

November 7, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Division Clerk
Rhode Island Division of Public Utilities & Carriers
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 4295 – The Narragansett Electric Company, d/b/a National Grid
2012 Energy Efficiency Program Plan
Transfer of Funds Request**

Dear Ms. Massaro:

On behalf of National Grid¹ and pursuant to Section IV.C.1(B) of the Energy Efficiency Program Plan For 2012 Settlement of the Parties (“2012 Plan”) approved in Docket 4295, the Company is requesting Division approval of a transfer of funds within the Residential gas sector. The transfer would be from the ENERGY STAR[®] HVAC to the EnergyWise Program.

Section IV.C.1(B) of the 2012 Plan states that “[f]or transfers of 10% or more of the originating program’s budget, the Company can transfer funds from one program to another program within the same sector with prior approval of the Division. Upon seeking such approval from the Division, the Company shall simultaneously notify the EERMC.”

The Company is requesting to transfer \$900,000 from the gas ENERGY STAR[®] HVAC program to the EnergyWise program. The proposed transfers represents 30% of the ENERGY STAR[®] HVAC Program budget, as shown in table G-2 of the 2012 Plan, as previously revised in connection with a prior budget transfer request approved by the Division in June, 2012. Consequently, the Company requests Division approval to make this funding transfer.

The reason for the Company’s request to transfer these funds is to serve more customers this year than it would have otherwise served without a transfer. The Company does not project that it will be able to use these funds in the ENERGY STAR[®] HVAC program because of lower than anticipated program participation levels related to historical closures of the program in 2010 and 2011.

¹ The Narragansett Electric Company d/b/a National Grid (referred to herein as “National Grid” or the “Company”).

As a result, the Company would like to transfer these unused funds to the EnergyWise program in order to serve more customers with weatherization for single family homes. The Company is prepared to serve an additional 430 customers this year. Transferring these funds will help seventeen (17) independent contracting firms obtain more work by weatherizing additional homes.

As a result of this transfer, the energy savings goal for the residential sector and the portfolio of programs in 2012 will be unchanged. This transfer does change the savings goals, benefits, and participation of the two programs within the Residential gas sector. The following table highlights some of the changes.

Program	Budget		Savings	
	2012 Plan	Revision	2012 Plan	Revision
ENERGY STAR® HVAC	\$2,975,900	\$2,075,900	79,712	72,655
EnergyWise	\$2,743,800	\$3,643,800	23,827	30,885
Residential Sector Total	\$6,335,900	\$6,335,900	103,540	103,540

The transfer will result in increased benefits for the programs, which increase the cost-effectiveness of the sector and portfolio. The Company has attached revised 2012 Gas Energy Efficiency Program Tables to illustrate how the transfer affects the savings goals, benefits, and participation. Cells that change as a consequence of the proposed transfer are highlighted in yellow.

Thank you for your prompt and timely attention in this request. The Company is simultaneously notifying the EERMC of this request as required by Section IV.C.1(B) of the 2012 Plan.

If you have any questions, please feel free to contact me at (401) 784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Jon Hagopian, Esq.
Steve Scialabba, Division
Dave Stearns, Division
Charlie Hawkins, OER
R. Daniel Prentiss, Esq., EERMC

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted and sent via U.S. Mail to the individuals listed below. Copies of this filing were hand delivered to the RI Public Utilities Commission.



November 7, 2012

National Grid - 2011 Energy Efficiency Program Plan – Docket No. 4295
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Table G-1
National Grid
Gas DSM Funding Sources in 2012 by Sector
\$(000)

	<u>Projections by Sector</u>			
	Low Income Residential	Non-Low Income Residential	Commercial & Industrial	Total
(1) Projected Budget (from G-2):	\$1,543.5	\$6,335.9	\$5,802.2	\$13,685.2
Sources of Other Funding:				
(2) Actual Year-End 2011 Fund Balance and Interest:	\$ 22.3	\$ 155.9	\$ 267.3	\$ 445.5
(3) Low Income Weatherization in Base Rates:	<u>\$ 200.0</u>			<u>\$ 200.0</u>
(4) Total Other Funding:	\$ 222.3	\$ 155.9	\$ 267.3	\$ 645.5
(5) Customer Funding Required:				\$ 13,039.7
(6) Forecasted Dth Sales:				
(7) Forecasted Dth Sales:	1,681,012	16,365,729	16,770,190	34,816,931
(8) Uncollectible Rate of 2.46%:	<u>41,353</u>	<u>402,597</u>	<u>412,547</u>	<u>856,497</u>
(9) Forecasted Dth Sales:	1,639,659	15,963,132	16,357,644	33,960,435
(10) Energy Efficiency Program Charge per Dth:				\$ 0.384
(11) Currently Effective EE Program Charge				\$ 0.411
(12) Adjustment to Reflect Fully Reconciling Funding Mechanism				\$ (0.027)

Table G-2
National Grid Gas Energy Efficiency Program Budget
2012

Program	Program Planning and Administration	Marketing	Rebates and Other Customer Incentives	Sales, Technical Assistance and Training	Evaluation & Market Research	Shareholder Incentive	Grand Total
NON LOW-INCOME RESIDENTIAL:							
ENERGY STAR® HVAC	\$21.9	\$153.0	\$1,729.8	\$171.3	\$0.0		\$2,075.9
EnergyWise	\$21.9	\$50.0	\$3,298.8	\$230.5	\$42.6		\$3,643.8
Residential Products Pilot	\$21.9	\$0.0	\$80.0	\$32.1	\$0.0		\$134.1
Comprehensive Marketing - Residential	\$0.0	\$130.0	\$0.0	\$0.0	\$0.0		\$130.0
EERMC - Residential	\$88.9	\$0.0	\$0.0	\$0.0	\$0.0		\$88.9
Subtotal - Non-Low Income Residential	\$154.6	\$333.0	\$5,108.5	\$433.9	\$42.6	\$263.3	\$6,335.9
LOW-INCOME RESIDENTIAL:							
Single Family Low Income Services	\$21.9	\$0.0	\$1,410.0	\$33.9	\$0.0		\$1,465.8
Subtotal - Low Income Residential	\$21.9	\$0.0	\$1,410.0	\$33.9	\$0.0	\$77.7	\$1,543.5
COMMERCIAL AND INDUSTRIAL:							
Large Commercial New Construction	\$85.9	\$103.0	\$1,583.7	\$236.0	\$126.4		\$2,135.0
Large Commercial Retrofit	\$156.6	\$134.1	\$2,251.1	\$458.8	\$146.4		\$3,146.9
Small Business Direct Install	\$9.2	\$18.9	\$39.1	\$43.4	\$0.0		\$110.6
EERMC - C&I	\$59.3	\$0.0	\$0.0	\$0.0	\$0.0		\$59.3
Comprehensive Marketing - C&I	\$0.0	\$121.0	\$0.0	\$0.0	\$0.0		\$121.0
Subtotal - Commercial & Industrial	\$310.9	\$377.0	\$3,873.9	\$738.2	\$272.8	\$229.4	\$5,802.2
Grand Total	\$491.0	\$710.0	\$10,392.4	\$1,206.0	\$315.4	\$570.4	\$13,685.2

Notes:

(1) The fund transfer of \$300k in incentives from Single Family Low Income Service to Large Commercial Retrofit is highlighted in yellow for Division and EERMC approval.

Table G-3
Derivation of the 2012 Spending & Implementation Budgets

	Proposed 2012 Budget From G-2 (\$000)	EERMC Costs (\$000)	Shareholder Incentive (\$000)	Evaluation Costs (\$000)	Eligible Sector Spending Budget for Shareholder Incentive on G-9 (\$000) ¹	Implementation Expenses for Cost-Effectiveness on G-5 (\$000) ²
NON LOW-INCOME RESIDENTIAL:						
ENERGY STAR® HVAC	\$ 2,075.9			\$ -		\$ 2,075.9
EnergyWise	\$ 3,643.8			\$ 42.6		\$ 3,601.1
Residential Products Pilot	\$ 134.1			\$ -		\$ 134.1
Comprehensive Marketing - Residential	\$ 130.0			\$ -		\$ 130.0
EERMC - Residential	\$ 88.9	\$ 88.9		\$ -		\$ 88.9
Shareholder Incentive	\$ 263.3		\$ 263.3			\$ -
Subtotal - Non-Low Income Residential	\$ 6,335.9	\$ 88.9	\$ 263.3	\$ 42.6	\$ 5,983.8	\$ 6,030.0
LOW-INCOME RESIDENTIAL:						
Single Family Low Income Services	\$ 1,465.8			\$ -		\$ 1,465.8
Shareholder Incentive	\$ 77.7		\$ 77.7			\$ -
Subtotal - Low Income Residential	\$ 1,543.5	\$ -	\$ 77.7	\$ -	\$ 1,465.8	\$ 1,465.8
COMMERCIAL AND INDUSTRIAL:						
Large Commercial New Construction	\$ 2,135.0			\$ 126.4		\$ 2,008.6
Large Commercial Retrofit	\$ 3,146.9			\$ 146.4		\$ 3,000.5
Small Business Direct Install	\$ 110.6			\$ -		\$ 110.6
EERMC - C&I	\$ 59.3	\$ 59.3		\$ -		\$ 59.3
Comprehensive Marketing - C&I	\$ 121.0			\$ -		\$ 121.0
Shareholder Incentive	\$ 229.4		\$ 229.4			\$ -
Subtotal - Commercial & Industrial	\$ 5,802.2	\$ 59.3	\$ 229.4	\$ 272.8	\$ 5,513.5	\$ 5,300.0
Grand Total	\$ 13,685.2	\$ 148.2	\$ 570.4	\$ 315.4	\$ 12,963.1	\$ 12,799.4

Notes:

- (1) Eligible Sector Spending Budget = Budget from G-2 minus EERMC Costs and Shareholder Incentive
(2) Implementation Expenses = Budget from G-2 minus Evaluation Costs and Shareholder Incentive

Table G-4
Proposed 2012 Budget Compared to Approved Compliance Filing Budget for 2012 (\$000)

	Proposed Budget 2012 from G-2	July 2011 Approved Gas Budget	Difference
Non-Low Income Residential			
ENERGY STAR® HVAC	\$ 2,075.9	\$ 1,465.9	\$ 610.0
EnergyWise	\$ 3,601.1	\$ 1,174.7	\$ 2,426.4
Residential Products Pilot	\$ 134.1	\$ 49.4	\$ 84.7
EERMC - Residential	\$ 88.9	\$ 82.0	\$ 6.9
Comprehensive Marketing - Residential	\$ 130.0	\$ 80.2	\$ 49.8
Subtotal - Non-Low Income Residential	\$ 6,030.0	\$ 2,852.2	\$ 3,177.9
			\$ -
Low Income Residential			\$ -
Single Family Low Income Services	\$ 1,465.8	\$ 983.9	\$ 481.9
Subtotal - Low Income Residential	\$ 1,465.8	\$ 983.9	\$ 481.9
			\$ -
Commercial & Industrial			\$ -
Large Commercial New Construction	\$ 2,008.6	\$ 1,012.5	\$ 996.1
Large Commercial Retrofit	\$ 3,000.5	\$ 1,142.0	\$ 1,858.5
Small Business Direct Install	\$ 110.6	\$ 106.3	\$ 4.3
EERMC - C&I	\$ 59.3	\$ 50.9	\$ 8.4
Comprehensive Marketing - C&I	\$ 121.0	\$ 23.7	\$ 97.3
Subtotal Commercial & Industrial	\$ 5,300.0	\$ 2,335.4	\$ 2,964.6
			\$ -
Other Expense Items			\$ -
Company Incentive	\$ 570.4	\$ 274.5	\$ 295.9
Evaluation	\$ 315.4	\$ 199.1	\$ 116.3
Subtotal Other Items	\$ 885.8	\$ 473.6	\$ 412.2
TOTAL BUDGET	\$ 13,685.2	\$ 6,645.1	\$ 7,040.2

Table G-5
Calculation of Program Year Cost-Effectiveness
2012
Values in \$000

	Rhode Island Benefit/ Cost	Total Benefit	Program Implementation Expenses	Customer Contribution	Evaluation Cost	Shareholder Incentive	TRC \$/Lifetime MMBtu
Residential Programs							
Energy Star® HVAC	3.22	\$ 17,251.3	\$ 2,075.9	\$ 3,276.5	\$ -	NA	\$ 4.31
EnergyWise	1.91	\$ 8,718.3	\$ 3,601.1	\$ 922.9	\$ 42.6	NA	\$ 7.41
Residential Products Pilot		\$ -	\$ 134.1	\$ -	\$ -	NA	
Comprehensive Marketing		\$ -	\$ 130.0	\$ -	\$ -	NA	
EERMC Assessment-Residential		\$ -	\$ 92.5	\$ -	\$ -	NA	
SUBTOTAL	2.46	\$ 25,969.6	\$ 6,033.6	\$ 4,199.4	\$ 42.6	263.29	\$ 5.53
Low Income Programs							
Single Family Low Income Services	1.93	\$ 2,975.9	\$ 1,465.8	\$ -	\$ -	77.70	\$ 9.52
Large Commercial & Industrial							
Large Commercial Retrofit	1.79	\$ 8,917.1	\$ 3,000.5	\$ 1,828.1	\$ 146.4	NA	\$ 5.24
Large Commercial New Construction	1.56	\$ 5,803.6	\$ 2,008.6	\$ 1,579.2	\$ 126.4	NA	\$ 5.51
Small Business Direct Install	2.98	\$ 348.3	\$ 110.6	\$ 6.2	\$ -	NA	
Comprehensive Marketing		\$ -	\$ 121.0	\$ -	\$ -	NA	
EERMC Assessment-C&I		\$ -	\$ 59.3	\$ -	\$ -	NA	
SUBTOTAL	1.64	\$ 15,069.0	\$ 5,300.0	\$ 3,413.4	\$ 272.8	229.39	\$ 4.84
TOTAL	2.07	\$ 44,014.5	\$ 12,799.4	\$ 7,612.9	\$ 315.4	570.38	\$ 5.66

Notes:

- (1) For the fund transfer between Single Family Low Income Services and Large Commercial Retrofit, the planned Total Benefits do not change because Annual MMBtu Savings Goals do not change, per Section IV.C.3 of the 2012 Plan.
- (2) For the fund transfer between Energy Star HVAC and EnergyWise, because goals change with transfers among the same sector, the total benefits, implementation expenses, customer contribution changes.

Table G-6
Summary of Benefits and Savings by Program
2012

	Benefits (\$000)			MMBTU Gas Saved	
	Total(1)	Natural Gas(2)	Non-Gas Benefit (3)	Annual	Lifetime(4)
Commercial & Industrial					
Large Commercial New Construction	\$5,803.6	\$5,800.3	\$3.3	39,485	673,830
Large Commercial Retrofit	\$8,917.1	\$8,149.4	\$767.7	75,814	948,796
Small Business Direct Install	\$348.3	\$348.3	\$0.0	5,013	28,701
EERMC - C&I	NA	NA	\$0.0	NA	NA
SUBTOTAL	\$15,069.0	\$14,298.0	\$771.0	120,312	1,651,327
Low Income Residential					
Single Family Low Income Services	\$2,975.9	\$1,361.9	\$1,614.1	7,697	153,932
SUBTOTAL	\$2,975.9	\$1,361.9	\$1,614.1	7,697	153,932
Non Low Income Residential					
EnergyWise	\$8,718.3	\$5,444.1	\$3,274.1	30,885	616,677
Energy Star® HVAC	\$17,251.3	\$10,782.2	\$6,469.1	72,655	1,241,310
Residential Products Pilot	\$0.0	\$0.0	\$0.0	-	-
EERMC - Residential	NA	NA	\$0.0	NA	NA
SUBTOTAL	\$25,969.6	\$16,226.3	\$9,743.3	103,540	1,857,987
TOTAL	\$44,014.5	\$31,886.2	\$12,128.3	231,548	3,663,246

Table G-7
Comparison of Goals
2012

Program	Proposed 2012		Approved July 2011		Difference	
	Annual Energy Savings (MMBTU Natural Gas)	Participants	Annual Energy Savings (MMBTU Natural Gas)	Participants	Annual Energy Savings (MMBTU Natural Gas)	Participants
Commercial & Industrial						
Large Commercial New Construction	39,485	1,590	18,031	176	21,454	1,414
Large Commercial Retrofit	75,814	1,169	35,445	558	40,369	611
Small Business Direct Install	5,013	503	2,302	48	2,711	455
EERMC - C&I						
SUBTOTAL	120,312	3,262	55,779	782	64,533	2,480
Low Income Residential						
Single Family Low Income Services	7,697	-65	3,848	215	3,848	-280
SUBTOTAL	7,697	-65	3,848	215	3,848	-280
Non-Low Income Residential						
Energy Wise	30,885	2,430	9,334	1,126	21,551	1,304
Energy Star® HVAC	72,655	11,116	33,243	4,100	39,413	7,016
Residential Products Pilot		300		NA	300	NA
EERMC - Residential						
SUBTOTAL	103,540	13,846	42,577	5,226	60,964	8,620
TOTAL	231,548	17,043	102,203	6,223	129,345	10,820

Table G-8
Avoided Costs
2012

Used in Benefit-Cost Model

Year	RESIDENTIAL				COMMERCIAL & INDUSTRIAL			ALL
	Non Heating	Hot Water annual	Heating	All	Non Heating annual	Heating	All	RETAIL END USES
2011	5.97	5.97	7.74	7.46	5.91	7.17	6.79	7.10
2012	6.49	6.49	8.21	7.94	6.43	7.64	7.27	7.58
2013	6.70	6.70	8.42	8.15	6.64	7.86	7.49	7.80
2014	6.98	6.98	8.81	8.51	6.92	8.24	7.84	8.15
2015	7.56	7.56	9.28	9.01	7.50	8.71	8.34	8.65
2016	7.59	7.59	9.30	9.04	7.53	8.74	8.37	8.68
2017	7.57	7.57	9.29	9.02	7.51	8.72	8.35	8.66
2018	7.59	7.59	9.32	9.05	7.53	8.75	8.38	8.69
2019	7.64	7.64	9.37	9.10	7.58	8.80	8.43	8.74
2020	7.73	7.73	9.47	9.20	7.67	8.90	8.53	8.84
2021	7.83	7.83	9.58	9.30	7.77	9.01	8.63	8.94
2022	7.96	7.96	9.75	9.46	7.90	9.18	8.80	9.10
2023	8.25	8.25	10.03	9.74	8.19	9.46	9.07	9.38
2024	8.44	8.44	10.20	9.92	8.38	9.63	9.25	9.56
2025	8.51	8.51	10.29	10.00	8.45	9.72	9.33	9.64
2026	8.64	8.64	10.42	10.14	8.58	9.85	9.47	9.78
2027	8.77	8.77	10.56	10.27	8.71	9.99	9.60	9.91
2028	8.90	8.90	10.69	10.40	8.84	10.13	9.74	10.04
2029	9.03	9.03	10.83	10.54	8.97	10.26	9.87	10.18
2030	9.16	9.16	10.97	10.67	9.10	10.40	10.01	10.32
2031	9.30	9.30	11.11	10.81	9.24	10.55	10.15	10.46
2032	9.43	9.43	11.25	10.95	9.37	10.69	10.29	10.60
2033	9.57	9.57	11.40	11.10	9.51	10.84	10.44	10.74
2034	9.71	9.71	11.55	11.24	9.66	10.99	10.58	10.89
2035	9.86	9.86	11.69	11.39	9.80	11.14	10.73	11.03
2036	10.00	10.00	11.85	11.54	9.95	11.29	10.88	11.18
2037	10.15	10.15	12.00	11.69	10.09	11.44	11.03	11.34
2038	10.30	10.30	12.15	11.84	10.24	11.60	11.19	11.49
2039	10.45	10.45	12.31	11.99	10.40	11.76	11.35	11.64
2040	10.61	10.61	12.47	12.15	10.55	11.92	11.50	11.80
2041	10.77	10.77	12.63	12.31	10.71	12.08	11.67	11.96

Table G-9
Target Shareholder Incentive
2012

Incentive Rate: 4.40%

	(1)	(2)	(3)	(4)	(5)
Sector	Eligible Spending Budget \$(000)	Target Incentive \$(000)	Annual Savings Goal (MMBTU)	Threshold Savings (MMBTU)	Target Incentive Per Annual MMBTU
Low Income Residential	\$1,466	\$77.7	7,697	4,618	\$10.095
Non-Low Income Residential	\$5,984	\$263.3	103,540	62,124	\$2.543
Commercial & Industrial	\$5,514	\$229.4	120,312	72,187	\$1.907
Total	\$ 12,963	\$570.4	231,548	138,929	\$2.463

Notes:

(1) Sector budget excluding the EERMC Assessment and Shareholder Incentives. See Table G-3.

(2) Equal to the incentive rate (4.40%) x Column (1).

(3) See Table G-7

(4) 60% of Column (3). No incentive is earned on annual MMBTU savings in the sector unless the Company achieves at least this threshold level of performance.

(5) Column (2)*1000/Column (3)