 13,624 annual kW demand reduction and 45,059 annual MWh energy savings. Year-end results indicate the programs attained 14,566 annual kW demand and 50,658 annual MWh energy savings. The cost-effectiveness of the 2002 programs using the Rhode Island Benefit/Cost Test is 2.50 .

The Table below summarizes Year End program expenditures compared to budgeted amounts, as filed on November 21, 2002, following the program budget transfers of 2002.

<b>Comparison of Expenditures, 2002</b>		
	<b>Budget, \$Million</b>	<b>Year End, \$Million</b>
Total Expenditures, including commitments	\$29.9	\$25.1
Total Expenditures, excluding commitments	\$23.3	\$18.5
Total Expenditures, excl. commitments and renewables	\$18.8	\$17.9
Total Expenditures, residential and C&I programs <sup>1</sup>	\$17.0	\$16.4

As seen in the table, the Company spent \$16.4 million in 2002 on the residential and commercial and industrial programs, which generate energy savings, and had \$6.6 million in outstanding commitments for the Large C&I programs at year-end.

Table 1 shows the 2002 year-end performance for the C&I and residential programs compared with annual goals and budgets. Overall, the programs achieved approximately 112.4% of targeted annual energy savings and 106.9% of targeted annual kW savings, while using 96.3% of the spending budget for those programs.

Table 2 shows the value created by the projected lifetime MWh and kW-year savings from the DSM programs. The programs created \$43.4 million in value. Table 3 provides the Rhode Island Benefit/Cost ratios for the residential and C&I programs, The B/C ratios incorporate the total value, expenses, evaluation costs and shareholder incentive resulting

<sup>1</sup> These budget and expenditure amounts are net of the copay amounts paid directly by Small Business Program participants and paid by Large C&I customers for technical assistance. Expenditures also exclude evaluation expenses and the Company's incentive. See Table 1 for details on copayments and Table 3 for details on the evaluation expenses and incentive.

from the company's implementation of the programs during 2002. Table 4 shows the incentive calculation.

The DSM fund balance is shown in Table 5. Table 6 describes the Company's C&I programs, and Table 7 describes the Company's residential programs.

## Commercial and Industrial Programs

In 2002, the C&I programs were cost effective with an overall Rhode Island benefit/cost ratio of 3.30 . More information regarding the descriptions of the C&I programs can be found in Table 6. For the Large C&I programs, Energy Initiative and Design 2000*plus*, the Company achieved 119.1% of the targeted annual energy savings and 120.8% of targeted annual kW savings while spending 98.6% of the budget.

The table below shows the 2002 rebate and commitment budget, rebates paid in 2002, and total outstanding commitments for the Design 2000*plus* and Energy Initiative programs at year-end.<sup>2</sup> The total amount of rebates paid in 2002 plus outstanding commitments at year-end was \$12,563,347 which is just under the 2002 rebate and commitment budget of \$12,565,000.

<b>2002 Design 2000<i>plus</i> and Energy Initiative Spending and Commitments</b>				
	<b>(1) 2002 Rebate and Commitment Budget</b>	<b>(2) Rebates Paid in 2002</b>	<b>(3) Total Outstanding Commitments at Year-end</b>	<b>(4) Total Rebates Paid and Commitments for 2002</b>
Design 2000 <i>plus</i>	\$5,030,000	\$2,817,296	\$2,261,677	\$5,078,973
Energy Initiative	\$7,535,000	\$3,122,675	\$4,361,700	\$7,484,374
<b>Total</b>	<b>\$12,565,000</b>	<b>\$5,939,970</b>	<b>\$6,623,377</b>	<b>\$12,563,347</b>

With respect to the Small Business program, the Company spent 91.7% of the budget and achieved 81.5% of targeted annual kW savings and 109.0% of targeted annual MWh savings.

<sup>2</sup> Amounts in column (1) are from the 2002 stipulation budget updated to include the following modifications that were approved by the Division: a \$100,000 reduction from each of Energy Initiative and Design 2000*plus* was made pursuant to True-Up memorandum filed May 31, 2002; an addition of \$465,000 to Energy Initiative was made pursuant to the adjustment memo filed November 21, 2002. The amounts shown in columns (2) and (3), Rebates Paid in 2001 and Total Outstanding Commitments at Year-End, were obtained from the Company's DSM database. Column (4) is equal to the sum of Columns (2) and (3).

## Residential Programs

In 2002, the residential programs were cost-effective with an overall Rhode Island benefit/cost ratio of 1.51 . The Company spent approximately 95.0% of the residential budget and achieved 103.5% of targeted annual energy savings and 102.4% of targeted annual kW savings. Descriptions of the residential programs can be found in Table 7.

## Renewables

For the renewables effort, the Company spent \$562,833 or 13% of the budget for this segment, and ended the year with a fund balance of \$3,890,667, all of which was transferred to the Rhode Island State Energy Office (SEO) by February of 2003<sup>3</sup>. As administration of the program has passed to the SEO, this is the last Annual Report from the Company that will include renewables.

Major activities in 2002 included:

- A Solar on Schools educational program was implemented and 2 kW systems were installed on three schools in Rhode Island
- The Roger Williams Zoo, the Gordon Research Center and Warwick Veterans High School each installed the PV systems approved in the prior year
- The SunPower/Shaw's Large and Small Customer renewable retail programs were approved by the PUC and implemented pursuant to the RFPs issued. These programs helped Shaw's supermarkets purchase renewable energy certificates for three of their Rhode Island stores and set up a retail sales program at these same three stores for Shaw's customers to purchase renewable energy certificates.
- Peoples Power and Light, a local non-profit dedicated to selling renewable energy in Rhode Island, received funding to develop a business plan for a grass roots green power aggregation.
- A number of contracts were signed and work begun under the Outreach and Education RFP, including a residential consumer renewable education outreach campaign, a business renewable energy buyers' group, renewable energy workshops at Apeiron Institute for Environmental Living, and the CEFN/CESA public education project to produce renewable energy branding and collateral materials, to be cost-shared among five states.

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<sup>3</sup> The Company transferred \$3,918,431 to the Rhode Island State Energy Office (SEO). Since then, the Company discovered that a \$27,764 renewable expense related to a Solar on Schools project had inadvertently been charged to DSM expense. The SEO has agreed to reimburse the Company for that amount. Once the Company receives those funds, the net amount transferred to the SEO will equal the \$3,890,667 referred to above.

**NARRAGANSETT ELECTRIC COMPANY**

**Table 1. Summary of 2002 Target and Year End Results**

	Demand Reduction (Annual kW)			Energy Savings (Annual MWh)			Customer Participation (Completed Projects)			Spending (\$ 000)		
	Approved Target	Year End	Pct Achieved	Approved Target (6)	Year End	Pct Achieved	Approved Target	Year End	Pct Achieved	Approved Target	Year End	Pct Achieved
<b>Large Commercial / Industrial</b>												
Design 2000 <i>plus</i> (1)(2)	1,867	2,184	117.0%	8,534	10,875	127.4%	453	285	62.9%	\$3,573.0	\$3,706.6	103.7%
Energy Initiative (1)(2)	3,352	4,120	122.9%	15,858	18,181	114.7%	347	369	106.3%	4,143.0	3,904.1	94.2%
<b>SUBTOTAL</b>	<b>5,219</b>	<b>6,304</b>	<b>120.8%</b>	<b>24,392</b>	<b>29,057</b>	<b>119.1%</b>	<b>800</b>	<b>654</b>	<b>81.8%</b>	<b>\$7,716.0</b>	<b>\$7,610.6</b>	<b>98.6%</b>
<b>Small Business</b>												
Small Business (3)	1,637	1,334	81.5%	3,844	4,188	109.0%	664	616	92.8%	\$1,781.0	\$1,632.9	91.7%
<b>SUBTOTAL</b>	<b>1,637</b>	<b>1,334</b>	<b>81.5%</b>	<b>3,844</b>	<b>4,188</b>	<b>109.0%</b>	<b>664</b>	<b>616</b>	<b>92.8%</b>	<b>\$1,781.0</b>	<b>\$1,632.9</b>	<b>91.7%</b>
<b>Residential Programs</b>												
<b>IN-HOME</b>	<b>3,278</b>	<b>3,716</b>	<b>113.4%</b>	<b>5,156</b>	<b>6,010</b>	<b>116.6%</b>	<b>12,042</b>	<b>13,970</b>	<b>116.0%</b>	<b>\$4,292.4</b>	<b>\$4,440.2</b>	<b>103.4%</b>
Low Income	113	153	135.4%	885	1,021	115.4%	850	915	107.6%	1,276.0	1,352.9	106.0%
Energy Wise	644	1,042	161.8%	4,271	4,989	116.8%	6,600	8,463	128.2%	2,853.0	2,994.3	105.0%
Home Energy Management (5)	2,521	2,521	100.0%	0	0	n/a	4,592	4,592	100.0%	163.4	93.0	56.9%
<b>PRODUCTS</b>	<b>3,387</b>	<b>3,134</b>	<b>92.5%</b>	<b>11,558</b>	<b>11,185</b>	<b>96.8%</b>	<b>54,330</b>	<b>54,701</b>	<b>100.7%</b>	<b>2,514.0</b>	<b>2,024.4</b>	<b>80.5%</b>
Energy Star Products	65	116	178.5%	386	459	118.9%	2,080	3,535	170.0%	635.0	456.0	71.8%
Residential Lighting	3,292	3,009	91.4%	11,142	10,700	96.0%	52,000	50,834	97.8%	1,567.0	1,349.6	86.1%
Energy Star Heating System	5	9	180.0%	16	26	163.9%	200	332	166.0%	156.0	177.6	113.8%
High Efficiency Central AC Program	25	0	0.0%	14	0	0.0%	50	0	0.0%	156.0	41.2	26.4%
<b>INFORMATION AND EDUCATION</b>	<b>0</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>0</b>	<b>n/a</b>	<b>129.9</b>	<b>115.5</b>	<b>88.9%</b>
<b>NEW CONSTRUCTION</b>	<b>103</b>	<b>78</b>	<b>75.7%</b>	<b>109</b>	<b>218</b>	<b>200.1%</b>	<b>200</b>	<b>234</b>	<b>117.0%</b>	<b>556.0</b>	<b>536.8</b>	<b>96.5%</b>
<b>SUBTOTAL</b>	<b>6,768</b>	<b>6,928</b>	<b>102.4%</b>	<b>16,823</b>	<b>17,414</b>	<b>103.5%</b>	<b>66,572</b>	<b>68,905</b>	<b>103.5%</b>	<b>\$7,492.3</b>	<b>\$7,116.9</b>	<b>95.0%</b>
<b>TOTAL (4)</b>	<b>13,624</b>	<b>14,566</b>	<b>106.9%</b>	<b>45,059</b>	<b>50,658</b>	<b>112.4%</b>	<b>68,036</b>	<b>70,175</b>	<b>103.1%</b>	<b>\$16,989.3</b>	<b>\$16,360.4</b>	<b>96.3%</b>

**NOTES**

- (1) Approved Target and Year End spending for Design 2000*plus* and Energy Initiative exclude commitments. The 2002 commitment budget was estimated to be \$2,300,000 for Design 2000*plus* and \$4,315,000 for Energy Initiative; Carryover to 2003 is estimated to be \$2,261,677 and \$4,361,700, respectively.
- (2) Year End Spending for Design 2000*plus* is net of technical assistance copays of \$48,881; Year End Spending for Energy Initiative is net of technical assistance copays of \$25,931.
- (3) Approved Target and Year End spending for the Small Business Program is net of all copay amounts that will be collected from customers. Copayments for 2002 installations are \$765,277 in the Approved Target and \$528,167 in the Year End Spending.
- (4) Total copayments here of \$602,979 do not match copayments of \$751,147 in Table 5 fund balance, because the latter reflects actual payments made to the fund in 2002 from current and prior years' participants while this Table presents all payments to be made by 2002 participants.
- (5) Funds expended for maintenance of Home Energy Management savings from system installed prior to 1998.
- (6) The Large C&I Targeted Annual kWh savings was **not** adjusted to account for the increase in year-end commitments beyond the commitment budget. The small increase in commitments decreases the spending budget and, therefore, targets. Since the Company exceeded the adjusted target filed in November 2002, a small reduction in the target would have no impact on the incentive, and therefore, the target was left as filed in November.

**NARRAGANSETT ELECTRIC COMPANY**

**Table 2. Summary of Expenses, Value, KW, and KWH by Program  
2002 Program Year**

	Program Expenses (000's)	Value (000's)					Load Reduction in kW				MWh Saved	
		Total	Capacity	Energy		MDC	Maximum Annual	Winter	Summer	Lifetime	Annual	Lifetime
				On Peak	Off Peak							
<b>Large Commercial / Industrial</b>												
Design 2000plus (1)(2)	\$3,707	\$9,956	\$1,915	\$4,222	\$2,649	\$1,171	2,184	1,318	1,850	36,282	10,875	176,157
Energy Initiative (1)(2)	3,904	18,479	4,102	8,278	3,613	2,486	4,120	2,634	4,010	69,391	18,181	293,209
<b>SUBTOTAL</b>	<b>\$7,611</b>	<b>\$28,435</b>	<b>\$6,017</b>	<b>\$12,500</b>	<b>\$6,261</b>	<b>\$3,657</b>	<b>6,304</b>	<b>3,952</b>	<b>5,860</b>	<b>105,673</b>	<b>29,057</b>	<b>469,366</b>
<b>Small Business</b>												
Small Business (3)	\$1,633	\$3,655	\$900	\$1,567	\$619	\$570	1,334	810	1,153	16,493	4,188	51,941
<b>SUBTOTAL</b>	<b>\$1,633</b>	<b>\$3,655</b>	<b>\$900</b>	<b>\$1,567</b>	<b>\$619</b>	<b>\$570</b>	<b>1,334</b>	<b>810</b>	<b>1,153</b>	<b>16,493</b>	<b>4,188</b>	<b>51,941</b>
<b>Residential Programs</b>												
<b>IN-HOME</b>	\$4,440	\$4,540	\$838	\$1,424	\$1,368	\$909	3,716	3,714	2,033	16,634	6,010	71,266
Low Income	1,353	843	138	293	278	134	153	151	116	2,206	1,021	14,861
Energy Wise	2,994	3,401	579	1,132	1,090	600	1,042	1,042	449	11,907	4,989	56,405
Home Energy Management	93	296	121	0	0	175	2,521	2,521	1,468	2,521	0	0
<b>PRODUCTS</b>	\$2,024	\$6,475	\$1,055	\$2,014	\$2,046	\$1,360	3,134	3,088	550	28,588	11,185	103,656
Energy Star Products	456	427	97	127	120	82	116	70	116	1,534	459	6,395
Residential Lighting	1,350	6,029	955	1,881	1,920	1,273	3,009	3,009	434	26,947	10,700	96,946
Energy Star Heating System	178	19	3	6	6	4	9	9	0	108	26	315
High Efficiency Central AC Program	41	0	0	0	0	0	0	0	0	0	0	0
<b>INFORMATION AND EDUCATION</b>	\$115	0	0	0	0	0	0	0	0	0	0	0
<b>NEW CONSTRUCTION</b>	\$537	\$267	\$72	\$71	\$67	\$57	78	46	46	1,886	218	3,879
<b>SUBTOTAL</b>	<b>\$7,001</b>	<b>\$11,281</b>	<b>\$1,965</b>	<b>\$3,509</b>	<b>\$3,481</b>	<b>\$2,326</b>	<b>6,928</b>	<b>6,848</b>	<b>2,629</b>	<b>47,108</b>	<b>17,414</b>	<b>178,801</b>
<b>Total</b>	<b>\$16,245</b>	<b>\$43,372</b>	<b>\$8,881</b>	<b>\$17,576</b>	<b>\$10,362</b>	<b>\$6,553</b>	<b>14,566</b>	<b>11,610</b>	<b>9,642</b>	<b>169,274</b>	<b>50,658</b>	<b>700,108</b>

Notes

(1) Program Expenses for Design 2000plus and Energy Initiative exclude commitments carried into 2003.

Carryover to 2003 is estimated to be \$2,261,677 and \$4,361,700, respectively.

(2) Program Expenses for Design 2000plus are net of technical assistance copays of \$48,881; and for Energy Initiative is net of technical assistance copays of \$25,931.

(3) Program Expenses for the Small Business Program are net of all copay amounts, \$528,167, that will be collected from customers.

**NARRAGANSETT ELECTRIC COMPANY**

**Table 3. Summary of B/C Ratios, Value, Expenses, Customer and Evaluation Costs (\$000's)  
2002 Program Year**

	Rhode Island Benefit/Cost (1)	Value Total	Program Expenses (2)(4)	Evaluation Cost (3)	Shareholder Incentives (5)
<b>Large Commercial / Industrial</b>					
Design 2000plus (4)	2.57	\$9,956.3	\$3,706.6	\$51.9	\$118.1
Energy Initiative (4)	4.48	18,479.1	3,904.1	20.4	197.4
<b>SUBTOTAL</b>	<b>3.56</b>	<b>\$28,435.4</b>	<b>\$7,610.6</b>	<b>\$72.3</b>	<b>\$315.5</b>
<b>Small Business</b>					
Small Business (4)	2.11	3,655.3	1,632.9	20.0	\$75.8
<b>SUBTOTAL</b>	<b>2.11</b>	<b>\$3,655.3</b>	<b>\$1,632.9</b>	<b>\$20.0</b>	<b>\$75.8</b>
<b>SUBTOTAL C&amp;I</b>	<b>3.30</b>	<b>\$32,090.8</b>	<b>\$9,243.5</b>	<b>\$92.4</b>	<b>\$391.2</b>
<b>Residential Programs</b>					
<b>IN-HOME</b>	<b>0.99</b>	<b>\$4,539.7</b>	<b>\$4,440.2</b>	<b>\$29.7</b>	<b>\$103.9</b>
Low Income	0.61	842.9	1,352.9	8.4	17.6
Energy Wise	1.10	3,401.0	2,994.3	21.3	86.2
Home Energy Management	3.18	295.7	93.0	0.0	0.0
<b>PRODUCTS</b>	<b>2.91</b>	<b>\$6,474.9</b>	<b>\$2,024.4</b>	<b>\$9.2</b>	<b>\$193.3</b>
Energy Star Products	0.92	426.6	456.0	0.1	7.9
Residential Lighting	3.93	6,028.9	1,349.6	0.0	184.9
Energy Star Heating System	0.11	19.4	177.6	0.0	0.5
High Efficiency Central AC Program	0.00	0.0	41.2	9.1	0.0
<b>INFORMATION AND EDUCATION</b>	<b>0.00</b>	<b>\$0.0</b>	<b>\$115.5</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>NEW CONSTRUCTION</b>	<b>0.49</b>	<b>\$266.5</b>	<b>\$536.8</b>	<b>\$5.1</b>	<b>\$3.8</b>
<b>SUBTOTAL RES</b>	<b>1.51</b>	<b>\$11,281.1</b>	<b>\$7,116.9</b>	<b>\$44.0</b>	<b>\$300.9</b>
Non-Specific Planning and Evaluation				131.7	
<b>TOTAL</b>	<b>2.50</b>	<b>\$43,371.8</b>	<b>\$16,360.4</b>	<b>\$268.2</b>	<b>\$692.1</b>

Notes:

- (1) RI Benefit/Cost = (Value/(Program Expenses + Evaluation Cost + Shareholder Incentives))
- (2) Not including additional commitments to spend.
- (3) Narragansett Electric Company's evaluation cost including staff labor costs.
- (4) The Preliminary Year End spending reported for the Small Business Program is net of all copay amounts, \$528,167, that will be collected from customers.  
Spending for Design 2000plus is net of technical assistance copays of \$48,881.  
Spending for Energy Initiative is net of technical assistance copays of \$25,931.
- (5) Shareholder incentives earned by sectors have been allocated by annual kWh program savings.



**Table 4. The Narragansett Electric Company 2002 DSM Incentive Calculation**

Incentive Rate 4.25%

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Spending Budget	Target Incentive	Targeted Annual kWh Savings	Threshold kWh	Above Threshold kWh	Incentive Per Above Threshold kWh	Annual kWh Savings	Earned Incentive
<b>DSM Program Sectors</b>								
Residential	\$7,080,400	\$300,917	16,823,000	7,570,350	9,252,650	\$0.0325	17,413,577	\$300,917
Large Commercial & Industrial (1) (2)	\$7,422,423	\$315,453	24,392,000	10,976,400	13,415,600	\$0.0235	29,056,513	\$315,453
Small Business	\$1,782,800	\$75,769	3,844,000	1,729,800	2,114,200	\$0.0358	4,188,279	\$75,769
Total DSM Budget	\$16,285,623	\$692,139						\$692,139
Design 2000plus Commitments	\$2,261,677							
Energy Initiative Commitments	\$4,361,700							
Total Commitments	\$6,623,377							
DSM Program Budget Plus Commitments	\$22,909,000							

Column 1: Spending Budget excludes the following: Funding provided to the Rhode Island State Energy Office (SEO) for appliance rebates; Home Energy Management; Energy Initiative and Design 2000plus commitments; and Small Business co-pay funds received in 2001.

Column 2: Column 1\*Incentive Rate

Column 3: kWh revised for budget transfers and using most recent evaluation impacts.

Column 4: Column 3 \* 0.45 (45% Threshold).

Column 5: Column 3 - Column 4.

Column 6: Column 2/Column 5.

Column 7: Year End Savings from Table 1

Column 8: = Column 2, if Column 7 greater than Column 3; or = (Column 7 - Column 4) \* Column 6, if Column 7 less than Column 3.

Notes (1) Per the 2002 Stipulation, Year End Large C&I sector threshold, incentive rates, and the sector incentive levels, are adjusted by the difference (\$8,377) in spending and commitment budgets from those proposed and filed in the November 21, 2002 budget adjustment memo.

(2) The Large C&I Targeted Annual kWh savings was not adjusted to account for the increase in year-end commitments beyond the commitment budget. The small increase in commitments decreases the spending budget and, therefore, targets. Since the Company exceeded the adjusted target filed in November 2002, a small reduction in the target would have no impact on the incentive, and therefore, the target was left as filed in November.

**THE NARRAGANSETT ELECTRIC COMPANY  
DEMAND - SIDE MANAGEMENT ANALYSIS OF 2002 FUND BALANCE**

12 Months Actual 2002

FIRST HALF 2002 - Total C&LM Revenue/Expense for Jan-June 2002

	<u>Actual JAN</u>	<u>Actual FEB</u>	<u>Actual MAR</u>	<u>Actual APRIL</u>	<u>Actual MAY</u>	<u>Actual JUNE</u>	<u>6MTHS Y.T.D</u>
1. DSM Factor Revenue	\$1,512,193	\$1,442,097	\$1,304,781	\$1,303,370	\$1,243,886	\$1,298,253	\$8,104,579
1a. Leasing Revenues	\$19,375	\$18,762	\$0	\$0	\$0	\$0	\$38,137
<u>2. Customer Co-Payments</u>	<u>\$80,644</u>	<u>\$77,951</u>	<u>\$65,714</u>	<u>\$58,088</u>	<u>\$55,281</u>	<u>\$61,856</u>	<u>\$399,534</u>
3. Total Revenue	\$1,612,212	\$1,538,809	\$1,370,495	\$1,361,457	\$1,299,167	\$1,360,108	\$8,542,249
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4. Total Expenses	\$541,177	\$1,227,809	\$1,698,106	\$1,232,206	\$1,353,723	\$1,175,888	\$7,228,909
5. DSM Incentive	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6. Cash Flow Over/(Under)	\$1,071,035	\$311,000	(\$327,611)	\$129,251	(\$54,556)	\$184,220	\$1,313,340
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7. Start of Period Balance	\$11,151,397	\$12,268,693	\$12,628,873	\$12,350,603	\$12,528,998	\$12,523,928	\$11,151,397
8. End of Period Balance Before Interest	\$12,222,432	\$12,579,694	\$12,301,262	\$12,479,854	\$12,474,442	\$12,708,148	\$12,464,737
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9. Approximate Interest on Fund	\$46,261	\$49,179	\$49,341	\$49,144	\$49,486	\$49,938	\$293,349
10. End of Period Balance After Interest	\$12,268,693	\$12,628,873	\$12,350,603	\$12,528,998	\$12,523,928	\$12,758,086	\$12,758,086

Line 1: Applicable kWh Sales x \$0.00230 per kWh (factor does not include any Gross Earnings Tax)

Line 1a: Lease payments from other utilities for use of programs

Line 2: Customer payments less Gross Earnings Tax.

(Customer co-payments from Small C&I and Technical Assistance programs)

Line 3: Line 1 + Line 1a + Line 2

Line 4: Source DSM Evaluation and Planning Expenses include spending on Renewable Energy Projects and Evaluation Costs.

Line 5: Estimated 2002 Incentive

Line 6: Line 3 - (Line 4 + Line 5)

Line 7: Line 10 of Previous Month

January Start of Period Balance: 2001 Year End Balance as filed in April 2001.

Line 8: Line 6 + Line 7

Line 9: Interest Rates:	Jan. = 4.75%	Feb. = 4.75%	Mar. = 4.75%	Apr. = 4.75%
	May = 4.75%	Jun. = 4.75%	Jul. = 4.75%	Sep. = 4.75%
	Oct. = 4.75%	Nov. = 4.35%	Dec. = 4.25%	

Line 10: Line 8 + Line 9

**THE NARRAGANSETT ELECTRIC COMPANY  
DEMAND - SIDE MANAGEMENT ANALYSIS OF 2002 FUND BALANCE**

12 Months Actual 2002

SECOND HALF 2002 - Total C&LM Revenue/Expense for July-December 2002

	<u>Actual JULY</u>	<u>Actual AUG</u>	<u>Actual SEPT</u>	<u>Actual OCT</u>	<u>Actual NOV</u>	<u>Actual DEC</u>	<u>ANNUAL TOTAL</u>
1. DSM Factor Revenue	\$1,516,927	\$1,657,869	\$1,556,397	\$1,435,986	\$1,419,572	\$1,566,997	\$17,258,327
1a. Leasing Revenues	\$0	\$0	\$0	\$0	\$0	\$1,495	\$39,632
2. Customer Co-Payments	\$50,480	\$55,654	\$65,248	\$75,714	\$51,385	\$53,133	\$751,147
3. Total Revenue	\$1,567,407	\$1,713,523	\$1,621,645	\$1,511,699	\$1,470,957	\$1,621,625	\$18,049,106
<hr/>							
4. Total Expenses	\$1,909,556	\$1,070,875	\$1,913,492	\$1,484,337	\$1,466,052	\$2,721,130	\$17,794,351
5. DSM Incentive	\$0	\$0	\$0	\$0	\$0	\$692,139	\$692,139
6. Cash Flow Over/(Under)	(\$342,149)	\$642,648	(\$291,847)	\$27,362	\$4,905	(\$1,791,644)	(\$437,384)
<hr/>							
7. Start of Period Balance	\$12,758,086	\$12,465,762	\$13,159,026	\$12,918,689	\$12,997,242	\$13,049,271	\$11,151,397
8. End of Period Balance Before Interest	\$12,415,938	\$13,108,410	\$12,867,179	\$12,946,051	\$13,002,147	\$11,257,627	\$10,714,013
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9. Approximate Interest on Fund	\$49,824	\$50,616	\$51,510	\$51,191	\$47,124	\$43,043	\$586,657
10. End of Period Balance After Interest	\$12,465,762	\$13,159,026	\$12,918,689	\$12,997,242	\$13,049,271	\$11,300,670	\$11,300,670
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11. Year-end Commitments for Design 2000 & Energy Initiative							\$6,623,377
11a. Year-end Commitments for Renewable Energy							\$3,890,667
12 FUND BALANCE AT YEAR-END							\$786,626

Line 1: Applicable kWh Sales x \$0.00230 per kWh (factor does not include any Gross Earnings Tax)

Line 1a: Lease payments from other utilities for use of programs

Line 2: Customer payments less Gross Earnings Tax.

(Customer co-payments from Small C&I and Technical Assistance programs)

Line 3: Line 1 + Line 1a + Line 2

Line 4: Source DSM Evaluation and Planning Expenses include spending on Renewable Energy Projects and Evaluation Costs.

Line 5: Estimated 2002 Incentive

Line 6: Line 3 - (Line 4 + Line 5)

Line 7: Line 10 of Previous Month

January Start of Period Balance: 2001 Year End Balance as filed in April 2001.

Line 8: Line 6 + Line 7

Line 9: Interest Rates: Jan. = 4.75% Feb. = 4.75% Mar. = 4.75% Apr. = 4.75%  
May = 4.75% Jun. = 4.75% Jul. = 4.75% Aug. = 4.75%  
Oct. = 4.75% Nov. = 4.35% Dec. = 4.25%

Line 10: Line 8 + Line 9

Line 11: Per the DSM database

Line 11a: Per the DSM database

Line 12: Line 10 - Line 11 - Line 11a

**Table 6: Commercial and Industrial Programs**

<b>Program Name</b>	<b>Description</b>
<b>Design 2000plus Program</b>	<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. <i>Design 2000plus</i> 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><i>Design 2000 plus</i> 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>
<b>Energy Initiative Program</b>	<p>Energy Initiative 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 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.</p>
<b>Small Business Program</b>	<p>The Small Business Program provides direct installation of energy efficient lighting and non-lighting retrofit measures. Customers with average monthly demand of less than 100 kW or annual energy usage of less than 300,000 kWh are eligible to participate. The program's lighting measures are delivered through one labor and one product vendor selected through a competitive bidding process. The labor vendor performs lighting analysis, 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 35% 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.</p>

**Table 7: Residential Programs**

<b>Program Name</b>	<b>Description</b>
<b>In Home Services</b>	The EnergyWise program addresses baseload electric use as well as electric heat in all residential buildings. In 2002, at the request of the Commission, the company introduced a low interest (2%) subsidized loan program for the installation of weatherization measures in all homes which heat with oil or electricity. The income eligible component of the EnergyWise program is delivered by the State Energy Office and local Community Action agencies. It provides the same services as the EnergyWise program, but no customer contribution is required.
<b>Home Energy Management</b>	HEM provides direct control of residential water heaters. It has been closed to new customers in Rhode Island since Jan. 1, 1998. Funding provides for maintenance of the existing communication system and control of nearly 5,000 water heaters.
<b>ENERGY STAR Products</b>	Included in this initiative is the ENERGY STAR Appliance Program which promotes the purchase of high efficiency major appliances (refrigerators, dishwashers, clothes washers, room air conditioners) that bear the ENERGY STAR Label. It is offered by several utilities throughout the region.
<b>Residential Lighting</b>	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 through instant rebates at retail stores or a mail order catalog.
<b>ENERGY STAR Heating</b>	Homeowners purchasing or replacing an existing heating system with a qualifying Energy Star heating system are eligible to receive a rebate to defray the cost of the higher efficiency system. Funding is provided by Narragansett Electric and administered by the state energy office.
<b>High Efficiency Central A/C Program</b>	This program promotes the installation of high efficiency central air conditioners. Market Research and program development were the primary activities in 2002, with the program being introduced in the fall. The program provides training of contractors in installation, testing of the high efficiency systems and rebates for ENERGY STAR systems
<b>New Construction</b>	The ENERGY STAR Homes Program promotes the construction of energy efficient homes by offering technical and marketing assistance, as well as cash incentives to builders of new energy efficient homes that comply with the program's performance standards.
<b>Education</b>	The Company promotes energy education in schools through the National Energy Education Development (N.E.E.D) Program. This program provides curriculum materials and training for a comprehensive energy education program. The Company also supports the ENERGY STAR Homes Vocational School Initiative which trains students at the Woonsocket and Warwick Area Career and Technical Centers to be ENERGY STAR certified builders and the "Kids for Conservation" program.