

November 1, 2010

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Proposed Energy Efficiency Program Tariff Provisions for Gas and Electric

Dear Ms. Massaro:

On behalf of National Grid,¹ I have enclosed ten (10) copies of the Company's proposed gas and electric Energy Efficiency Program ("EEP") tariff provisions and accompanying EE charges effective January 1, 2011. These gas and electric tariffs are designed to comply with recent amendments to the System Reliability and Least Cost Procurement Act that require approval of a "fully reconciling funding mechanism" to support approved energy efficiency plans. R.I.G.L. § 39-1-27.7(c)(5), and the proposed EE charges are intended to provide the Company recovery for those plans as approved by the Rhode Island Public Utilities Commission ("Commission"). This filing contains the following attachments:

- Attachment A - the proposed electric EEP Provision providing for a fully reconciling funding mechanism
- Attachment B - the calculation of the proposed 2011 electric EEP charge
- Attachment C - the proposed gas EEP Provision providing for a fully reconciling funding mechanism
- Attachment D - the calculation of the proposed 2011 gas EEP charge

Consistent with the new statutory amendments, the proposed tariffs establish a charge designated as "Energy Efficiency Program" on a customer bill. For 2011, those gas and electric charges will be calculated based on the funding level the Commission approves for the 2011 EEP plan. Consistent with the plan proposed for 2011, this tariff filing contains a proposed electric EEP charge of 0.526¢ per kWh and a proposed gas EEP charge of \$0.0411 per therm. Under these tariff provisions, the Company will file proposed charges under the fully reconciling funding mechanism on November 1 of each year coincident with the filing of annual EEP plan and reflecting the funding levels contained in that plan. The gas and electric EEP charges will be proposed for effect on the upcoming January 1.

The Company's proposed gas and the electric EEP tariff provisions are designed to collect the estimated costs of the Company's upcoming EEP plan and to reconcile all costs and revenues for the current year. Since these filings will be made before the end of the prior EEP plan year, any projected amounts in the EEP charge filing will be subject to reconciliation to actual amounts that will then be reflected in a future EEP charge filing. Both tariff proposals contain new language to comply with the statutory amendments, with the gas and electric proposal replacing existing tariff language. The proposed gas tariff

¹ The Narragansett Electric Company b/b/a National Grid ("National Grid" or the "Company").

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provisions will replace RIPUC NG-GAS N0. 101, Section 1, Schedule C, Sheet 2, Clause 4.0. The proposed electric tariff provisions will replace RIPUC No. 887, Sheet 1.² The electric and gas tariffs contain language specifically designed to reflect EEP program funding for their respective area. Thus, the electric EEP language for determining the EEP charge refers to other funding sources from the Forward Capacity Market and from Regional Greenhouse Gas Initiative auctions, which do not apply to gas EEP plans. When approved, both tariff provisions will satisfy the statutory requirement to provide a vehicle to fully fund increased efforts to implement energy efficiency measures.

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

Very truly yours,



Thomas R. Teehan

Cc: Leo Wold, Esq.
Steve Scialabba, Division

² References in the electric tariffs to the former Conservation Load Management Adjustment Provision will be changed to refer to the newly established Energy Efficiency Program charge.

THE NARRAGANSETT ELECTRIC COMPANY
ENERGY EFFICIENCY PROGRAM PROVISION

All Customers receiving Retail Delivery Service from The Narragansett Electric Company (“Company”) will be charged for the Company’s cost effective Energy Efficiency Program (“EEP”) pursuant to R.I.G.L. Section 39-1-27.7. The charge for the Company’s EEP will be a uniform per kWh charge applicable to all rate classes (“EEP Charge”).

The Company will file its EEP Charge on or before November 1 of each year for effect the following January 1 coincident with the filing of its cost effective EEP plan for the upcoming calendar year. The EEP Charge will be designed to collect the estimated incremental costs of the Company’s upcoming EEP that are not otherwise funded through other sources, plus any projected over or under funding of the current program year’s expenditures, including interest earned at the rate in effect for customer deposits. Other funding sources will include (1) revenue generated by ISO-New England’s Forward Capacity Market; (2) revenue generated through Regional Greenhouse Gas Initiative permit auctions; and (3) other funding as approved by the Commission. The EEP shall also reconcile actual and projected costs incurred by the Company for the current plan period against actual and projected funding received from all sources (including the EEP Charge). Any projected amounts included in the annual EEP Charge filing are subject to reconciliation to actual amounts and any difference will be reflected in a future annual EEP Charge filing. The Company may file to change the EEP Charge at any time should significant over- or under-recoveries occur.

Each adjustment of the prices under the Company’s applicable rates shall be in accordance with a notice filed with the Commission setting forth the amount of the increase or decrease and the new EEP Charge.

This provision is applicable to all Retail Delivery Service rates of the Company.

Effective Date: January 1, 2011

Narragansett Electric Company
Calculation of Proposed Energy Efficiency Factor
Calendar Year 2011

	<u>Total</u> (e)
(1) Proposed Budget for 2011 Energy Efficiency Plan	\$54,035,689
<u>Sources of Other Funding:</u>	
(2) Projected DSM Commitments at Year-End 2010	\$750,000
(3) Year-End 2010 Fund Balance and Interest	\$4,195,782
(4) Projected FCM Payments from ISO-NE	\$2,305,423
(5) Projected Payments from RGGI 2010 Carryover and 2011 Auctions	<u>\$6,097,447</u>
(6) Total Other Funding	<u>\$13,348,652</u>
(7) Customer Funding Required	\$40,687,037
(8) Forecasted kWh Sales	<u>7,731,369,973</u>
(9) Proposed Energy Efficiency Factor per kWh	\$0.00526

- (1) Table E-2 of 2011 Energy Efficiency Plan
- (2) Table E-1 of 2011 Energy Efficiency Plan, C&I Sector
- (3) Projected Year End 2010 Fund Balance of \$4,195,782 per Table E-1
- (4) Based on ISO-New England settled capacity prices for 2011 and Company demand reduction commitment
- (5) Table E1a of 2011 Energy Efficiency Plan
- (6) Sum of Lines (2) through (5)
- (7) Line (1) - Line (7)
- (8) Per Company forecast
- (9) Line (7) ÷ Line (8), truncated after 5 decimal places

TAXES AND SURCHARGES

remaining 5% of the billed amount will be subject to the standard GET rate. If usage is separately metered for manufacturing use only, the entire amount will be subject to the reduced manufacturing GET rate.

No other use of gas will be included in this rate for billing purposes.

3.0 OTHER RHODE ISLAND TAXES:

Where applicable at rate or rates in effect from time-to-time.

4.0 GAS ENERGY EFFICIENCY SURCHARGE:

As provided for in Section [39-1-27.7 of Rhode Island General Laws](#), a charge per dekatherm (Dt) designed to recover the costs of the Company's gas Energy Efficiency Program ("EEP").

[On November 1 of each year for effect the following January 1, coincident with the filing of the Company's EEP plan for the upcoming calendar year, the Company will file its EEP charge. The EEP charge will be designed to collect the estimated costs of the Company's upcoming EEP plan plus a full reconciliation of all costs and revenues for the current year including a forecast of revenue and costs for months of the current year for which actual data is not yet available. Any projected amounts included in the EEP charge filing are subject to reconciliation to actual amounts and any difference will be reflected in a future EEP charge filing.](#) Upon approval by the Commission, such charge (adjusted for gross earnings tax and the uncollectible percentage approved in the most recent rate case proceeding) shall become effective with usage on or after the effective date.

[The Company may file to change the EEP charge at any time should significant over- or under-recoveries occur.](#)

Deleted: 39-2-1.2(d) of Rhode Island General Laws, a charge of up to fifteen cents (\$0.15) per dekatherm (Dt) shall be collected for programs including, but not limited to, cost-effective energy efficiency, energy conservation, combined heat and power systems, and weatherization services for low income households.

Deleted: A Gas Energy Efficiency Program shall be annually filed with the Public Utilities Commission for review and approval. Such filing shall include: (1) a detailed description of the various programs; (2) a projection of costs for the following year; (3) a reconciliation of costs and revenues for the current year with any differential between the actual and authorized amounts collected and or funds expended, with interest, being added or subtracted from the amount to be collected during the following calendar year; and (4) the calculation of an applicable per therm surcharge for the upcoming year

TAXES AND SURCHARGES

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Where applicable at rate or rates in effect from time-to-time.

4.0 GAS ENERGY EFFICIENCY PROGRAM CHARGE:

As provided for in Section 39-1-27.7 of Rhode Island General Laws, a charge per dekatherm (Dt) designed to recover the costs of the Company's gas Energy Efficiency Program ("EEP").

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The Company may file to change the EEP charge at any time should significant over- or under-recoveries occur.

National Grid - RI Gas
Calculation of Proposed Energy Efficiency Factor
\$(000)
Calendar Year 2011

	Total
(1) Projected Budget	\$11,506.4
(2) Sources of Other Funding:	
(3) Year-End 2010 Fund Balance and Interest:	\$ (1,132.5)
(4) Low Income Weatherization in Base Rates:	\$ <u>200.0</u>
(5) Total Other Funding:	\$ (932.5)
(6) Customer Funding Required:	\$ 12,438.9
(7) Forecasted Dth Sales:	
(8) Projected Dth Sales:	31,036,444
(9) Uncollectable Rate of 2.46%: ¹	<u>763,497</u>
(10) Total Forecasted Dth Sales:	30,272,947
(11) Energy Efficiency Program Charge per Dth:	\$ 0.411
(Fully Reconciled Funding per Dth)	
(12) Energy Efficiency Program Charge per Therm	\$ 0.0411

Notes:

¹ Uncollectable Rate comes from Gas Rate Case