

August 16, 2007

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Dockets 3779 & 3790 – National Grid Energy Efficiency Programs
Rhode Island DSM Collaborative Report of Meeting Minutes
July 19, 2007**

Dear Ms. Massaro:

On behalf of the Rhode Island DSM Collaborative, enclosed are ten (10) copies of a meeting summary of the Collaborative's July 19, 2007 meeting concerning National Grid's gas and electric energy-efficiency programs. Although this report is not required by the Settlements approved by the Commission in the above-captioned proceedings, the Collaborative is forwarding a copy of the meeting minutes as a means to keep the Commission informed of its ongoing actions during the course of the year. Please circulate this document to the Commissioners as well as other interested staff members. Please place a copy of this summary in the official file for these dockets.

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

Very truly yours,



Laura S. Olton

Enclosures

cc: Dockets 3779 & 3790 Service List
RI Collaborative Members

**RHODE ISLAND DSM COLLABORATIVE
MEETING SUMMARY
JULY 19, 2007**

The seventh meeting in 2007 of the Rhode Island DSM Collaborative began at 9:15 am at the Weybosset Street offices of National Grid in Providence, RI.

Attendance

Non-Utility Parties	For National Grid
John Farley, TEC-RI	Michael McAteer
Tim Howe, RI OER	Jeremy Newberger
Bill Lueker, RI AG	Bob O'Brien
Bob Fagan, for the Division	Mark DePetrillo
Karina Lutz, PP&L	Tom Coughlin
	Carol White

I. Introductions

- A. Tim Howe, of the RI OER, was introduced.

II. 2nd Quarter Results (see Attachment 1)

1. C&I Electric Programs
 - a. At mid-year, programs are tracking at about 50% spending and savings. The company is confident it will reach the goals. The challenge will be managing the business in the queue.
 - b. ACTION ITEM: Jeremy will update C&I participant counts.
 - c. Energy Efficiency & Resource Management Council. The Council is ramping up. There are funds in the budget to support the work of the Council. A spring 2008 filing on least cost procurement (LCP) is planned, with a Commission decision expected in August 2008.
 - d. The Collaborative discussed how multi-year plans might work and how procurement might tie into the program planning process. The Collaborative could seek long term approval for basic programs, budgets, and goals, while establishing a mechanism for updates.
 - e. John Farley noted that the advent of LCP could provide some opportunities to pilot some program concepts in 2008. Bob Fagan suggested demand response, although Carol White noted that the Collaborative has not been supportive of using DSM funds for anything more than demand response audits.
 - f. ACTION ITEM: The Collaborative asks that members and associates Tim Stout, Sam Krasnow, and Andy Dzykewicz keep the Collaborative informed about LCP developments.
2. C&I Metrics
 - a. Energy Initiative non-prescriptive-lighting is about 30% of the goal. The Company is confident it will make the target.

- b. The Company has not yet signed any agreements with the high performance schools in 2007, but has three active prospects.
 - c. ACTION ITEM: Consider targeting school renovations in 2008.
 - d. SBS non-prescriptive-lighting is at about 62% of the MWh goal for 2007.
 - e. Tim Howe asked about HVAC measures in SBS. HVAC replacement is an option, through the Cool Choice program, even for SBS customers. Jeremy mentioned the 2004 "Impact Evaluation of the Unitary HVAC Tune-Up Program," which indicated that tune-ups were not cost-effective.
 - f. ACTION ITEM: Jeremy to provide copy of 2004 evaluation to Collaborative.
3. Residential Metrics
- a. Energy Star New Construction metric is tracking at about 13.5%, which is less than the target of 18.8%. The metric targets contracts for program participation in 2007 and 2008, while program savings (already over 100% of the annual goal) represents contracts signed in prior years as well as increased penetration of duct measures.
 - b. Residential non-lighting savings are about 52% of the target for the year.
4. Residential Program Highlights
- a. ES Homes: projecting 480 participants and savings well in excess of the target. The Company developed the goals thinking that 60% of savings in duct sealing would be lost because of program eligibility changes, when only 20% has been lost.
 - b. EnergyWise: Program continues to be popular. Company is managing the budget. The backlog is small. The Company expects business to pick up in the fall. Karina Lutz questioned about the comprehensiveness of the home energy audits. The Company is now following the Home Performance with Energy Star guidelines for all fuels. The guidelines are comprehensive, however they are different than the previous RCS requirements.
 - c. Energy Star Appliances: July is the final month for rebates on Room A/C units.
 - d. Energy Star Heating: Electric savings are from blower motors. Expect this to pick up with inclusion of gas furnace participants.
 - e. Karina Lutz expressed concern about a recent bill stuffer coupon promoting a \$300 rebate for central air conditioning. She is afraid that customers who were not planning to install A/C would add A/C because of the rebate. The rebate is really intended to defray the incremental cost of installing high efficiency A/C for customers who were already planning to install a new A/C system. The major avenue for marketing the program is through vendor relationships; the bill stuffer is intended to capture some small segment of the market not reached by vendor relationships.
 - f. ACTION ITEM: The Company will provide feedback on bill stuffer effectiveness from the Program Manager to the Collaborative. Based on a review of this information, the Company will consider doing a study of the effectiveness of different marketing methods to promote high efficiency air conditioning.

III. Avoided Cost Study Update

A. Jeremy reviewed a set of highlights from the draft final Avoided Energy Supply Component (AESC) Study (see Attachment 2).

B. ACTION ITEM: John Farley prepared a set of questions that the Company will ask the study Contractor, Synapse Energy Economics, to answer (see Attachment 3).

C. ACTION ITEM: The Collaborative will need to make a decision about certain user inputs related to application of the avoided costs at the September Collaborative meeting.

D. ACTION ITEM: The Company will include a copy of the AESC Study in the 2008 program filing.

IV. New Program Ideas for 2008

A. OER support.

1. The OER requested that the 2008 electric programs include support for the ESCO delivered shared savings program for state facilities. These areas may include measurement and verification and legal support.

2. ACTION ITEM: The Company will meet with OER staff to scope out the OER's request.

3. Karina Lutz is looking for help to make sure OER gets proper funding and avoid raids on the SBC fund.

B. The Collaborative discussed process alternatives that will fit with the planning process. A long term view is needed to inform planning and consider the movement to LCP.

C. A question to consider is "How do we change the delivery model/program framework to get more non-lighting installations?"

D. ACTION ITEM: The Collaborative will send suggestions for 2008 to Carol White as soon as possible.

V. Gas Program Issues

A. Mark DiPetrillo and Regina Durga from Keyspan briefed the Collaborative about the C&I natural gas program outreach and start-up activities.

B. There will be changes to furnace and boiler incentives. These are being changed by GasNetworks, and the Company needs to change its rebates to stay in alignment with GasNetworks. As part of the GasNetworks process, the organization reviews rebate levels/requirements and adjusts them each year in September. We described this in our National Grid RI Gas filing to the RIPUC in Attachment 1 (Compliance Filing) Page 5 of 11. For Warm Air Furnaces, the AFUE requirement to get the \$100 rebate goes from 90% AFUE to 92% AFUE (market transformation) and the rebate for 90% AFUE Condensing Boilers is increased from \$800 to \$1,000 because the \$800 has not encouraged significant participation.

C. The Collaborative discussed alternatives for dealing with non-firm customers:

1. pro-rate incentives based on % of gas used

2. minimum take contracts to ensure savings

3. Decision should be based on objective of program: is the objective to save gas or is it to save resources?
 4. Until the Collaborative decides, the Company will adopt the Keyspan practice of using average of gas to total fossil fuel use to prorate the customer's incentive.
 5. ACTION ITEM: Mark DiPetrillo will send a summary to the Collaborative on Monday 7/23 that summarizes the issue and alternatives.
- D. Combined Heat and Power. Mark distributed the requirements developed by the CHP subgroup on proposed requirements for a CHP incentive. The subgroup still needs to discuss if there should be a requirement for minimum thermal output.

VI. Calendar Reminder

- A. Upcoming Collaborative meetings
1. Thursday, September 6, 9:30 am – 3:30 pm
 2. Thursday, September 20, 9:30 am – 3:30 pm
 3. Wednesday, October 3, 9:30 am – 3:30 pm
 4. Thursday, October 18, 9:30 am – 3:30 pm

VII. The meeting adjourned at 12:53 p.m.

Meeting Summary prepared by Jeremy Newberger & Carol White

Outstanding Actions Items

- A. From February 7
1. In preparing for the 2008 Settlement, the Collaborative will consider whether the 20% threshold is appropriate, or whether another percentage should be used as a threshold.
 2. The Collaborative agreed to devote 20 to 30 minutes at a future meeting to discussing least cost procurement. Doug Hartley and/or Steve Frias will be invited to join this discussion.
- B. From April 12
1. Program ideas for future years
 - a. Facilitation of school retrofits at a future meeting, e.g., technical assistance program to help cities and towns work with ESCOs on municipal facilities and schools.
 - b. Financial assistance for the start up costs of entering into ESCo contracts. These costs would include the procurement of consultant services to assist schools, local governments, non-profit agencies, state agencies and others to develop an RFP, solicit proposals, review proposals, select a firm and negotiate a final contract. (OER is in the process of developing a model contract.)
 - c. Consider whether there is still value in sponsoring BOC training. CCRI has a facility management course that is less expensive and may be an acceptable substitute if BOC is discontinued.
 2. The Company will report on how much money has been received from ISO-NE transition period payments.

3. John Farley requested that the Company prepare a large C&I measure mix for 2006 that can be compared to the mix we assumed in planning the 2007 programs.
 4. Bob Fagan asked that the Collaborative discuss long term planning to increase penetration.
- C. From July 7
1. Mark DiPetrillo will send a link to the on-line audit tool to the Collaborative.
 2. RISE and LC&I TA vendors should be brought up to speed on expectations regarding integration of gas and electric programs so they can begin to highlight other kinds of opportunities in their audits or studies.

NATIONAL GRID

Table 1. Summary of 2007 Target and 2nd Quarter Results

Sector and Program	and Reduction (Annual 2007 Results)			Energy Savings (Annual MWh)			Customer Participation			Implementation Expenses (\$ 000)		
	(1) Approved Target	(3) Year To Date	(4) Pct Achieved	(5) Approved Target	(7) Year To Date	(8) Pct Achieved	(9) Approved Target	(10) Year To Date	(11) Pct Achieved	(12) Approved Budget	(14) Year To Date	(15) Pct Achieved
Large Commercial and Industrial												
Design 2000 <i>plus</i>	1,834	1,229	67.0%	9,453	4,579	48.4%	182	93	51.1%	\$2,523.0	1,210	48.0%
Energy Initiative	3,531	1,947	55.1%	21,944	11,375	51.8%	234	94	40.2%	3,537.4	1,782	50.4%
SUBTOTAL	5,365	3,176	59.2%	31,397	15,954	50.8%	416	187	45.0%	\$6,060.3	\$2,991.9	49.4%
Small Commercial and Industrial												
Small Business Services	2,064	1,189	57.6%	8,683	5,241	60.4%	508	396	78.0%	\$3,589.2	2,420	67.4%
SUBTOTAL	2,064	1,189	57.6%	8,683	5,241	60.4%	508	396	78.0%	\$3,589.2	\$2,420.4	67.4%
Residential												
EnergyWise	268	126	47.0%	3,241	1,394	43.0%	4,965	1,527	30.8%	2,170.2	810	37.3%
Single Family Low Income Services	153	90	58.5%	1,393	871	62.5%	1,180	739	62.6%	1,953.3	1,085	55.5%
ENERGY STAR @ Appliances	349	50	14.2%	1,288	408	31.7%	5,800	1,567	27.0%	332.7	122	36.8%
ENERGY STAR @ Heating Program	8	0	0.5%	70	6	9.2%	580	319	55.0%	130.8	69	52.4%
ENERGY STAR @ Central A/C Program	61	12	20.4%	42	9	22.2%	268	52	19.4%	145.4	37	25.7%
ENERGY STAR @ Lighting	960	519	54.0%	15,966	8,170	51.2%	68,864	26,059	37.8%	819.8	345	42.1%
ENERGY STAR @ Homes	54	162	298.6%	495	697	141.0%	225	335	148.9%	712.3	410	57.6%
Energy Efficiency Education Programs	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	48.4	1	2.1%
SUBTOTAL	1,853	958	51.7%	22,495	11,555	51.4%	81,882	30,598	37.4%	\$6,312.8	\$2,878.9	45.6%
TOTAL	9,282	5,323	57.3%	62,575	32,751	52.3%	82,806	31,181	37.7%	\$15,962.3	\$8,291.2	51.9%

3,386

NOTES

(1) Approved Target from 2007 Settlement, Attachment 10 page 2 of 3, Summer kW.

(4) Pct Achieved is Column (3)/ Column (1).

(5) Approved Target from 2007 Settlement, Attachment 10 page 2 of 3, Maximum Annual MWh Saved.

(8) Pct Achieved is Column (7)/ Column (5).

(9), (10) Customer Participation in 2007 defined as completed projects in Approved Target and Year To Date, except for C&I Year To Date participants, which are counted as unique customer participants from the DSM Tracking System. There were 112 Energy Initiative applications, 128 Design 2000 applications, and 573 SBS Applications

(11) Pct Achieved is Column (10)/ Column (9).

(12) Approved Budget from 2007 Settlement, Attachment 10, page 1 of 3

For Design 2000 *plus* and Energy Initiative this excludes estimated commitment budget of \$1,500,000 for Design 2000 *plus* and \$3,000,000 for Energy Initiative, respectively.

For Small Business Services, this is net of expected copayments of \$670,803

(14) Year To Date Implementation Expenses are net of the following items:

Actual commitments made in 2007 for 2008.

Customer copayments

Evaluation expenses

(15) Pct Achieved is Column (14)/ Column (12).

NATIONAL GRID

Table 1. Summary of 2007 Target and 2nd Quarter Results

Metric	Description	Threshold	Target	2007 Results	Actual	Incentive
ENERGY STAR® HOMES						
Residential Metric 1:	The Company will conduct plans analyses and home ratings and sign ENERGY STAR® builders' agreements for new homes being built in Rhode Island. It will increase the penetration of signed builders.	16.80%	18.80%	13.5% through six months. Expect to meet metric.		\$0
		\$6,700	\$20,000			
RESIDENTIAL OTHER PROGRAM SAVINGS						
Residential Metric 2:	The Company will achieve a target amount of MWh savings from programs other than Residential Lighting in 2007. The target will be calculated as the net annual MWh savings goal for all residential programs excluding the net annual MWh savings from the Residential Lighting program.		6,529 \$20,000	Non-lighting savings are 52% of target through 6 months	3386	\$0
ENERGY INITIATIVE OTHER SUBPROGRAM SAVINGS						
C&I Metric 1:	The Company will achieve a target amount of MWh savings from subprograms other than prescriptive lighting in the Energy Initiative program in 2007. The target will be calculated as the net annual MWh savings from all other subprograms estimated as part of the planned savings for the Energy Initiative program in 2007.		4,490 \$20,000	Non-lighting savings are 30% of target through 6 months	1359 30%	\$0
HIGH PERFORMANCE SCHOOLS						
C&I Metric 2:	The Company will contract with new public or private 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. It shall make contracts with 3 schools in 2007.	1 \$10,000	2 \$15,000	3 3 schools in queue (North Smithfield, Foster-Gloucester, Compass Charter School in Newport), 0 completed	0	\$0
SBS COMPREHENSIVENESS						
C&I Metric 3:	The Company will achieve 6% greater MWh savings from completed measures other than prescriptive lighting and refrigeration in Small Business Services in 2007 than it achieved in 2006.	444 \$10,000	471 \$20,000	Non-lighting savings are 62% of target through 6 months	290 62%	\$0

Highlights of Draft 2007 AESC Final Report

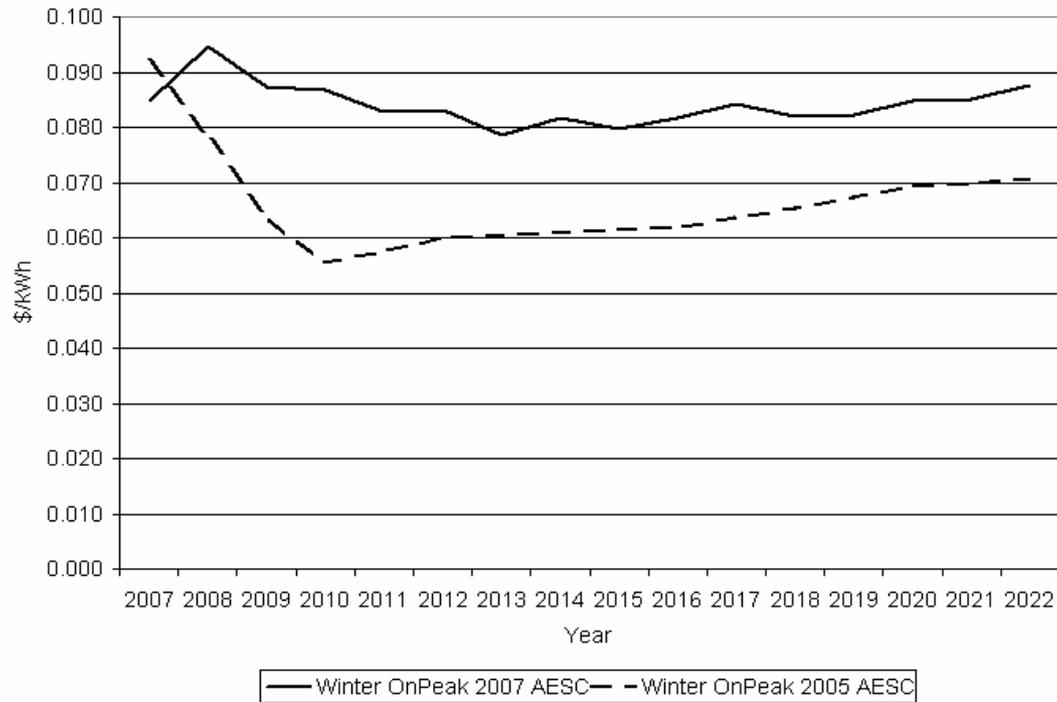
*Based on Synapse Presentation to AESC Study
Group on July 12, 2007*

Avoided Electricity Costs

- ◆ ***Wholesale Energy Prices***
 - ◆ ***Natural gas prices***
 - ◆ ***CO2 compliance costs***
 - ◆ ***Renewable portfolio standard compliance***
 - ◆ ***Retail adder (on energy and capacity)***
- ◆ ***Capacity Prices***
- ◆ ***DRIPE***

Avoided Electricity Costs - Energy

Exhibit 5-14. AESC 2007 vs. AESC 2005 – Winter On-Peak Forecasted Prices



Avoided Electricity Costs - Energy

◆ 15 Year Levelized Avoided Electric Energy Costs – AESC 2005 vs AESC 2007 (\$2007)

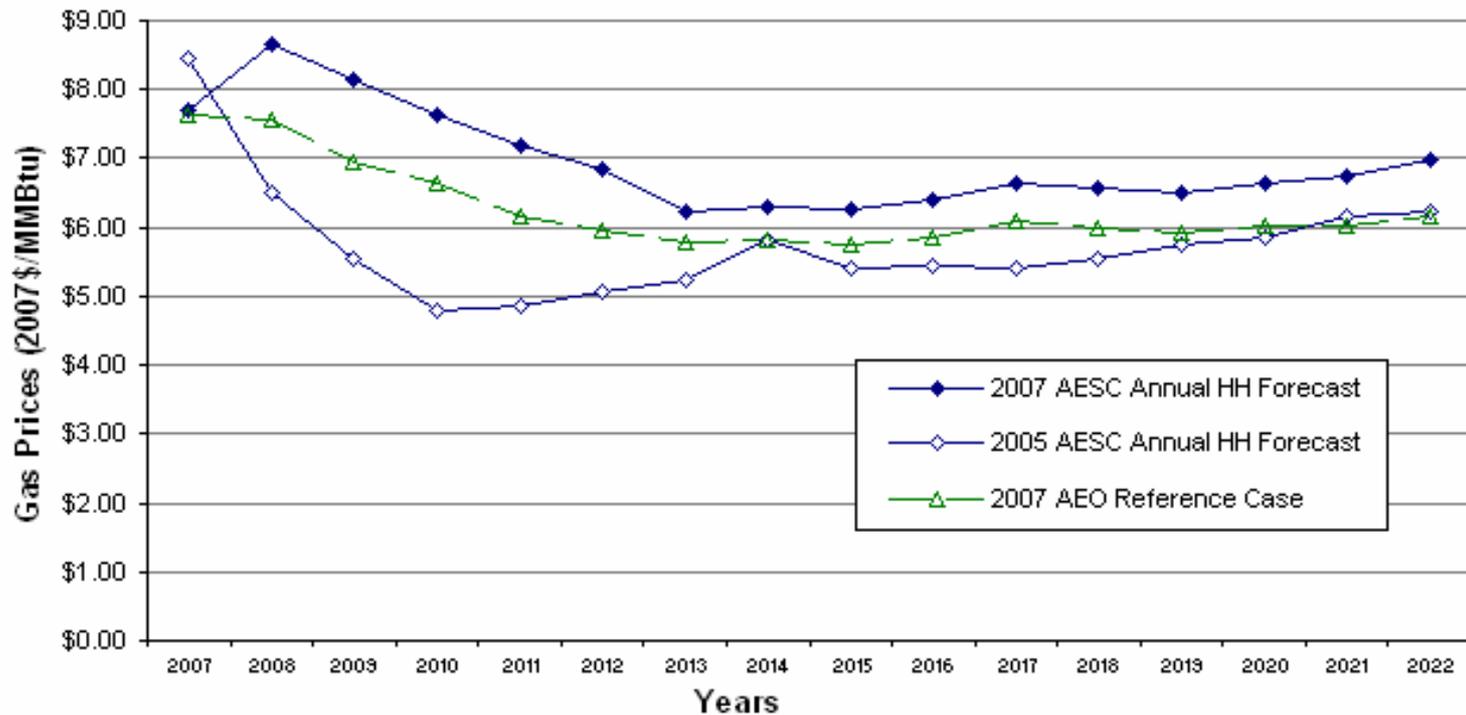
	Winter Peak Energy \$/kWh	Winter Off-Peak Energy \$/kWh	Summer Peak Energy \$/kWh	Summer Off-Peak Energy \$/kWh
2005 AESC	0.067	0.055	0.063	0.047
2007 AESC	0.093	0.068	0.098	0.066

Major influences on increase in marginal energy value

- Natural gas prices \$1.25/MMBtu greater than in 2005 → \$0.012/kWh
- Internalized CO2 compliance costs of \$9.52/ton → \$0.006/kWh
- Retail adder of 10% → \$0.008/kWh

Avoided Natural Gas Costs - Henry Hub

Exhibit 2 -6. Comparison of Henry Hub Gas Price Forecasts (2007\$/MMBtu)



Environmental Effects – CO2 Externality Value

Exhibit 7-14. Recommended Externality Values

	Sustainability Target	Allowance Price (internalized value)	Externality (sustainability target - allowance price)
Year	Cost (\$/ton)	Price (\$/ton)	(\$/ton)
2007	60	0.00	60.00
2008	60	0.00	60.00
2009	60	2.21	57.79
2010	60	2.37	57.63
2011	60	2.53	57.47
2012	60	9.46	50.54
2013	60	11.56	48.44
2014	60	13.66	46.34
2015	60	15.76	44.24
2016	60	17.86	42.14
2017	60	19.96	40.04
2018	60	22.06	37.94
2019	60	24.16	35.84
2020	60	26.27	33.73
2021	60	27.32	32.68
2022	60	28.37	31.63

Internalized price is already part of avoided energy values

Renewable Portfolio Standard Compliance

**Exhibit 6-1. Avoided RPS Costs Under Alternative Forecasts of REC Prices
(Cents/kWh in \$2007)**

State	\$50/MWH		UNH Report	
	2010	2020	2010	2020
CT	0.35	0.35	0.23	0.00
MA	0.25	0.75	0.17	0.00
ME	0.50	0.50	0.10	0.00
NH	0.05	0.57	0.03	0.00
RI	0.13	0.70	0.08	0.00
VT	0.23	0.50	0.15	0.00

Retail Adder

- ◆ **Retail adder reflects the difference between wholesale energy and capacity prices for electricity supply to retail customers under full-requirements fixed-price contracts and retail prices**
- ◆ **Reflects costs marketers incur to mitigate their exposure to risk.**
 - ◆ **potential for costs to exceed revenues due to unexpected levels of consumption**
 - ◆ **unexpected variations in weather**
 - ◆ **economic activity**
 - ◆ **customer migration**
- ◆ **Confidential data on prices bid by suppliers into standard offer service auctions suggests that a 10% retail adder is realistic**
- ◆ **Adder applied to the avoided wholesale energy prices and avoided wholesale capacity prices.**

Avoided Electricity Costs - Capacity

- ◆ **Forward Capacity Market (June 2010 onward)**
 - ◆ **Values assume no new DSM**
 - ◆ **Values based on Cost of New Entry (CONE)**
 - ◆ **Marginal new entrant is a gas peaker**
 - Levelized fixed cost of \$130/kw-yr
 - Less net energy revenues of \$30/kw-yr
 - **Net fixed cost of \$100/kw-yr**
 - Plus reserve margin of 14.3%
 - Proposed value **\$114/kw-yr (2007\$)**

- ◆ **2005 AESC Avoided Capacity Costs (Levelized 2005\$, with reserve margin)**
 - ◆ **Rhode Island \$78/kw-yr**

DRIFE energy

- ◆ As load rises, more expensive sources of supply are dispatched and wholesale energy prices rise (all else equal). Regressions on historical data show that a 1 MWh load reduction in a zone will reduce energy prices on average by
 - ◆ ~1.1¢/MWh in that zone
 - ◆ ~0.6¢/MWh in the rest of the ISO-NE pool.

- ◆ These energy price reductions are tiny compared to wholesale energy prices averaging ~\$80/MWh
 - ◆ 0.014% in the zone
 - ◆ 0.007% in the rest of the ISO-NE pool.

- ◆ We assume these impacts disappear after 4 years, as supply and demand equilibrate

- ◆ **15 year levelized values of Energy DRIFE for RI ranges from \$0.007/kWh (winter off-peak) to \$0.015/kWh (summer on peak)**

- ◆ There may be snapback of consumers purchasing more energy because of lower prices, however this is a secondary effect.

- ◆ **2005 AESC did not have DRIFE energy**

DRIFE Capacity

- ◆ Expect a number of peakers to submit bids into FCM auction, with typical capacities of 200 MW.
- ◆ Assuming difference between highest bid selected, and next lowest bid, is \$1/kW-year.
 - ◆ Impact of DSM on FCM market price is \$0.0000057/kW-year (\$1/kw-yr divided by 175 MW of load reduction which at 14.3% reserve margin is equivalent to 200 MW of supply)
 - ◆ Impact is 0.000005% of a FCM market price of \$114/kW-year
- ◆ We assume impact dissipates over 5 years
- ◆ **15 year levelized value of Capacity DRIFE for RI is \$25/year**
- ◆ **2005 AESC estimated full DRIFE capacity levelized value of about \$300/kW-year in 2005\$ and \$17/kW-year for spot DRIFE, with no upward adjustments for reserve margin.**
- ◆ Generators would garner same benefit, IF they bid below market price and if other bidders anticipate their presence.

User Input Decisions

- ◆ **Retail adder:** Synapse recommends 10%
- ◆ **DRIPE:** Synapse recommends zonal values presented above
- ◆ **CO2:** Synapse recommends externality value in cost-effectiveness testing for 2008
- ◆ **Capacity Loss factors:** Synapse recommends 3.38% from generator to ISO delivery point; company needs to add losses from ISO-delivery to meter

Questions on DRIPE
 From John Farley, TEC-RI
 July 2007

1. What were the statistics for the regression analysis on historical data that showed that a 1 MWh reduction in a zone will reduce energy prices on average by 1.1 cents per MWh in that zone?

There were a lot of regressions, since we performed regressions for each zone and month. The t-statistics were all greater than 2, usually much greater.

2. In particular, does the error band around the estimate include zero?

No.

3. Without doing an additional analysis, approximately how would the DRIPE results change if the load were decremented to account for the demand response resources expected to be on the system in the next 1-3 years? Ditto for supply side capacity additions, independent of demand side resources.

Not much. Off-peak DRIPE is lower than on-peak, but not strikingly. Demand-response will typically affect only a few very-high-cost hours. Supply additions will either offset load growth, or result in the retirement of existing units, so the shape of the supply curve should not change radically.

DRIPE is not invulnerable to changes in supply and demand, but Synapse thinks it will be essentially the same. It depends on the affected units. Not only could DSM reduce demand but it could also cause some units to be delisted.

4. Why is it assumed that supply and demand will move toward equilibrium in 4 years but they are not in equilibrium today?

Is this a 4 year moving effect, meaning that for example, a DSM load impact in 2011 would get DRIPE Values for 2011, 2012, 2013, 2014? In that case what we have here is the assumption of a 4 year propagation for any given effect, and not a condition that is unique to the market in 2007.

New DSM in 2007 and 2011 is beyond this study. We assumed 2008 DSM affects energy prices in 2008–2011, 2009 DSM affects energy prices in 2009–2012.

The market will never will be in complete equilibrium. Even though you might assume that the DSM installations of 2008 will move the market to equilibrium by 2011, other factors will cause it to move from equilibrium. Thus the methodology assumes that DRIPE effects will continue into the future. The methodology assumes that each year's effect will fade out after four years.

Furthermore, the effects of 2008 DSM are like a tiny ripple in a large pond. Each year's program has a tiny effect. The expected percentage price change is very small (the value is magnified because the price change is applied to all load). We don't expect the price change in 2008 to affect what happens in 2009. The next decrement of load will have about the same effect in terms of percentages (other factors will dominate, such as the percent of load under fixed price contracts).

Note: Synapse compared the actual prices used in the regression for DRIPE with prices coming out of their model for the forecast. They were not significantly different than from the model. This enables the use of DRIPE values with the model values.

5. Why is snapback considered a secondary effect and therefore assumed to zero but DRIPE is not considered a secondary effect and not assumed to be zero?

DRIPE itself is not a secondary effect for two reasons. First, DRIPE occurs in the energy market itself. The market mechanics are pretty obvious and we are saying this is what happens with the price in the market. We don't have to speculate what people are going to do with the benefit. (If we had information on what folks would do, we might use it in the load forecast.) Secondly (and somewhat related), if someone saves money on their bill and then goes out and spends it, that's a benefit to them. They've gotten the benefit. The snapback is not deducted from the benefit...it's people taking the money and making their lives their better.

DRIPE is a real benefit—imagine what prices would be if there were no DSM?

6. How can the RI DSM load be given a value for reducing the price in the FCM when that load is being bid into that market and in fact taking payments from customers? Isn't that compensation directly capturing the benefit of that load reduction in the FCM market?

You seem to be confused by the accounting. A MW of DSM is a MW that ratepayers buy from themselves, rather than buying from a generator. If the MW is valued at \$50,000 in the FCM, the ratepayers pay the same \$50,000 they would have paid to a generator, but also get a credit of \$50,000, so the net cost is zero, compared to \$50,000 not paid for the generation.

The DSM is still avoiding \$50,000. It is a net benefit compared to the cost of generation. By the way, the point is valid through May 2010. Up to then, any credit we are paid is added to the bills.

7. How does the pending decision on whether or not to reconstitute load for demand reductions that receive FCM payments affect the calculation of capacity DRIPE?

I don't think it affects DRIPE at all. The DSM should help move the supply curve to the right. I think the reconstitution affects the allocation of FCM costs among customers, not the value of the DSM.

The net total cost of capacity will be the same with or without reconstitution. Allocation and cost per kW may be different.

8. RI customers on Standard Offer buy electricity commodity based on a contract that remains in effect until December 31, 2009. That contract includes a set pricing mechanism with a floor price and set adjustments to price based on national fuel price indices for natural gas and oil. Please explain how it is that Rhode Island customers will receive the benefit of DRIPE given the set contract parameters and that the standard offer does not expire until December 31, 2009.

Rhode Island customers on SO would not receive any DRIPE benefits until Jan 1, 2010. That is an average of 1.5 years after the average installation date of measures in 2008 and 0.5 years after the average installation date of measures in 2009.

The RI National Grid values should be more like 95%, 90%, 85% for years 1-3. Also, similarly to the equilibrium factors, how would the factor propagate into future years beyond 2011?

Right now we have no indication about what NGrid will do as contracts expired (or how this will all be affected by LCP). Synapse assumed the phase in % for RI in Exh. 6-7 are similar to what was settled in MA and CT.

In any event, RI law has extended standard offer out through 2020. It is not at all clear what form those contracts will take either with respect to term (6 months vs 3 years) or pricing (fixed versus float).

True. the phase-in of DRIPE will depend on the contract structure, which may change in any state.

9. Application of the retail adder shows that the avoided wholesale price that counts for DSM is the avoided price to the retail customer, not the supplier. Thus, if these small DRIPE price effects (if any) accrue to the supplier and not the customer, doesn't this argue that DRIPE should be ignored, since we are examining the commodity price to the retail customer? Please confirm that the way DRIPE is modeled in Exhibit 6-8, that it only captures benefits that accrue to the retail consumer. If a contract exists such that the retail customer price does not change as a result of changes in the market price, then DRIPE savings do not accrue to the retail customer, but rather accrue to the supplier.

The last statement is true. If a utility procures supply under long-term fixed-price contracts, DRIPE would be reduced or eliminated.

Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate has been mailed or hand-delivered to the individuals listed below.



Joanne M. Scanlon

July 11, 2007

Date

National Grid 2007 Demand Side Management – Docket No. 3779 Service list as of 4/19/07

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**Docket 3790 – National Grid – Gas Energy Efficiency Programs
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