

April 30, 2007

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 3779 – 2007 National Grid Demand-Side Management Programs, Electric Operations Performance Metrics – Updated Attachment 9 to Settlement

Dear Ms. Massaro:

Enclosed on behalf of National Grid¹, the Division of Public Utilities and Carriers, The Energy Council of Rhode Island, the Rhode Island Office of Energy Resources, the Energy Consumers Alliance of New England, d/b/a People's Power & Light (together, the "Parties"), are ten (10) copies of an updated Attachment 9 to the Parties' November 1, 2006 Settlement in this proceeding. As indicated in the Settlement, approved by the Commission February 1, 2007, in Commission Order No. 18858 (February 5, 2007), the Parties agreed to provide final goals for each metric by May 1, 2007, with the final goals informed by relevant available year-end 2006 data. The Parties have agreed to the updated performance metrics in this attachment.

Thank you for your attention to this filing. Please contact me if you have any questions concerning this transmittal at (401) 784-7667.

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket 3779 Service List
RI Collaborative Members (w/attachments)

¹ Submitted on behalf of The Narragansett Electric Company, d/b/a National Grid ("Company").

1 **2007 PERFORMANCE METRICS**¹

2
3 **Introduction**

4
5 Since 2004, a portion of the incentive under the shareholder incentive mechanism for the
6 DSM programs has been reserved for incentivized performance metrics. These
7 performance metrics are established for initiatives offered in Rhode Island for market
8 transformation objectives or for significant improvements in program offerings. In all
9 cases, the metrics are designed to be straightforward measures of progress for initiatives
10 believed worthy of a special targeted focus.

11
12 For 2007, the Company proposes performance metrics for five initiatives. The essential
13 objective for two of the initiatives (Small Business Services Comprehensiveness and
14 High Performance Schools) is not changing from the metrics established in 2006. This
15 reflects the fact that, for many such initiatives, progress is achieved over time and that it
16 is worthwhile to maintain the focus of program implementation on the policy objective
17 defined by the metric over more than one year. New performance metrics are proposed
18 for ENERGY STAR Homes, Residential Program Savings, and Energy Initiative Savings
19 from measures other than prescriptive lighting.

20
21 The Company proposes the performance targets for 2007 described on the following
22 pages. The proposed targets reflect current market conditions and will require significant
23 Company effort to achieve desired results. The Parties agree that, for three of the
24 metrics, partial credit will be awarded for performance that does not meet the specific
25 numeric target, in recognition of the Company's effort and in recognition that Rhode
26 Island consumers benefit from even partial progress toward the metric's objective. No
27 extra incentive will be awarded for exceeding the numeric target.

28

¹ Attachment 9 of the 2007 Demand-Side Management Program Settlement filed on November 1, 2006 and approved by the Rhode Island PUC on February 5, 2007, described a process for establishing numeric targets for the continuing performance metrics. This updated Attachment 9 includes final performance targets for the three metrics where the targets are based on Year End 2006 results.

1 The performance level at which partial achievement will be credited is the “threshold.”
2 For those metrics that are continuing in 2007, the threshold will be greater than or equal
3 to final 2006 performance after consideration of the unique attributes of the metric. This
4 provides continuity in the structure of the metric at the same time as creating a clear
5 standard for the Company from which it must improve in order to receive an incentive.
6 For the metrics that did not exist in 2006, the threshold is developed based on an
7 assessment of available program or market data.

8
9 The performance level at which the full incentive will be credited is the “target.” The
10 incentive for two metrics will be linearly scaled between the threshold and the target. For
11 the schools metric that does not allow for this kind of scaling, the incentive will be
12 credited for incremental levels of performance.

13

14 **Residential Metric 1: ENERGY STAR® Homes**

15 Metric: In 2007, the Company will conduct plans analyses and home ratings and sign
16 ENERGY STAR® builders’ agreements for new homes being built in Rhode Island. It
17 will increase the penetration of signed builders agreements in 2007 by 3 percentage
18 points compared to the penetration achieved in 2006. Penetration will be calculated as
19 the number of signed agreements divided by the number of permits for new dwelling
20 units issued in 2007.

21 Objective: The metric supports market transformation in the construction of new homes
22 by giving an incentive for an increase in market penetration. This is a leading indicator
23 of future savings in the program.

24

25 Discussion: The Company had a metric identical to this in 2004 and 2005. In 2006 the
26 ENERGY STAR® Homes program was redesigned at the national level to increase
27 efficiency requirements. The Parties agreed that it was not appropriate to continue this
28 metric for 2006 due to the significant changes in the program’s design. Now, with the

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1 redesigned program in place for almost one year, the Parties once again agree to a metric
 2 for this program.

3 Penetration as represented by the number of units committed in the program as a
 4 percentage of permits reached 39% in 2005. Signing up builders and home buyers to the
 5 more stringent updated ENERGY STAR® Homes program requires builders to agree to a
 6 significant change in their building practices. During 2006, penetration levels dropped as
 7 vendors familiarized themselves with the program’s new features. Thus, the 2006
 8 penetration establishes baseline performance for this effort. The threshold for this metric
 9 is set at 1% greater than 2006 penetration. Note that this calculation includes only those
 10 who sign ENERGY STAR agreements; participants through the Code Plus feature of the
 11 program will not be counted toward the metric.

12 For 2007, the target level of performance under this metric is an increase of 3 percentage
 13 points over the penetration achieved in 2006. For 2006, penetration was 15.8%.
 14 Therefore the baseline is a 1 percentage point increase, or 16.8% and the target is 18.8%.
 15 The increase of 3% over year end 2006 penetration is comparable to the penetration
 16 increase that was observed in 2001-03, when the previous program design was in its
 17 initial years of deployment.

18 Partial Performance: The following is proposed for partial achievement toward the target
 19 of a 3 percentage point increase in penetration. The incentive for performance between
 20 the threshold and the target will be scaled proportionately.

21

ENERGY STAR® HOMES			
	Penetration %	Incentive	% of Incentive
Threshold	16.8% (2006 penetration + 1%)	\$6,700	33%
Target	18.8% (2006 penetration +3%)	\$20,000	100%

1 **Residential Metric #2: Savings from Programs other than Residential Lighting**

2
3 Metric: The Company will achieve a target amount of MWh savings from programs
4 other than Residential Lighting in 2007. The target will be calculated as the net annual
5 MWh savings goal for all residential programs excluding the net annual MWh savings
6 from the Residential Lighting program.

7
8 Objective: This metric encourages the Company to provide sufficient focus on achieving
9 savings objectives in all of its residential energy efficiency programs.

10
11 Discussion: The Company's proposed savings goals for 2007 include objectives that
12 focus on energy efficiency opportunities beyond energy efficient lighting in the
13 Residential Lighting Program. This metric complements and reinforces these other
14 objectives by focusing Company efforts on all residential programs. The metric incentive
15 will be earned only if savings from programs other than Residential Lighting meet or
16 exceed the combined threshold savings goal for those programs.

17
18 Annual MWh savings will be counted for all programs, excluding Residential Lighting.
19 The proposed target is set at 100% of the net annual MWh savings goal from programs
20 other than Residential Lighting. The goal is set as a MWh target for savings from
21 programs other than Residential Lighting, rather than a percentage of sector savings,
22 because of the individual characteristics of the various programs. There is no threshold
23 for this metric. Without a threshold, this becomes an "all-or-nothing" performance
24 metric. The parties propose this treatment because it efficiently complements the MWh
25 savings incentive for this sector. Recognizing the difficulty in predicting customer
26 demand for program services in these residential programs, this will be a challenging goal
27 to achieve.

1 Metric Performance: The following is for achievement of the target savings from
2 residential programs other than the Residential Lighting Program. .
3

RESIDENTIAL OTHER PROGRAM SAVINGS			
Performance	Annual MWh Savings	Incentive	% of Incentive
Target	6,529 MWh (100% of MWh goal)	\$20,000	100%

4 There is no threshold for this metric.
5

6 **C&I Metric 1: Savings Other Than Prescriptive Lighting Savings in the Energy**
7 **Initiative Program**
8

9 Metric: The Company will achieve a target amount of MWh savings from subprograms
10 other than prescriptive lighting in the Energy Initiative program in 2007. The target will
11 be calculated as the net annual MWh savings from all other subprograms² estimated as
12 part of the planned savings for the Energy Initiative program in 2007.
13

14 Objective: This metric encourages the Company to seek comprehensive retrofit projects
15 in existing Commercial and Industrial customer facilities that go beyond prescriptive
16 lighting.
17

18 Discussion: The percentage of savings from prescriptive lighting in the Energy Initiative
19 Program has been increasing over the past few years. This type of measure distribution
20 has helped the Company achieve savings goals but this has perhaps been achieved at the
21 expense of measure diversity.
22

23 The Company's proposed savings goals for Energy Initiative in 2007 assume that 24% of
24 rebate dollars will be spent on subprograms other than prescriptive lighting. This is an
25 average of the most recent 24 month period, and is an increase from the 19% that has

² For the 2007 Energy Initiative Program, subprograms include Compressed Air, Custom, HVAC, Lighting, and VSDs.

1 been recorded in 2006 year to date spending. This metric complements and reinforces
2 the overall program savings goals by establishing a performance metric focusing on other
3 subprogram savings. The metric incentive will only be earned only if other subprogram
4 savings meets or exceeds 100% of the kWh savings built into the savings goals.

5
6 As mentioned above, the proposed target is 100% of the MWh savings from all Energy
7 Initiative subprograms except prescriptive lighting consistent with the savings goals for
8 2007. The goal is set as a MWh target for savings, rather than a percentage of program
9 savings, because this provides a clearer target than a percentage, which would be affected
10 by how much prescriptive lighting savings are achieved. There is no threshold for this
11 metric. Without a threshold, this becomes an “all-or-nothing” performance metric. The
12 parties propose this treatment because it efficiently complements the MWh savings
13 incentive for this sector. The Company will share quarterly subprogram MWh savings
14 information with the Collaborative to track metric performance.

15
16 Metric Performance: The following is for achievement of the target savings from Energy
17 Initiative other than prescriptive-lighting.

ENERGY INITIATIVE OTHER SUBPROGRAM SAVINGS			
Performance	MWh Savings	Incentive	% of Incentive
Target	4,490 MWh (2007 plan)	\$20,000	100%

19 There is no threshold for this metric.

20
21 **C&I Metric 2: High Performance Schools**

22
23 Metric: The Company will contract with new public or private school projects through
24 Design 2000*plus* to provide full incremental cost for high performance design and
25 construction practices with a special focus on high quality energy efficient lighting. It
26 shall contract with 3 schools in 2006.

1 Objective: This market capitalizes on the window of opportunity available when school
2 facilities are being built or renovated to increase program participation and energy
3 savings. It assists a portion of the municipal sector that faces continuing funding
4 challenges.

5
6 Discussion: Schools present unique opportunities to not only adopt energy efficiency but
7 to enhance student learning through better classroom design. This metric provides
8 technical and financial support from the very beginning of school construction projects,
9 emphasizes thermal, acoustic, and visual comfort, especially in lighting design, and helps
10 cities and towns construct new schools that are high quality, environmentally sensitive,
11 and cost less to operate.

12
13 According to documents from the Department of Education, on average, funding is
14 approved for approximately 15 public school projects per year. In the period 2001
15 through 2004, 10 schools, or 16% (of approximately 60 schools), have participated in the
16 Schools Initiative.³

17
18 The Company placed under contract 1 school in each of 2004 and 2005. In 2006, despite
19 working assiduously towards its goal, the Company did not place any schools under
20 contract. This indicates the continuing difficulty in recruiting customers to this initiative
21 considering the small number of new schools built each year, the long project
22 development schedules, and the current economic climate, particularly for municipalities.
23 In order to establish a meaningful target for this effort in 2007, the parties agreed to
24 decouple this metric for 2007 from 2006 performance. The parties agreed to once again
25 set the target at 3 schools under contract, with the threshold equal to one school.

³ Some of the approved public school projects may be for projects that may not be suitable for the Schools Initiative, in other words, projects that do not involve construction of an entirely new school building. These may be for partial facility construction, renovations, or equipment replacement at the end of its useful life. Many of these have received rebates through the Design 2000*plus* program. In fact, over 75% of the funded public school projects received Design2000*plus* rebates in this period.

1

2 For 2007, the Company will continue to work with the Rhode Island Department of
3 Elementary and Secondary Education to help identify additional participants. The
4 Company has not been able to identify a single source of data that tracks funding of
5 private school construction. Nevertheless, the Company will use the same level of effort
6 to offer the program to private schools as to public schools and include contracts with
7 private schools in the performance metric for 2007.

8

9 Partial Performance: Based on historic performance, the small size of the eligible market
10 and the uncertainty about the potential in the private school sector, the following is
11 proposed for partial achievement toward the target of three schools.

12

SCHOOLS INITIATIVE			
Performance	Signed Agreements	Incentive	% of Incentive
Threshold	One school	\$10,000	50%
Intermediate	Two schools	\$15,000	75%
Target	Three schools	\$20,000	100%

13

14

15 **C&I Metric 3: Comprehensiveness in Small Business Installations**

16

17 Metric: The Company will achieve 6% greater MWh savings from completed measures
18 other than prescriptive lighting and refrigeration in Small Business Services in 2007 than
19 it achieved in 2006.

20

21 Objective: This metric continues to encourage the Company to add other electrical
22 efficiency opportunities beyond lighting and refrigeration retrofits to the Small Business
23 Services program. These improvements to program design support more
24 comprehensiveness in customers' facilities and expand the depth and appeal of the
25 program.

26

1 Discussion: In 2004 through 2006, the Parties established and achieved a metric target of
2 comprehensiveness, determined by the percentage of custom applications. The aim was
3 to increase the offering of comprehensive measures. With increased vendor experience
4 in identifying and delivering non-lighting measures, it is appropriate to now focus the
5 metric on savings.

6
7 Small Business Services projects are tracked in nine categories: Coolers, Custom,
8 Custom Coolers, Hot Water Heater Wrap, Hot Water Heater Pump Controls, HVAC
9 Tune-up, Lighting Controls, Lighting Systems, and Thermostats. For the purposes of this
10 metric, “comprehensive” will be defined as only those savings from the Custom,
11 Thermostats, Hot Water Heater Wrap, Hot Water Heater Pump Controls, and HVAC
12 Tune-up categories⁴. Lighting Controls and Lighting Systems are the end uses that have
13 dominated savings. Coolers and Custom Coolers are excluded because they deal with a
14 very specific end use with finite savings opportunities and are typically installed by a
15 separate vendor.

16
17 The Company proposes to set the target in 2007 at a 6% increase in comprehensive end
18 use MWh compared to 2006. The Company believes that good progress has been made
19 in small business comprehensive implementation, but that more progress remains to be
20 made. The 6 percentage point increase will be a challenge because it continues to be a
21 challenge for the implementation vendor to cost effectively manage the implementation
22 of custom measures while managing the budget and achieving savings targets. The target
23 is not a percentage of total savings in the program because the recent increase in the
24 eligibility ceiling to 200 kW demand has lead to an increase in MWh savings from
25 lighting as well.

26

⁴ No savings have been recorded in the Hot Water Heater Wrap, Hot Water Heater Pump Controls, HVAC
Tune-up categories at least since 2004.

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1 As in 2006, the metric specifies completed projects to put the tracking of
2 comprehensiveness on equal footing with other results that are tracked throughout the
3 years, and to eliminate the potential for counting a comprehensive project in two years.
4 Also, as in 2006, the Company will exclude from this metric and assessment of its
5 performance toward the target customers in the 100 kW to 200 kW range who participate
6 in the RIOER's ESCO program.

7

8 Partial Performance: Based on historic performance, the following is proposed for partial
9 achievement toward the target.

10

SBS COMPREHENSIVENESS			
Performance	Comprehensive MWh	Incentive	% of Incentive
Threshold	444 MWh (equal to 2006)	\$10,000	50%
Target	471 MWh (6 percent increase in MWh above 2006)	\$20,000	100%

11

12 The incentive for performance between the threshold and the target will be scaled
13 proportionately.

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

April 30, 2007

Date

National Grid 2007 Demand Side Management – Docket No. 3779
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