

October 26 2006

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 3701 – Revised 2005 Demand Side Management Year-End Report Incentive Calculation for 2005

Dear Ms. Massaro:

Enclosed please find ten (10) copies of a corrected incentive calculation for 2005. This supersedes the incentive calculation included in the Revised 2005 Demand Side Management (“DSM”) Year-End Report (“Report”) for The Narragansett Electric Company, d/b/a National Grid (the “Company”), filed with the Commission on May 31, 2006. Please replace Table 4 on page 7 of the Report with the corrected version of Table 4.

While reviewing the structure of the incentive mechanism with the Collaborative in preparation of the 2007 DSM Program filing, a calculation error was discovered in the 2005 incentive calculation. The Company realized it failed to update the Savings Eligible for Incentive in the Residential Sector to reflect year-end adjustments to the savings goal due to recent evaluation results.

This error caused an understatement of the Earned Savings Incentive in the Residential Sector by \$40,854. As a result of this correction, the Company's total earned incentive for 2005, in all sectors and including performance metrics, will be \$836,502. The corrected incentive amount is factored into the projected 2006 year-end fund balance used in developing estimates of available funds for the 2007 DSM programs.

Very truly yours,



Laura S. Olton

cc: Docket 3701 Service List
RI Collaborative Members (w/att.)

NATIONAL GRID

Table 4. National Grid 2005 DSM Incentive Calculation (Corrected - 10/26/06)

Incentive Rate: 4.40%

Sector	(1) Spending Budget	(2) Target Incentive	(3) Target Incentive for Performance Metrics	(4) Target Incentive - Annual kWh Savings	(4a) Maximum Savings Incentive	(5) Annual kWh Savings Goal (True-up Filing)	(5a) Adjusted Annual kWh Savings Goal	(6) Threshold kWh Savings	(7) Target Incentive Per kWh
Residential	\$7,125,408	\$313,165	\$30,000	\$283,165	\$353,957	18,771,636	21,221,012	12,732,607	\$0.013
Small Commercial & Industrial	\$3,667,902	\$160,763	\$15,000	\$145,763	\$182,204	7,466,154	7,304,358	4,382,615	\$0.020
Large Commercial & Industrial	\$6,813,259	\$300,760	\$30,000	\$270,760	\$338,451	27,513,427	30,286,327	18,171,796	\$0.009
Total	\$17,606,570	\$774,689	\$75,000	\$699,689	\$874,611	53,751,216	58,811,697	35,287,018	

Sector	(8) Actual kWh	(9) % of Target Savings	(10) Savings Eligible for Incentive	(11) Earned Savings Incentive	(12) Earned Metric Incentive	(13) Total Earned Incentive
Residential	29,457,602	139%	26,526,266	\$353,957	\$30,000	\$383,957
Small Commercial & Industrial	7,718,416	106%	7,718,416	\$154,026	\$15,000	\$169,026
Large Commercial & Industrial	28,917,072	95%	28,917,072	\$258,519	\$25,000	\$283,519
Total	66,093,090			\$766,502	\$70,000	\$836,502

- Column 1: Spending Budget from June 10, 2005, filing in Docket 3635 ("True-Up Filing"), Updated Attachment 8. Excludes the following: Home Energy Management; Energy Initiative and Design 2000plus commitments; and Small Business Services co-payments expected to be received in 2005.
- Column 2: Column 1 * Incentive Rate
- Column 3: \$15,000 per proposed performance metric.
- Column 4: Column (2) - Column (3) allocated to each sector based on the sector Spending Budget.
- Column 5: Annual MWh Approved Targets by Sector from Table 1, Column (4).
- Column 5a: Annual MWh Adjusted Target by Sector from Table 1, Column (4a).
- Column 6: Column 5a * 0.60 (60% Threshold).
- Column 7: Column 4 / Column 5a
- Column 8: Year End Savings from Table 1, Column (5)
- Column 9: Column 8 / Column 5a
- Column 10: If Column 9 is less than 60%, Column 10 = 0,
If Column 9 is between 60% and 125%, Column 10 = Column 8;
If Column 9 is greater than 125%, Column 10 = 125% of Column 5 due to the incentive cap.
- Column 11: Column 10 * Column 7
- Column 12: As documented in Table 5
- Column 13: Column 11 + Column 12

Certificate of Service

I hereby certify that a copy of the cover letter and accompanying material(s) have been hand-delivered or sent via U.S. mail to the parties listed below.



Joanne M. Scanlon
National Grid

October 26, 2006
Date

Narragansett Electric Co. – 2006 Demand Side Management – Dkt. 3701
Service list as of 4/13/06

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