

Memorandum

To: L. Massaro

Commission Clerk

From: D. R. Stearns

S. Scialabba

Division of Public Utilities & Carriers

Date: 12/15/2006

Re: National Grid – Gas Energy Efficiency Programs

Docket 3790

The Rhode Island Legislature recently enacted “The Rhode Island Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006” (“Act”).

Section 39-2-1.2(d) of the Rhode Island General Laws (RIGL) stemming from the Act mandates that National Grid, as the gas distribution company, begin to charge, with Commission approval, up to \$0.15 per decatherm beginning January 1, 2007 for demand side management (DSM) programs. These programs include, but are not exclusive to, gas efficiency, conservation, combined heat and power (“CHP”), and low-income weatherization. In compliance with the Act, on December 1, 2006 National Grid (“NGrid” or “Company”) filed with the Rhode Island Public Utilities Commission (“Commission”) a Gas Energy Efficiency Programs plan.

Some of the proposed programs presented in the plan are based on programs in other jurisdictions. The Company also plans to coincide some gas DSM programs with National Grid’s Commission-approved electric DSM programs.

The instant filing, described by the Company as the first of two phases comprising the plan, is made in order to allow the Company to initiate funding of the programs on January 1, 2007, as mandated by the Act. The amount of the DSM charge sought by the Company is \$0.063 per decatherm, a little less than half the amount allowed by law. According to the filing, the Company believes this is an appropriate amount considering the fact that the mandated DSM program needs to be put in place and ramped up before it can get more fully utilized. The Division finds the recommended initial level of the charge to be reasonable. The filing also includes necessary tariff language changes to reflect the new legislatively mandated charge that will be reflected in customer’s bills. The Division has reviewed the revised tariff language and finds that it is acceptable. The Company further indicated to the Division that the charge will show up as a separate line item on customer’s bills. The charge of \$0.063 will be applied to all firm

and non-firm throughput and is projected to raise \$2.3 million. When combined with the \$500,000 already collected in base rates for existing DSM and weatherization programs, this allows for a budget of \$2.8 million for DSM programs pursuant to the legislation.

The Company plans to file with the Commission the second phase of the plan by February 1, 2007. The second phase will include final program-specific budgets, benefit/cost analyses, proposed goals, a shareholder incentive mechanism, and reporting requirements. Subsequent to the second filing, the Division will review the programs in detail and provide the Commission with a recommendation on the proposed programs.

The Division recommends that the Commission approve the proposed DSM charge of \$0.063 per decatherm, to be applied to all firm and non-firm throughput for all usage on and after January 1, 2007.

cc: Docket service list.

Cc: Thomas Ahern,

Administrator, Division of Public Utilities and Carriers