

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
**PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC           :  
COMPANY, DEMAND-SIDE                        :  
MANAGEMENT PROGRAMS FOR 2004           :           DOCKET NO. 3463

REPORT AND ORDER

**I. Overview**

Since 1989, the Commission has annually reviewed the design and implementation for Narragansett Electric Company’s (“Narragansett” or “Company”) - proposed DSM programs and paid through a required assessment of a conservation and load management adjustment factor (“C&LM Factor”). The Utility Restructuring Act of 1996 (“URA”), as amended and set forth in Title 39 of the Rhode Island General Laws, has codified a charge of 2.0 mills per kilowatt-hour for the 2003 programs, unless the Commission approves a higher factor.<sup>1</sup> Although the law provides the funding for the programs and states that the Company shall administer the programs, the Commission continues to have the responsibility for reviewing the design and implementation of Narragansett’s DSM programs.

On September 6, 2003, in response to Commission directives in Order No. 17156, Narragansett filed with the Public Utilities Commission (“Commission”) a Settlement of the Parties to address Narragansett’s proposed Demand-Side Management (“DSM”) programs for 2004 (“Settlement”). The settling parties included the Division of Public Utilities and Carriers (“Division”), the State Energy Office (“SEO”), the Coalition for Consumer Justice (“CCJ”), and the Energy Council of Rhode Island (“TEC-RI”). On

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<sup>1</sup> R.I.G.L. § 39-2-1.2(b) provides this level of funding for DSM programs for a ten-year period beginning January 1, 2003.

October 2, 2003, the Commission conducted a technical record conference to address the filings.<sup>2</sup> The Settlement represents an agreement among its signatories (the “Parties”)<sup>3</sup> regarding the design and implementation of Narragansett’s 2004 Programs, as well as the allocation of dollars between the DSM and programs. On November 21, 2003, the Commission conducted a public hearing to review the merits of the proposed Settlement. In response to Commission concerns at the hearing, on December 15, 2003, the parties submitted a Response Regarding Schools Initiative and Energy Star Homes.<sup>4</sup> On December 18, 2003, after considering the evidence presented, the Commission ruled on the propriety of the Settlement, including the new performance based metrics, finding the Settlement to be in the best interests of ratepayers.

## **II. Settlement**

The Settlement initially reviewed the status of Narragansett’s DSM Programs approved for 2003. The Company’s proposed DSM budget for 2004 is \$22,139,600, subject to the May 2004 true-up of the 2003 budget. For comparison, the 2003 DSM budget was set at \$23,055,400 after the May 2003 true-up.<sup>5</sup> The source of funding for 2004 is expected from the following sources: the statutory DSM charge, any carryover of the 2003 fund balance, any fund interest earned, and funds received from customer co-payments in 2004.<sup>6</sup>

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<sup>2</sup> Joint Exhibit 04-1. The Settlement addressed performance based metrics relative to shareholder incentives, but did not include specific measures. These were provided on November 7, 2003 and were made part of the record at the evidentiary hearing. See Joint Exhibit (Revised Attachment 7 to the Settlement).

<sup>3</sup> The Parties are members of the Demand-Side Management Collaborative (“DSM Collaborative”).

<sup>4</sup> The Amended Settlement is attached as Appendix A and incorporated herein by reference.

<sup>5</sup> Jt. Ex. 04-1, p. 4, Attachment 5, pp. 1-2.

<sup>6</sup> Jt. Ex. 04-1, p. 5.

#### A. Residential Programs

The parties agreed to a continuation of the 2003 residential programs with similar rebates. The residential budget for 2004 was set at \$5,863,400, allocated among the EnergyWise Program, the Appliance Management Program, the Home Energy Management Program, Energy Star Products, Energy Star Heating Program, Energy Star Central Air Conditioning Program, Energy Star Lighting, Energy Efficiency Educational Programs and Energy Star Homes.<sup>7</sup>

One change discussed in the Settlement was to the rebate structure in the Energy Star Homes program. The maximum rate will be \$1,100 per dwelling. Originally, the program provided a \$500 incentive to the homeowner or builder for reaching a Home Energy Rating Score (“HERS”) of 86 and above and up to \$1,000 in incentives for installing Energy Star appliances and lighting. The rebate will be restructured to provide additional benefits for a higher HERS score. Now, the rebates will be stepped up as the score rises, with an additional \$200 benefit for a HERS rating of 88 (over 86), an additional \$400 for a HERS of 89 (over 86) and an additional \$600 for a HERS of 90 or above (over 86).<sup>8</sup>

Another change is a proposal to discontinue the requirement for a co-payment on lighting fixtures installed in residential units of multifamily buildings. Persuading landlords to participate in programs when the electric bill is the responsibility of the tenant has proven challenging. The Company indicated that it has found that building

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<sup>7</sup> Jt. Ex. 04-1, pp. 2-3, Attachment 1.

<sup>8</sup> Id. at Attachment 1, p. 10.

owners have been reluctant to pay even a \$10 co-pay. This change is designed as an attempt to recover that lost opportunity.<sup>9</sup>

#### B. Small Business Services Programs

The parties agreed to modify the Small Business Service programs by reducing the customer co-pay by 10% in an attempt to promote more customer participation. Additionally, four new measures were added to the Programs (Domestic Hot Water Pump Time Clock, Efficient Evaporator Fan Motors, Condensate Evaporators and Automatic Door Closers on Walk-in Equipment). The Small Business Services budget was set at \$2,699,200. Finally, Narragansett agreed to conduct a mid-year review of the Small Business Services Program to determine whether the changes have the desired effect of boosting customer participation. If the program changes appear ineffective, the parties agree that funds may be shifted back to Large Business Services Programs.<sup>10</sup>

#### C. Large Business Service Program

The parties agreed that Narragansett should offer its proposed Large Business Programs with a few modifications. First, Narragansett agreed to increase the customer contribution on measures in the Energy Initiative (“EI”) program wherever feasible. Second, the budgets for EI and Design2000*plus* were reduced by \$500,000 to cover budget restorations in the Residential and Small Business Service Programs.<sup>11</sup>

Specifically, with regard to lighting, the parties proposed to reduce incentives for Metal Halide track lighting, to tighten eligibility for certain measures in response to new, low end, products, and to provide an incentive for inductive lighting. With regard to compressed air, the parties proposed to reduce incentives for 50 to 75 horsepower load/no

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<sup>9</sup> Id. at Attachment 1, p. 2.

<sup>10</sup> Id. at 3-4.

load compressors and to reduce incentives for additional storage. With regard to the HVAC Chillers, the parties agreed Narragansett should research the market for available prescriptive air cooled chillers and reevaluate the eligibility criteria and relax the requirements for chiller incentives to better align with the Code requirements. With regard to the HVAC EMS, the parties agreed to reintroduce hotel occupancy sensors for HVAC. Finally, with regard to the Custom programs, the parties agreed to integrate Advanced Building Design Guidelines into current programs to encourage more comprehensive treatment for medium size new construction buildings, to refine the baseline document to reflect current standards and better practices in commercial and industrial buildings, and to refine the eligibility requirements for HVAC and process controls. According to the Settlement, the recommended changes primarily reflect the technical advances and continued adoption of premium efficiency equipment in the market.<sup>12</sup>

Addressing the Distribution Load Response Program, the parties noted that the 2004 proposal is an extension of Narragansett's Demand Response Initiative pilot funded in the 2003 budget. As part of this program, Narragansett will support between ten and twenty load shed technical assistance studies to identify demand response options and coordinate implementations. The Company will then consider measures such as lighting retrofits, cooling system upgrades, building management system control changes, scheduling of industrial processes and compressed air system modifications. The Company will also provide customers access to ISO-NE programs such as demand

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<sup>11</sup> Id. at 4.

<sup>12</sup> Id. at Attachment 4.

response programs. Finally, the parties will review spending on this initiative in August 2004 to determine whether any funds should be transferred to another program.<sup>13</sup>

Addressing the Compressed Air Challenge (“CAC”), a collaborative of government agencies, compressed air specialists, equipment manufacturers, end-use consumers and utilities, with the objective of promoting substantial energy savings improvements available by means of a comprehensive, systems approach to compressed air system design and operation, the parties noted that in addition to promoting the two levels of CAC training currently available, in 2004, the Company will provide support to other technical and marketing activities. These include hosting an AirMaster training and certification workshop. The parties explained that AirMaster is a software tool that can be used to evaluate energy savings from compressed air system improvements.

The parties agreed to support work at national and local levels to develop codes and standards that continue to upgrade building energy efficiency. This effort will include facilitating and supporting the training and education efforts for code enforcers, designers and builders. The Building Operator Training and Certification (“BOTC”) program is available to commercial and industrial customers. In 2003, twenty-five people successfully completed the Level I certificate program and in September 2003, a Level II program was initiated in Rhode Island, with more than 25 registrants.

The Rhode Island Greenhouse Gas Stakeholders Group (“RIGGSG”) has proposed an initiative to promote high performance design and construction practices in public facilities. Narragansett proposed a budget of \$4,000 to examine increased energy efficiency, to support the RIGGSG Plan to develop a purchasing program to help customers identify and select high performing electrical equipment to meet their building

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<sup>13</sup> Id. at Attachment 3, pp. 5-8.

programming goals and to investigate the potential for increased daylighting opportunities in public facilities.<sup>14</sup>

D. Budgets and Funding Sources

Funding of the 2004 budget for DSM programs will be provided from the mandatory 2004 DSM charge, carryover of the 2003 fund balance, fund interest earned and funds received from the Large Commercial and Industrial technical assistance co-payments and Small Business program co-payments in 2004.<sup>15</sup> True-up of the 2003 fund balance to be carried over to the 2004 budget will occur no later than May 31, 2004. If the difference between the amount of the true-up and the filed budget is 20% or less of the total approved budget, only Division approval will be necessary for reallocation; otherwise, Commission approval will be required.<sup>16</sup> In addition, the Parties agreed to again review the components of the budget calculation in August 2004 in order to obtain the best information available about the amount of funds then available to determine the best use for them in 2004.<sup>17</sup>

E. Cost Effectiveness.

The Parties agreed not to change the cost-effectiveness analysis from 2003, which allows Narragansett to include non-electricity resource savings in the current calculation of cost-effectiveness. The estimated overall benefit/cost ratio is 2.15 (for every \$1 spent, a benefit of \$2.15 is produced).<sup>18</sup>

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<sup>14</sup> Id. at Attachment 3, pp. 15-16.

<sup>15</sup> Id. at 5-6.

<sup>16</sup> Id. at 6.

<sup>17</sup> Id. at 6-7.

<sup>18</sup> Id. at 10.

#### F. Shareholder Incentive

The Parties agreed that, in accordance with the Commission's directives in Order No. 17516, the shareholder incentive mechanism should no longer be solely based on kWh savings targets, but rather, should have two components: (1) performance-based metrics and (2) kWh savings targets by sectors. The parties had agreed to five metrics, for which Narragansett will have the opportunity to earn a total of \$75,000, but no more than \$15,000 per metric. Of the five metrics, two relate to the Residential sector, one to Small Business and two to the Large C&I customers.<sup>19</sup>

With regard to the kWh savings targets, the parties agreed to increase the overall incentive cap from 4.25% to 4.40%. According to the parties, this represents the weighted average incentive rate in 2003. Of the \$15.4 million total spending budget for 2004, \$678,526 is the total target incentive with \$75,000 of that allocated to the performance-based metrics.<sup>20</sup>

#### G. Collaborative

The parties agreed to continue the Collaborative, comprised of the Parties to the Settlement as well as any other interested third party as identified by the Commission. The Collaborative members agreed to meet at least six times in 2004.<sup>21</sup> The Collaborative will review all proposed programs for 2005, including a proposal regarding performance based metrics for purposes of calculating the shareholder incentive. According to the Settlement, in the event the Collaborative is unable to agree to

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<sup>19</sup> Id. at 8-9, Attachment 7. For a discussion of the performance-based metrics, see the Technical Session section of this Order.

<sup>20</sup> Id. at 8-9, Attachment 8.

<sup>21</sup> Id. at 7.

Narragansett's 2005 proposal, the Company will be free to file with the Commission on or before October 2004 for approval of its proposals.<sup>22</sup>

### **III. Technical Session**

On October 2, 2003, the Commission convened a Technical Record Conference to discuss the pre-filed testimony filed by the parties and to address issues raised prior to the parties working toward a settlement.

The proceeding covered many issues of interest regarding DSM programs, including a description of each. The Commission expressed its enthusiasm regarding the Schools Initiative, but questioned the Company about specifics and outreach to communities. Mr. McAteer indicated that one of the barriers to the program is the necessity for school departments to put the 25% co-pay into their budget, an amount that, in the short term, is often higher than non-energy efficient measures. The challenge is persuading school departments that the long term savings will outweigh the up front costs.<sup>23</sup> The Commission suggested many outreach methods they believed would assist in the success of the program.<sup>24</sup> The Commission also expressed interest in a thermostat rebate.

The Commission also expressed interest, as in past years, in targeted DSM as a means of delaying or eliminating the need for construction of new substations or new distribution facilities. Mr. McAteer indicated that the Company is looking at congestion at different substations to see whether reducing the peak would reduce investment costs for upgrading a particular substation. However, Mr. Newberger indicated that although there were feeders in substations that were identified in Rhode Island, none were targeted

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<sup>22</sup> *Id.* at 7.

<sup>23</sup> Tr. 10/3/03, pp. 65-83, 86-94.

in 2003. Rather, Massachusetts was targeted as a result of limited resources. Mr. Newberger noted that the Company would be starting the identification process again for 2004.<sup>25</sup>

The discussion of the shareholder incentives and the revised mechanism for their calculation was in response to the Commission's Order No. 17516. The Company also discussed the proposed performance metrics in detail.<sup>26</sup> Ms. White explained that the performance metrics for 2004 are very similar to those tracked in 2003, with the exception of the small business performance metric. She also noted that the actual benchmarks had not yet been set because of a desire on the part of the parties to gather as much information as possible from 2003 prior to setting the benchmarks for 2004.<sup>27</sup> She added that the performance metrics were developed in response to concerns voiced by the Commission and are the types of measures that cannot be easily tracked through kilowatt hour savings alone.<sup>28</sup> She agreed that of the total shareholder incentive, roughly ten percent is allocated to performance metrics and indicated that ten percent represents a reasonable incentive that would be meaningful. With regard to the fact that the parties are proposing that each metric be given the same dollar value, Ms. White indicated that the collaborative wanted to keep the mechanism easily understandable and wanted to show that each metric is equally important. With regard to the \$15,000 dollar amount, Ms. White maintained that \$15,000 will get people's attention.<sup>29</sup>

Unlike the calculation of the shareholder incentive in 2003 for kilowatt hours saved, which set the incentive rate for residential customers at five percent, Small C&I

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<sup>24</sup> Id. at 80-83, 86-94.

<sup>25</sup> Id. at 61-62.

<sup>26</sup> Tr. 10/3/03, pp. 19-48, 76-79.

<sup>27</sup> Id. at 21-22.

customers at six percent and Large C&I customers at 3.5 percent, the proposal for 2004 was a flat rate of 4.4 percent. In years prior to 2003, the incentive rate was a flat 4.25 percent. The Company conceded that it would be feasible, although not preferable, for the Company to adjust the incentives from a flat rate to a variable rate.<sup>30</sup>

Discussing each of the metrics, Mr. McAteer indicated that the first C&I metric relates to the BOC Training, Level one. The metric states that the Company intends to enroll in 2004 an additional xx Rhode Island facility building engineers, technicians, contractors, or operators in the NEEP-Level 1 – O&M training and certification course. This course includes instruction on operating several of the types of equipment for which incentives are provided through other business service programs. The metric tracks BOC Level 1 for building operators to develop skills to evaluate building energy use, foster better work environments, increase customer education, and support market transformation.<sup>31</sup>

The second C&I metric relates to High Performance Schools. The metric states that the Company will contract with xx new school projects through Design2000plus to provide full incremental cost for high performance design and construction practices with a special focus on high quality energy efficient lighting. The metric provides the Company with an incentive to sign up more schools for a program which provides technical and financial support from the very beginning of school construction projects, emphasizes thermal, acoustic, and visual comfort, especially in lighting design, and helps

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<sup>28</sup> Id. at 22-23.

<sup>29</sup> Id. at 23-26.

<sup>30</sup> Id. at 26-31.

<sup>31</sup> Id. at 106-11, Settlement Attachment 7, p. 1.

cities and towns construct new schools that are high quality, environmentally sensitive, and cost less to operate.<sup>32</sup>

The third C&I metric relates to Small Business services. The metric states that the Company will implement xx comprehensive energy efficiency measures, to include non-prescriptive lighting, HVAC tune-ups (assuming tune ups prove to be cost effective) or other customer ECMs in Small Business installations targeted for 2004. This metric is designed to address the challenge in serving small business customers with measures other than lighting. With the measure, Mr. McAteer noted that the Company was still in the process of gathering data regarding cost efficiency. He indicated there would be further information provided at the evidentiary hearing in November, 2003. This metric is important to focus the Company on overcoming the challenges previously identified in serving small business customers.<sup>33</sup>

Turning to the first residential metric, Ms. McNaughton indicated that it relates to participation in the clothes washer rebate program and will represent a stretch from 2003 participation. The metric states that the Company will achieve an xx% market share for Energy Star qualified clothes washers in Rhode Island for the first two quarters of 2004. The metric supports increased penetration of Energy Star Clothes Washers in Rhode Island.<sup>34</sup> Ms. McNaughton explained that market share is measured by the Environmental Protection Agency through data collection on a national and state level from sales data from retailers.<sup>35</sup> Ms. McNaughton noted that Rhode Island is still lagging behind several other states in market transformation, thus making this an important

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<sup>32</sup> Id. at 112-13, Settlement Attachment 7, p. 2.

<sup>33</sup> Id. at 113-14, Settlement Attachment 7, p. 2.

<sup>34</sup> Id. at 141-42, Settlement Attachment 7, p. 1.

<sup>35</sup> Id. at 142-43.

metric. However, she did indicate that if Rhode Island becomes a leader in the nation, that occurrence will be an indicator to consider changing the metric.<sup>36</sup> Additionally, she agreed that in the event Rhode Island reached fifty percent market penetration for clothes washers, the rebate would no longer be necessary.<sup>37</sup>

Ms. Naughton then explained that the second residential metric is to conduct plans, analyses and home ratings and sign Energy Star agreements with a percentage of new homes built in Rhode Island. The metric states that the Company will conduct plans, analyses, and home ratings and sign Energy Star builders' agreements with xx% of the new homes in Rhode Island. This metric is designed to support market transformation in the construction of new homes.<sup>38</sup>

## **V. Hearing**

Following notice, a hearing was held on November 21, 2003, at the offices of the Commission, 89 Jefferson Boulevard, Warwick, RI, to consider the Settlement filed by the Parties and the proposals contained therein.

The following appearances were entered:

FOR NARRAGANSETT:	Terry Schwennesen, Esq.
FOR THE DIVISION:	William K. Lueker, Esq. Special Assistant Attorney General
FOR THE COMMISSION:	Cynthia G. Wilson, Esq. Senior Legal Counsel

Narragansett presented Ms White, Ms. McNaughton, Mr. Menard, and Mr. Newberger. The Division presented Mr. Woolf. Mr. Menard indicated that in response to Commission concern at the Technical Record Conference, that the Rhode Island

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<sup>36</sup> Id. at 145-49.

<sup>37</sup> Id. at 148.

Department of Education be made aware of the Schools Initiative, the Company contacted Mr. Peter McWalters to introduce the Schools Initiative Program and its benefits. Commissioner McWalters' office followed up to discuss the Program and provided the Company with a list of five years worth of data for all schools that have been approved from 1998 through 2003 for construction projects. Mr. Menard explained that the Company will use this list as its starting point and contact each school district. Additionally, in March or April of each year, Narragansett will obtain updated lists in order to target each school district. Furthermore, Narragansett is collaborating with other agencies on the State and Federal level to target superintendents, school committees and business managers for programs and seminars.<sup>39</sup> In response to Mr. Menard's clarification that the Schools Initiative covers only public schools, the Commission requested the parties to consider including private schools as well and to respond to the Commission with an answer.<sup>40</sup>

In response to Commission concerns regarding thermostat rebates, Ms. Schwennesen explained that the Company recommends offering a \$25 rebate for the installation of Energy Star thermostats through the Energy Star Heating System Program and also through the Energy Wise Program. In order to qualify for the rebate, however, a customer has to have the thermostat installed by a contractor. Ms. McNaughton explained that this is because if the thermostat is not calibrated correctly and customers do not use it correctly, the benefits are lost.<sup>41</sup>

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<sup>38</sup> Id. at 143-44.

<sup>39</sup> Tr. 11/21/03, pp. 10-18.

<sup>40</sup> Id. at 18-29. On December 15, 2003, Narragansett submitted a letter to the Commission that stated the Collaborative supports the expansion of the Schools Initiative program to include private schools. The performance metric, however, would only apply to three new public schools in 2004.

<sup>41</sup> Id. at 32-40.

Turning to finalizing the metrics, Mr. Newberger indicated that the target for market share for Energy Star Clothes Washers will be 7% better than the national average. The movement from a fixed number to a relative target represents expected changes to the Energy Star standards and also a belief that it is important for Rhode Island to exceed national standards.<sup>42</sup> The target in the Energy Star Homes metric will be to sign agreements with builders of 15% of the new homes built in Rhode Island in 2004. Mr. Newberger indicated that this follows a recent growth trend in the program.<sup>43</sup>

With regard to the BOC metric, Mr. Newberger indicated that the Collaborative agreed to strive for the same level of participation as the 2003 goal of training 25 operators. He indicated that this will represent a challenge because of the significant time commitment on the part of the attendee. Additionally, Mr. Newberger indicated that the Company has seen staffing reductions at facilities, leading to more challenge in persuading companies to commit staff to the program.<sup>44</sup>

Addressing the Schools Initiative metric, Mr. Newberger indicated that the target is to sign contracts with three schools in 2004, an increase from two schools in 2003. Mr. Newberger did assure the Commission that if more than three schools want to sign up for the Initiative, the budget will be sufficient to sign the schools.<sup>45</sup>

With regard to the Small Business metric, Mr. Newberger indicated that the small business comprehensive target will be 14 percent comprehensiveness which is defined as

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<sup>42</sup> Id. at 40-44.

<sup>43</sup> Id. at 44.

<sup>44</sup> Id. at 44-45.

<sup>45</sup> Id. at 45-49.

the number of qualified measures divided by the number of participant locations.<sup>46</sup> The metric was revised to state:

The Company will achieve 14% comprehensiveness in Small Business Services in 2004. The percentage will be calculated as the number of non prescriptive lighting HVAC tune-ups or other customer energy efficiency measures (excluding custom walk-in cooler measures) divided by the total number of participant locations (excluding walk-in cooler only participants) in 2004. The recommended performance target for this metric is predicated on an assumption that the current evaluation effort underway to assess savings from HVAC tune-ups will demonstrate that this measure is cost-effective. If evaluation findings indicate that this measure is not cost-effective, the Company proposes to work with the Collaborative to modify the target for this metric and will include the modified target in its True-Up Filing in May 2004.<sup>47</sup>

Prescriptive lighting measures consist of typical light fixtures whereas nonprescriptive lighting measures would be specialized industrial lighting, day lighting controls and high efficiency T8 lamp and ballast combinations.<sup>48</sup> The total number of participant locations in a year is the number of locations where a vendor visits the site to look for opportunities and install the measures. If the measures are not installed, the location is not considered a participant for purposes of calculating the metric. The number of measures is the total number that are done at a location. In other words, a location may have two qualifying measures, which would be included as two in the numerator while the location would be a one in the denominator. However, if the location only has one non-qualifying measure completed, the numerator would be zero and the location would count as one in the denominator.<sup>49</sup>

Mr. Newberger explained that walk-in cooler measures are excluded because these measures are served by a separate vendor and constitute a different service from the

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<sup>46</sup> Id. at 50.

<sup>47</sup> Narragansett Exhibit 03-2.

<sup>48</sup> Tr. 11/21/03, pp. 51-52.

<sup>49</sup> Id. at 52-55.

other measures. Because there is a different vendor providing different measures, the walk in cooler measures should not be included anywhere in the metric.<sup>50</sup>

Addressing the potential for recalculating the metric at the time of the May 2004 true-up, the Company agreed that the Commission would have the opportunity to review the recalculation at that time.<sup>51</sup>

Finally, the shareholder incentives earned by the Company for meeting each of the metrics will be credited in the same manner as the traditional shareholder incentives after the May 2005 true-up filing is made.<sup>52</sup>

## **VII. Commission Findings**

At its open meeting on December 20, 2003, the Commission approved the Amended Settlement between Narragansett, the Division, the SEO, CCJ and TEC-RI with the agreement of the parties to expand the Schools Initiative to include private schools. However, with regard to the expansion of the Schools Initiative, the metric still only counts public schools (i.e., the metric is met if three public schools become involved in the program). Therefore, if Narragansett, despite using all of the same efforts to involve private schools, does not serve any in 2004, there will be a burden to show that they did use their best efforts.

The Commission finds that the five metrics proposed by the Collaborative represent reasonable benchmarks against which to measure performance for purposes of earning a shareholder incentive. These metrics cover a wide range of program types and the indicators are sufficiently within the Company's control or influence. Additionally, four of the five the performance levels required to achieve the metrics exceed historical

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<sup>50</sup> Id. at 54-56.

<sup>51</sup> Id. at 56-57.

performance, rather than attempting to simply retain the status quo where there is not market saturation. However, even the metric that requires achievement of the status quo appears to represent a challenge. Furthermore, the use of objective information to measure performance is also a sound design principle. With regard to the Small Business metric, the Commission reserves the right to review and address any changes in the future.

The Commission notes that five metrics allow Narragansett to focus its efforts on specific areas that have proven challenging or underperforming in the past. More than five metrics would cause this focus to become less sharp and would spread resources too thinly. Therefore, in the next DSM filing, Narragansett Electric and/or the Collaborative should continue to focus on five metrics. There is no requirement that each future metric have the same dollar amounts attached. Additionally, with regard to the straight kWh saved incentive mechanism, 4.4% is not a magic number and does not need to be an across-the-board percentage, as it is in 2004. The Commission looks forward to hearing from all parties regarding proposals for the appropriate shareholder incentive mechanism.

Narragansett shall file either direct testimony or a Settlement with the Collaborative regarding the proposed 2005 programs no later than September 15, 2004. However, the Commission will not accept a Settlement regarding shareholder incentives until after a technical session has been held. It appears that discussion between the parties regarding the shareholder incentive structure in response to Commission questions may have been limited due to the fact that there was a signed Settlement. Therefore, Narragansett shall make a direct filing regarding a proposed shareholder incentive structure for calendar year 2005 no later than September 1, 2004. The other parties shall

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<sup>52</sup> Id. at 59-61.

make responsive filings no later than October 1, 2004 so that the Commission may hold a technical session regarding the programs and the incentive structure. In the event the parties desire to hold a technical session prior to September 1, 2004 in order to discuss shareholder incentives and receive direction from the Commission, they may request such action. The shareholder incentive structure is too important for the Commission not to be able to have input without rejecting an entire settlement full of good programs.

Accordingly, it is

(17927) ORDERED:

1. The Settlement of the Parties filed September 12, 2003 regarding the Company's 2004 demand-side management programs, with the modifications described in Ordering Paragraphs 2, 3, 4, 6, and 7 is hereby approved for implementation on January 1, 2004.
2. The Performance Metrics set forth in Narragansett Electric Company's November 7, 2003 Filing of Revised Attachment 7 to the Settlement are hereby approved.
3. By agreement of the parties, the Schools Initiative shall be expanded to include private schools.
4. Narragansett shall offer a \$25.00 Energy Star thermostat rebate as part of the EnergyWise and Energy Star Heating Program.
5. A Conservation and Load Management Adjustment Factor of \$0.0023 per kilowatt-hour is hereby approved for usage on and after January 1, 2004 through December 31, 2004.

6. Narragansett Electric Company shall file a proposed shareholder incentive plan no later than September 1, 2004. Responsive filings by other parties shall be made no later than October 1, 2004. Narragansett may seek Commission action prior to September 1, 2004 on the shareholder incentive mechanism.
7. Narragansett shall file no later than September 15, 2004 its proposed 2005 programs and budget, or the parties shall file a Settlement no later than September 15, 2004 regarding proposed 2005 programs and budget. In no event shall a Settlement address the shareholder incentive mechanism unless prior Commission action has been sought.
8. The Parties shall act in accordance with all other findings and instructions contained in this Report and Order.

EFFECTIVE AT WARWICK, RHODE ISLAND, PURSUANT TO AN OPEN MEETING DECISION ON DECEMBER 18, 2003. WRITTEN ORDER ISSUED JULY 28, 2004.

PUBLIC UTILITIES COMMISSION

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Elia Germani, Chairman

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Kate F. Racine, Commissioner

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Robert B. Holbrook, Commissioner



Terry L. Schwennesen  
*General Counsel*

September 12, 2003

**BY HAND DELIVERY & ELECTRONIC MAIL**

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

**Re: Docket 3463 – 2004 DSM Program Settlement of the Parties**

Dear Ms. Massaro:

Enclosed on behalf of The Narragansett Electric Company ("Company"), The Division of Public Utilities and Carriers ("Division"), the State Energy Office ("SEO"), the Coalition for Consumer Justice ("CCJ") and the Energy Council of Rhode Island ("TEC-RI") (together, the "Parties") are ten copies of a settlement setting forth the proposed terms of the Company's Demand-Side Management ("DSM") Program for 2004. The Parties hereby submit this agreement for the Commission's approval in this proceeding.

Thank you for your attention to our filing. Please contact me if you have any questions concerning this transmittal.

Very truly yours,

Terry L. Schwennesen

Enclosures

C: Docket 3463 Service List

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION

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In Re: The Narragansett Electric Company,  
Demand-Side Management Programs for 2004

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Docket No. 3463

SETTLEMENT OF THE PARTIES

September 12, 2003

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## **I. Introduction**

This Stipulation and Settlement (“Settlement”) is jointly submitted and entered into by the Division of Public Utilities and Carriers (“Division”), The Energy Council of Rhode Island (“TEC-RI”), the State Energy Office (“SEO”), the Coalition for Consumer Justice (“CCJ”) and The Narragansett Electric Company (“Narragansett” or “Company”) (together, the “Parties”), and addresses all issues raised by members of the DSM Collaborative<sup>1</sup> concerning the Company’s Demand-Side Management (“DSM”) Program for the year 2004.<sup>2</sup>

A DSM collaborative group has been meeting regularly since 1991 to analyze and inform the Company’s DSM programs. Since 1997, the Company has been offering its programs pursuant to statute, R.I.G.L. 39-2.1.2(b).

Prior stipulations have set forth criteria for the Company’s DSM programs: (1) that they be as cost-effective as possible, (2) that they serve a large number and broad mix of Rhode Island customers, (3) that they maximize long-term savings, (4) that they capture potential lost opportunities for efficiency improvement, (5) that they promote market transformation, and (6) that they support long-term electricity supply and reliability objectives. Over time, the DSM Collaborative in response to customer feedback obtained

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<sup>1</sup> Members of the Collaborative presently include the Company, the Division, and the intervenors in this Docket including the SEO, TEC-RI and the CCJ. The constitution of the Collaborative has varied since 1991, as some organizations have withdrawn and others have joined.

<sup>2</sup> Although the Settlement addresses all issues concerning the 2004 DSM programs, the Parties intend to work together to establish goals for the proposed performance metrics prior to the scheduled hearing in November 2003.

through public forums and elsewhere, has worked to enhance programs for customers by improving the efficiency and quality of energy-efficient products, expanding services to customers, and becoming more involved in statewide and regional initiatives.

## **II. 2003 Program Status**

The Company currently projects that it will fully spend its approved DSM budget for 2003 and that sector savings goals will be achieved. No remaining fund balance is currently anticipated. The Company will file its Year-End Report on the 2003 programs no later than May 1, 2004.

## **III. 2004 DSM Programs**

The DSM programs for 2004 build on the momentum and success of prior DSM programs and services, and also provide support to the Rhode Island Greenhouse Gas Process Stakeholder Group's activities<sup>3</sup>. The Parties agree to the Company's 2004 DSM Programs described below:

### **A. Residential Programs**

In 2004, the Parties agree to continue the residential programs offered in 2003.

These programs include the Energy*Wise* Program, the Appliance Management

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<sup>3</sup> Since the fall of 2001, a group of over 25 stakeholders representing Rhode Island business, industry, citizen groups, environmental organizations, and other government agencies have met on a regular basis to develop a Greenhouse Action Plan for Rhode Island. Through the process, the Rhode Island Greenhouse Gas Stakeholders have identified more than 52 options to reduce greenhouse gas emissions in Rhode Island. The Stakeholders are currently in the process of further analyzing and designing implementation strategies for the highest priority program and policy options.

Program (Low Income), Home Energy Management, ENERGY STAR Products, ENERGY STAR Heating Program, ENERGY STAR Central Air Conditioning Program, ENERGY STAR Lighting, Energy Efficiency Educational Programs, and ENERGY STAR Homes. Descriptions of these programs, including expected changes from 2003, are provided in Attachment 1.

**B. Small Business Services Program**

The Parties agree to continue the Small Business Services Program in 2004 with continued emphasis on greater comprehensiveness and custom treatment for non-prescriptive lighting measure installations in the program. A description of the Small Business Services Program, including expected changes from 2003, is provided in Attachment 2.

In 2004, the Company will seek competitive bids for program implementation services to be provided in calendar years 2005 and 2006. The Collaborative will also review the desirability of extending the new contract for an additional year.

**C. Large Business Services Programs**

The Parties agree to continue the Energy Initiative and Design 2000*plus* Programs in 2004 as described in Attachment 3. A preliminary summary of proposed changes and process improvements to these programs is provided in Attachment 4. The Parties may consider additional enhancements beyond those identified in

Attachment 4 when more information is available to support an informed review of those potential changes.

#### **IV. Budgets and Funding Sources**

##### **A. Budgets**

The Parties agree that the portfolio of DSM programs and services for 2004 will have an overall projected budget of \$22,139,600<sup>4</sup>. Proposed program budgets are provided in Attachment 5. A comparison of these proposed budgets to the 2003 budget filed with the Commission on May 30, 2003 in the Company's "true-up" filing is also provided in Attachment 5.

##### **B. Sector Budgets and Transferring of Funds**

The Parties propose to use the same methodology for the transfer of funds from one program to another that was used in 2001, 2002, and continues to be used in 2003. The Parties agree to segment the budget into three sectors: residential, small commercial and industrial, and large commercial and industrial. Transfers may occur as follows:

- a. Within a sector, the Company can transfer funds from one program to another only with prior approval by the Division.

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<sup>4</sup> The program costs for 2004 continue to include employee incentive compensation costs incurred for the delivery of DSM. As part of this Settlement, the Company agrees to notify the Parties of any material changes to the overall structure or funding level of the existing incentive compensation plans as they affect the DSM fund, and will not recover the costs of any new incentive compensation plans that were not in effect for 2003 without the prior approval of the Division.

- b. With Division approval, the Company can transfer funds from one sector to another so long as the transfers from a sector reduce the approved budget for that sector by 20% or less. Transfers that would reduce a sector's budget by more than 20% in aggregate (over the course of the program year) will require Commission approval.

For transfers requiring Division, but not Commission, approval, the Parties will inform the Commission about all the transfers, both between sectors and within sectors, in a timely fashion. The Parties will regularly review the amount of funds needed and available for each program (as well as any changes to the overall fund balance, as discussed in Section IV.C below) and will transfer monies as needed. The Company will not be permitted to adjust its incentive target calculations for any transfers between sector budgets except as described in Section IV.C below.

**C. 2004 DSM Program Funding Sources**

The sources of funding for the 2004 DSM Programs are shown in Attachment 6. The Parties agree that the 2004 budget should continue to be funded from the following sources: (1) the mandatory 2004 DSM charge of \$0.002 per kWh, (2) carryover of the 2003 fund balance, if any, (3) fund interest earned, and (4) funds received from Small Business Program co-payments and from large Commercial and Industrial technical assistance co-payments in 2004. The Small Business co-

payments will be earmarked for the Small Business Services program. The projected funding amounts are shown in Attachment 6.

The projected 2004 budget for DSM programs is dependent on a number of projections that inform the amount of funding, including projections of kilowatt-hour sales of electricity, year-end 2003 large commercial and industrial program commitments, and a projection of year-end 2003 spending. In order to obtain the most accurate budget possible, the Parties agree to true-up each of the components of the budget calculation that are currently projected with actual year-end numbers. The true-up will occur when year-end actual amounts become available, but no later than May 31, 2004 (the "May True-up"). The May True-up will result in more or less money being available for the 2004 DSM budget. The Parties will review the budget to determine how best to revise the budget in accordance with the results of the true-up. If the difference between the results of the true-up and the filed budget is 20% or less of the total approved budget, the Division shall have the authority to approve the reallocation. The Company will be permitted to adjust the projected spending budgets and savings goals in the shareholder incentive calculation in accordance with the adjustments made in the May True-up filing.

In addition, the Parties will again review the components of the budget calculation in August 2004 in order to obtain the best information available about the amount of funds available and determine how best to use them in 2004. The Parties agree

that the Company should make every attempt to spend or commit all the funds available for DSM in a given year, including any increases in the fund balance due to increased sales or other factors. The Company will seek Division or Commission approval of any revisions in accordance with the procedure described above for the May True-up. The Parties also agree to review the status of program budgets regularly to assess whether they are likely to come to a successful completion. If not, the Parties agree to review the advisability of transferring funds to other programs where the money could be more effectively used.

**V. Continuation of the Collaborative**

The Parties agree that the Collaborative, consisting of the Parties to this Settlement plus any and all Parties identified by the Commission for inclusion, shall meet no less than six times (either in person or by telephone) in 2004 to review the status and performance of the Company's 2004 DSM programs and to review with the Collaborative its proposed 2005 DSM programs and performance metrics. If the Parties are unable to agree on all or part of the Company's 2005 DSM programs or performance metrics, the Company will be free to unilaterally file all or part of its 2005 DSM program proposal for approval by the Commission on or before October 1, 2004.

## **VI. Incentive**

In Order No. 17516, the Commission expressed interest in modifying the shareholder incentive mechanism to include two components: (1) performance-based metrics and (2) kWh savings targets by sector. The Parties, in response to the Commission's desires, have agreed to the inclusion of five performance based metrics for 2004. These metrics include two that relate to the Residential sector, one that relates to the Small Business Services sector, and two that relate to the Large Business Services sector. Each of the proposed performance-based metrics is provided in Attachment 7. The Parties agree that the Company will have the ability to earn \$15,000 for each performance metric it successfully achieves in 2004 with the total potential incentive for performance metrics capped at \$75,000.

The Parties agree to set specific performance goals for these metrics when additional market information becomes available later in the year. Settling these performance targets at a later date will have no impact on the shareholder incentives established for these performance-based metrics. The Parties expect to set these targets following the scheduled technical session in October, but before the November 21, 2003 hearing about this Settlement. If the Parties are unable to reach agreement about the specific performance goals, the Company reserves the right to file recommended goals with the Commission for its approval.

The Parties have also agreed that the overall incentive cap for 2004 be set at 4.40%, the weighted average incentive rate in 2003<sup>5</sup>, applied to the eligible spending budget for 2004. The projected spending budget for 2004 is approximately \$15.4 million (see Attachment 8, page 1 of 2). Therefore, the total target incentive for 2004 is 4.40% of \$15.4 million, or \$678,526, as shown in Attachment 8 page 2 of 2. Of this total, \$75,000 will be the target incentive for the performance-based metrics and the remainder will be for the kWh savings target. The Company will have the ability to earn an incentive for each kWh saved above threshold savings for the sector. Threshold savings are equal to 45% of the annual sector savings goal. The incentive per above threshold kWh saved by sector is provided in Attachment 8 page 2 of 2. The Company will report on metric results and earned incentives in its Year-End Report for 2004, to be filed no later than May 1, 2005.

There are three circumstances that would necessitate the recalculation of the threshold, calculated cap, and incentive rate for a particular sector. First, if budgets are adjusted as a consequence of the Company's true-up filing in May 2004 (with Division or Commission approval, as appropriate), the threshold and incentive rate for the affected sectors will be adjusted as would each of the sector's incentive caps. Second, an adjustment will be made at the end of 2004 in the Large Business Services sector to adjust the threshold, incentive rates, and the sector incentive levels by any change in the spending and commitment budgets from those filed in this Settlement. All uncommitted Large Business Services funds will be considered part of the spending budget for doing

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<sup>5</sup> See Revised Attachment 5 in the Company's true-up filing dated May 30, 2003. Revised Attachment 5 shows a target incentive of \$697,410 and a proposed spending budget of \$15,832,714. The average incentive rate, therefore, is equal to \$697,410/\$15,832,714 or 4.40%.

this final calculation. Third, if the assumptions used to develop savings goals change as a result of completed evaluation studies, the Company will recalculate savings goals to account for those evaluation findings and will report actual savings on the same basis. None of these changes will affect the target incentive dollars associated with performance metrics. The Company will report program results compared to these revised budgets and goals in its Year-End Report about 2004 DSM efforts.

## **VII. Miscellaneous**

### **A. Cost-Effectiveness**

The Company has projected cost-effectiveness for the proposed 2004 programs using the benefit/cost test in place during 2003 and newly updated avoided costs.

A summary of the updated avoided costs is provided in Attachment 9.

Attachment 10 provides the calculation of 2004 program year cost-effectiveness and goals based on the proposed budgets. Attachment 10 shows that the proposed portfolio of programs is expected to have a benefit/cost ratio of 2.15 which means that \$2.15 in benefits is expected to be created for each \$1 invested in the programs.

### **B. Reporting Requirements**

The Company will provide quarterly reports to the Division and the Commission on the most currently available program performance. These reports will include a comparison of budgets and goals by program to actual expenses and savings on

a year-to-date basis. The Company will provide to the Parties a summary of evaluation results along with a memo summarizing the impact of those results on Narragansett's programs no later than early September 2004. The Company will provide to the Parties and file with the Commission its 2003 Year-End Report no later than May 1, 2004.

**C. Other Miscellaneous Provisions**

1. Other than as expressly stated herein, this Settlement establishes no principles and shall not be deemed to foreclose any Party from making any contention in future proceeding or investigation.
2. This Settlement is the product of settlement negotiations. The content of those negotiations is privileged and all offers of settlement shall be without prejudice to the position of any Party.
3. This Settlement is submitted on the condition that it be approved in full by the Commission, and on further condition that if the Commission does not approve the Settlement in its entirety, the Settlement shall be deemed withdrawn and shall not constitute a part of the record in any proceeding or used for any purpose.
4. Other than as expressly stated herein, the approval of this Settlement by the Commission shall not in any respect constitute a determination as to the merits of any issue in any other proceeding.
5. For all matters brought before the Collaborative, the Parties' intent is to make unanimous decisions. In some cases in this Settlement, however, such as fund

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transfer, only Division approval of a proposal is required. In the event that the Parties do not reach a unanimous decision on a matter requiring Division approval, and the Division approves a Company proposal that TEC-RI does not support, TEC-RI shall have the right to appeal the Division's approval to the Commission.

The Parties respectfully request the Commission approve this Stipulation as a final resolution of all issues in this proceeding.

Dated as of this 12th day of September, 2003.

Respectfully submitted,

THE NARRAGANSETT ELECTRIC COMPANY



Terry L. Schwennesen, Esq.

DIVISION OF PUBLIC UTILITIES AND CARRIERS

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William K. Lueker, Special Assistant Attorney General

DIVISION OF PUBLIC UTILITIES AND CARRIERS

 9/11/2003

William K. Lueker, Esq. (R.I. Bar No. 6334)  
Special Assistant Attorney General  
Counsel for Division of Public Utilities and Carriers  
(Public Utilities Commission Docket Number 3463)  
September 11, 2003

THE ENERGY COUNCIL OF RHODE ISLAND

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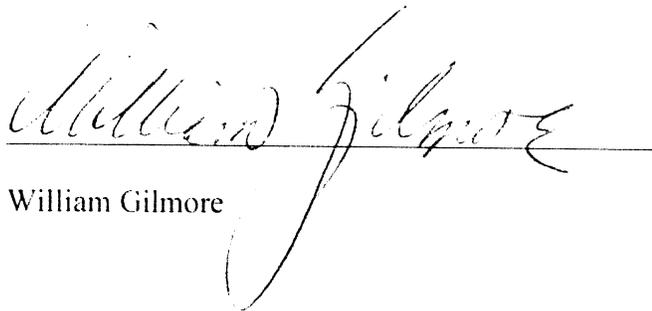
William Gilmore

THE STATE ENERGY OFFICE

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Janice McClanaghan

THE ENERGY COUNCIL OF RHODE ISLAND



William Gilmore

THE STATE ENERGY OFFICE

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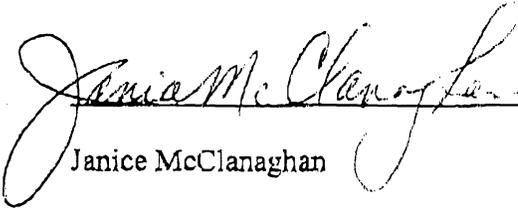
Janice McClanaghan

THE ENERGY COUNCIL OF RHODE ISLAND

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William Gilmore

THE STATE ENERGY OFFICE



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Janice McClanaghan





THE NARRAGANSETT ELECTRIC COMPANY

Re: Docket No. 3463  
Settlement of the Parties  
September 2003

## **ATTACHMENT 1**

## **2004 RESIDENTIAL PROGRAMS**

The Company proposes a comprehensive set of residential energy efficiency programs for implementation in 2004. These programs are described below:

- (1) Energy*Wise*
- (2) Appliance Management Program
- (3) Home Energy Management Program
- (4) Energy Star® Appliances
- (5) Energy Star® Heating Program
- (6) Energy Star® Central Air Conditioning Program
- (7) Energy Star® Lighting
- (8) Energy Efficiency Educational Programs
- (9) Energy Star® Homes

### **1. Energy*Wise* Program**

First offered in 1998, this program is open to existing multifamily and single-family homes. The Company will offer free home energy audits to all residential customers and will pay 75% of the cost of any needed insulation and air sealing in electrically heated homes. The Company will provide rebates of \$100 to \$450 to replace inefficient refrigerators where the size of the rebate is determined by the size of the refrigerator replaced. The Company will help subsidize the installation of efficient lighting fixtures, thermostats and electric water saving measures.

The Company proposes to discontinue the requirement for a co-payment on lighting fixtures installed in the residential units of multifamily buildings. Building owners have been reluctant to pay for measures that decrease the tenant's electric bills, and the Company has noted a significant missed opportunity here.

The program also offers low interest loans for customers who live in one to two unit facilities to install additional weatherization, including insulation, and ENERGY STAR windows. These loans are available to customers with homes heated by electricity, oil, propane, and wood, regardless of their level of electric use.

The Company will make an up-front payment to write down the interest on an unsecured loan. The Company will plan to provide funds to lower the interest rates to approximately two percent. The Company may adjust the loan rate during the year to respond to market conditions and customer demand. The participating bank will determine loan approval.

Narragansett Electric is working with the Environmental Protection Agency to certify *EnergyWise* as a "Home Performance with ENERGY STAR" program. This allows the program to use the ENERGY STAR name for marketing purposes, and ensures that the program meets high health and safety standards.

The Company proposes to serve 4,100 customers through the *EnergyWise* program in 2004.

Low Income customers living in 1-4 unit buildings will be served by the Appliance Management program, described next. The *EnergyWise* program also services Public Housing Authority properties and other multifamily buildings. Depending on income

eligibility of the tenants, co-payments may be reduced or waived for these larger facilities.

## **2. Appliance Management Program**

The Company contracts with the State Energy Office and local weatherization agencies for the delivery of energy efficiency services to customers who are eligible for the Low Income Heating Assistance Program (LIHEAP)<sup>1</sup> and waives the co-payment requirement. The Appliance Management Program (AMP) provides a comprehensive review of the customer's electric bill, existing appliances, and electric use patterns. The program provides for the installation of ENERGY STAR refrigerators and lighting to replace inefficient equipment and help lower customers' electric bills. In addition, the Company installs electric water heating energy efficiency measures at no cost for participating customers. The Company also funds weatherization work for these customers in one to four unit homes where the primary heating fuel is electricity, oil, propane or wood. This funding supplements federal dollars received by the State Energy Office for weatherization work. The Company proposes to continue to work with local Community Action Agencies and the Rhode Island State Energy Office to provide no-cost services to income eligible customers in 1-4 unit facilities. The Company proposes to serve 530 customers in 2004.

## **3. The Home Energy Management Program (HEM)**

The HEM program provides direct control of residential water heaters for load management purposes. Customers whose water heaters are controlled by the HEM program receive service under Narragansett Electric's Residential Water Heater

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<sup>1</sup> The federal government has set an income level, tied to the median income of each state, which defines the uppermost income boundary for LIHEAP participation. Individual states have some flexibility in defining income eligibility as long as it is not set above the federally defined maximum. Eligibility in this program will track the eligibility for LIHEAP set by the State of Rhode Island.

Control rate. This rate was closed to new customers in 1998, but over 4,400 customers are still being controlled through this program. Based on this level of activity, the Company proposes a budget of \$152,500. The budget supports any needed repairs to the existing system and the costs of broadcasting the control signal via radio.

The Parties agree to review the ratepayer benefits for continuing the HEM Program. The program has been closed to new customers since January 1, 1998, and will be reevaluated in 2004.

#### **4. ENERGY STAR® Appliances:**

This program is part of a regional joint utility effort to encourage the purchase of ENERGY STAR rated major appliances. These appliances include clothes washers, dishwashers, refrigerators, and room air conditioners (RAC). ENERGY STAR is a national program, whereby the DOE and EPA identify and promote energy efficient products to help reduce energy use and prevent air pollution. Manufacturers build their products to meet or exceed energy efficiency performance specifications established by ENERGY STAR. Together with manufacturers, local retailers, the DOE, and EPA, the Company works to help identify and promote the purchase of these high efficiency appliances to its customers. The program provides retailer support, training, advertising, consumer education, codes and standards review and advocacy, and manufacturer labeling. All residential customers are eligible to participate.

For 2004 the Company proposes to continue to provide consumer education on these products and offer rebates for ENERGY STAR clothes washers and room air conditioners. The Company will offer a \$50 rebate for clothes washers throughout the

year and a \$25 rebate on room air conditioners in the spring. The Company will coordinate with the regional Northeast Energy Efficiency Partnerships (NEEP) efforts to work directly with manufacturers and retailers to provide additional matching rebates, cooperative advertising and other program enhancements. The Company proposes to serve about 2,800 customers in 2004.

The R.I. Greenhouse Gas Stakeholder Group (RIGGSG) has suggested two initiatives to reduce residential electric use and thereby reduce greenhouse gases. The first initiative is to promote the use of the smallest reasonable appliance for residences. The second is to encourage Rhode Island to set minimum efficiency standards for specific appliances. The Company will work with the RIGGSG to identify appliances that can be targeted for the first initiative and to prepare consumer educational materials. The Company has been very active in encouraging minimum efficiency standards in cooperation with the Northeast Energy Efficiency Partnerships. The Company will facilitate a meeting among all interested parties to provide information and determine how to make progress on efficiency standards in Rhode Island.

#### **5. ENERGY STAR® Heating Program**

A typical residential customer spends approximately 44% of their energy budget on heating and cooling. Two programs address these measures directly. The first program, the ENERGY STAR Heating Program provides funding to the Rhode Island State Energy Office to offer ENERGY STAR heating system rebates. The second initiative, the High Efficiency Central Air Conditioning Program, is described below.

The Company will continue to provide funding to the Rhode Island State Energy Office to offer incentives to customers who purchase ENERGY STAR Heating Systems that burn oil. Most contractors install heating equipment with an Annual Fuel

Utilization Efficiency (AFUE) of 80% or less. In order to encourage higher efficiency and positively reinforce market changes, the Company will offer a \$300 rebate for ENERGY STAR heating systems, which have an AFUE rating of 85% or greater. This is a decrease from the current rebate of \$500. The response has been so significant at the \$500 level that the Company estimates we can meet program goals with a lower rebate. The Company proposes to serve about 600 customers in 2004.

#### **6. ENERGY STAR Central Air Conditioning Program**

The Company provides rebates of \$370 and \$550 to customers for properly installed ENERGY STAR central air conditioning systems in existing homes. The Company began the program in the fall of 2002 with start-up activities and continued into 2003, focusing on outreach and program participation. Specifically in 2003, the Company has focused its efforts on both customer education and outreach via bill inserts, fact sheets, and targeted mailings to high users in summer months; contractors' education and outreach via phone calls, mailings, one-on-one meetings, trainings on technical issues, usage of sizing software, and up-selling to high efficiency equipment; and working closely with contractors to encourage participation in the program and installing the air conditioning systems properly.

While ensuring that new air conditioning equipment is properly sized and operating is critical to the energy efficiency of the equipment, it has not been the standard practice of HVAC technicians to perform all the needed calculations and tests. The Company has assisted technicians by providing free copies of the Right J software, an air conditioning system sizing software tool, and also providing a payment to the contractor of \$100 per completed application as they learn new techniques.

In 2004, the Company proposes to continue these same activities to educate customers and contractors and increase program participation. The Company may

also explore providing improved gauges and tools to contractors to assist them. The Company proposes to serve 100 customers in 2004.

## **7. ENERGY STAR® Lighting**

For 2004, the Company proposes to continue offering its residential lighting program as part of the regional joint efforts. The program offers customers the opportunity to purchase compact fluorescent bulbs (CFL) and fixtures at substantial discounts. Customers have several options for program participation including redeeming instant rebate coupons for qualifying products purchased in participating retail stores, purchasing reduced price products at retailers where the manufacturer has received a rebate from the Company and passed on the discount directly to retailers and consumers, and using the mail order catalog.

The Company will continue to work with manufacturers and retailers to offer a good mix of standard, innovative, and specialized CFL product. CFL rebates will be offered in the \$2 - \$4 range, depending on the style and technology of the bulb (standard, dimmable, 3-way, etc.). As described above for ENERGY STAR appliances, the Company will work with NEEP to solicit proposals from manufacturers and retailers for short term promotions including special events, new product launches, and cooperative advertising.

The Company proposes to continue rebates for ENERGY STAR fixtures and torchieres. Rebates will be \$10 for exterior fixtures, \$15 for interior fixtures and table lamps and \$20 for torchieres and floor lamps. Rebates on fixtures and bulbs may be adjusted to ensure coordination with regional and national program efforts and to reflect changing RI market conditions. The Company will also continue to work directly with lighting showrooms to encourage the promotion of high efficiency, high fashion residential

CFL fixtures. The Company will continue to support local retailers with promotional materials (signs, coupons, displays) training, and regular sales visits. The Company proposes to serve approximately 46,000 customers.

## **8. Energy Efficiency Educational programs**

### **a) National Energy Education Development (NEED) Project:**

The National Energy Education Development (NEED) Project is a nonprofit education association that works with thousands of schools nationwide to promote an energy conscious education. NEED is a strategic partner of Rebuild America and **EnergySmart Schools**, programs of the U.S. Department of Energy. NEED creates networks of students, educators, and business, government and community leaders to design and implement objective energy education programs. The Rhode Island EnergySmart Schools program includes educational materials for kindergarten to twelfth grade which provide comprehensive, objective information about energy production and consumption, the major energy sources, and their impact on the environment, economy, and society. Services offered include kits and curriculum for students from kindergarten through high school, student/teacher training programs, workshops, and conferences, a summer camp program, scholarships to national energy educational conferences, and youth awards.

### **b) ENERGY STAR Homes Vocational Schools Initiative:**

The Company currently works with the Woonsocket Area Career and Technical Center (WACTC) and the Warwick Career and Technical School on this initiative. It provides training to vocational school students on building ENERGY STAR

homes. These homes are then sold at below market rates to increase the stock of affordable housing.

The other seven vocational schools in Rhode Island have not been interested in investing the staff time required to participate in this program, despite repeated invitations. The Company has investigated other methods to involve these schools. All trade schools in Rhode Island participate in the Skill USA national competition for vocational schools. Working with WACTC, the Community College of Rhode Island, and the Rhode Island Builders Association, the Company will sponsor a Rhode Island Energy Efficient Building Competition to help students improve performance in the national competition. In preparation, on-site training will be provided at all schools on energy efficient building practices. We hope this introduction will create further interest in the vocational school initiative.

**c) “Kids for Conservation” Program with Radio Disney:**

The Company proposes to continue to sponsor educational workshops with Radio Disney to provide family education on conservation in a fun and entertaining way. For each event, Radio Disney visits 4th and 5th graders at 3-4 schools at assembly time to introduce conservation and the Kids for Conservation program. Children can enter a poster contest on energy conservation to win four tickets (for them and their family) to see a show at the IMAX theatre along with games and a skit on energy conservation. Parents receive information on energy conservation and a free CFL bulb. The Company proposes to hold two Kids for Conservation events in 2004.

**9. ENERGY STAR® Homes:**

The ENERGY STAR Homes Program is part of the national energy efficiency campaign developed in 1998 by the Environmental Protection Agency (EPA) and United States Department of Energy (DOE). Rhode Island was one of the first states to adopt this program. It helps builders and buyers design and construct homes that are fifteen percent more efficient than required by Rhode Island's current Model Energy Code. The homes are designed, site inspected, and performance-tested to achieve a home energy rating which helps consumers differentiate between efficient homes and standard homes. Anyone building a home in Rhode Island can participate, regardless of type of heating fuel.

For 2004, the Company proposes to make a small change to the rebate structure leading to a maximum rebate of \$1,100 per dwelling. Originally, the program provided a \$500 incentive to the homeowner or builder for reaching a Home Energy Rating Score (HERS) of 86 and up to \$1,000 in incentives for installing ENERGY STAR appliances and lighting. The Company proposes to restructure the incentives to provide additional benefit for higher HERS ratings and incorporate the energy savings of the lighting and appliances into the HERS score. The Company plans to offer an additional \$200 for reaching a HERS rating of 88 (up from 86), an additional \$400 for reaching a HERS rating of 89 (up from 86) and an additional \$600 for reaching a HERS rating of 90 or above (up from 86). The additional rebate amounts are designed to cover the incremental cost of achieving the higher HERS rating.

In 2002, 234 homes were completed through this program. We expect to complete a total of about 275 homes by the end of 2003. The Company plans to serve 350 customers through this program in 2004.



THE NARRAGANSETT ELECTRIC COMPANY

Re: Docket No. 3463  
Settlement of the Parties  
September 2003

## **ATTACHMENT 2**

## **Small Business Services Program Description**

### Overview

For almost ten years, this program has provided direct retrofit installation of energy efficient lighting, refrigeration, and other measures to small commercial and industrial customers.

### Eligible Population

Customers with an average monthly demand of less than 100 kW, or annual energy usage of less than 300,000 kWh, are eligible for this program.

### Program Design

The Small Business Services Program offers incentives for the installation of energy efficient fluorescent ballasts, lamps, and fixtures; hard-wired and screw-in compact fluorescent systems; high intensity discharge systems; occupancy sensors; programmable thermostats; hot water tank insulation wraps; hot water pump time clocks; and refrigeration measures such as evaporator fan controls, efficient evaporator fan motors, automatic door closers and door heater control devices for walk-in coolers. The Company arranges the equipment purchase and installation with an administrative contractor (RISE).

Most rebates cover 75% of both labor and material costs. Customers may finance the remainder for up to 24 months interest-free through their electric bill. If customers pay their portion up front, they receive a 15% discount off the amount due.

In 2004, Small Business Services program will offer a broader selection of comprehensive measures. While potential for significant energy savings in small business rests on improving lighting energy use, the proposed improvements to the program support more comprehensiveness in customers' facilities and expand the depth and appeal of the program. These additional energy efficiency measures will include but not be limited to non-prescriptive lighting measures, HVAC tune-ups and custom energy efficiency opportunities. The Company is seeking to achieve a target number of comprehensive energy efficiency measures for 2004 as discussed in Attachment 7.



THE NARRAGANSETT ELECTRIC COMPANY

Re: Docket No. 3463  
Settlement of the Parties  
September 2003

## **ATTACHMENT 3**

## **Large Business Services Program Descriptions**

### **1. Design 2000plus**

#### Overview

Offered to commercial and industrial customers since 1988, Design 2000*plus* encourages energy efficiency in new construction, renovations, remodeling, and replacement of failed equipment through financial incentives and technical assistance to developers, customers and design professionals. Financial incentives reduce the cost barrier to investing in efficiency. Technical assistance reduces barriers to more efficient design by providing education to participants in the use of energy-efficient engineering practices.

Design 2000*plus* has a large market transformation component. By familiarizing the large commercial and industrial segment with higher energy efficiency standards, Design 2000*plus* creates new efficiency standards for construction. The Company actively supports regional and national market transformation programs designed to transform markets for a broad range of energy efficient equipment and services.

#### Eligible Population

Design 2000*plus* is available to all non-residential customers, but is generally appropriate for customers with more than 100 kW in demand. It is available for new construction and remodeling projects such as a new building, expansion or renovation of an existing building, change in the use or function of the building space, new equipment for a new process or expanded operation, replacement of failed equipment, or planned replacement of equipment.

#### Program Design

Design 2000*plus* provides technical consulting and incentives for the installation of many different kinds of energy efficient equipment and systems. Energy efficiency

measures which are eligible for incentives include premium efficiency lighting, motors, variable speed drives, heating, ventilating and air conditioning systems (HVAC), refrigeration, industrial process, and process cooling.

There are three specific types of incentives. (1) Prescriptive incentives are fixed and address a single electric efficiency improvement in operations such as lighting, motors and HVAC. High efficiency alternative equipment and systems are offered to customers on a per unit basis. (2) Custom incentives are based on the unique energy savings criteria of a project. (3) Comprehensive incentives are based upon evaluation of the whole building and the benefits that come from examining an integrated engineering approach. In general, incentives are designed either to cover 60 to 75% of the incremental cost between standard and premium efficiency equipment and systems or to buy down the cost of equipment to the customer to a one and a half year payback, whichever is less. For Comprehensive Design Approach and Comprehensive Chiller projects, incentives cover 90% of the incremental cost or buy the cost of the equipment and systems down to a one year payback, whichever is less.

The Company markets Design 2000*plus* through extensive personal communication by account managers with customers, vendors, contractors, design professionals and, seminars, training sessions and other direct marketing approaches. In all cases, the earlier in the design process the Company becomes involved, the more comprehensive a solution is possible. For example, if the customer begins participation in Design 2000*plus* before making final design decisions, there is the advantage that comes from investigating reduced cooling requirements through improved lighting systems. Moreover this improvement may lead to selecting smaller HVAC equipment and contribute to greater efficiency and lower costs of operations in the building. Once the Company identifies an appropriate Design 2000*plus* project at a customer site, the Company offers technical assistance services.

These technical assistance services include engineering evaluations that support best practices in building design and consider energy efficient measure identification, equipment metering or monitoring, improved technical design solutions, customer presentations, and design and construction assistance. Technical assistance provides customers with detailed engineering studies that identify alternative energy systems that support lower operating costs in the buildings and the operational benefits that come from this selection. The costs of these energy efficiency studies are usually cost shared at 50% with customers.

To ensure that energy savings features are installed and operated as designed, the Company provides a commissioning service. This service is an independent third party verification that complex building systems, such as HVAC projects involving energy management systems or other controls, are operating as designed.

For customers who wish to use their own design team, Design 2000*plus* offers a Comprehensive Design Approach. This service provides outside expert technical support for the customer's own design team or reimburses the customer the incremental cost to have its design team analyze all cost-effective efficiency options.

Design 2000*plus* also assists customers in optimizing their building operating systems at the time of their federally mandated replacement or conversion of CFC (R-11, R-12 refrigerant) chillers. Customers may either optimize the performance of their existing older building systems or receive technical guidance and recommendations regarding the proper size and efficiency for a replacement chiller plant. This program component, called the Comprehensive Chiller initiative, also helps to reduce peak summer generation demand.

Financing for the customer portion of the Design 2000*plus* project is available to customers. Financing is generally arranged with Citicorp Leasing Incorporated, and includes no application or documentation fees, a limited up-front cash requirement of no more than the first month's lease payment, flexible repayment terms of two to seven years; and a simple application process. The amounts available range from \$5,000 to \$4,000,000. This arrangement benefits not only the specific customer in need of financing, but also more generally is introducing energy efficiency lending to the financial community, which considers this type of loan unconventional.

Design 2000*plus* provides free ballast recycling to customers installing energy efficient lighting under Design 2000*plus*. The purpose of this service is to ensure that all ballasts (some of which contain polychlorinated biphenyls or PCBs) are disposed of in an environmentally sound manner.

Finally, the Company offers the Project Expediter service, which uses pre-qualified contractors to audit customers' facilities and arranges for the purchase and installation of energy efficient equipment. As with most of the other services listed here, Project Expediter is available for both Design 2000*plus* and Energy Initiative, described below. Usually, these installations are retrofits, however, and therefore qualify under Energy Initiative. The Company will continue to target customers with average monthly demand between 100 kW and 200 kW for this service.

The changes to the Design 2000*plus* program for the year 2004 are shown in Attachment 4.

## **2. Energy Initiative**

### **Overview**

Offered since 1988, Energy Initiative encourages the replacement of existing equipment and systems with energy efficient alternatives. Its structure is very similar to

Design 2000*plus*, offering financial incentives, technical assistance, and other ancillary services such as commissioning, comprehensive chiller assistance, financing, and ballast disposal.

#### Eligible Population

Energy Initiative is available to all non-residential customers, although customers with demand below 100 kW are also eligible to participate in the Small Business Services program for lighting, refrigeration measures, and other miscellaneous measures.

#### Program Design

Energy Initiative provides incentives for the installation of many different types of energy efficient equipment, including lighting, motors, energy management systems, programmable thermostats, variable speed drives, refrigeration, industrial process, and process cooling. The Company's delivery of Energy Initiative is similar to its delivery of Design 2000*plus*. Energy Initiative offers two types of incentives, prescriptive and custom. Prescriptive incentives are fixed and offered on a per unit basis. Custom incentives are based on the unique energy savings criteria of projects. Both are based on average at 50% of the total installed cost (including labor and equipment) or at a level that buys the equipment down to a two-year payback to the customer, whichever is less.

The changes to Energy Initiative for 2002 are shown in Attachment 4.

### **3. Distribution Load Response Program**

#### Overview

In any local electrical distribution system, the utility equipment has historically been sized for a few hundred hours of peak loading conditions, and is routinely under-loaded for the bulk of the year. Peak load reduction is only needed for the few hours per

year of high supply prices, and/or high loading conditions on the local distribution system. Managing this peak load may result in more stable delivery costs when upgrades to the distribution system can be deferred. On a regional basis, managing peak loads can help to moderate supply costs as the need to construct additional capacity to meet higher demand is dampened. Deferring supply additions should lead to lower generation costs over time.

The proposal for 2004 is an extension of the Company's Demand Response Initiative pilot funded in its 2003 energy efficiency program. For 2003, funding of \$25,000 was allocated to conduct 5 to 10 load shed audits to identify electric measures to reduce customer demand. Thus far in 2003, the Company has not conducted any load shed audits in Rhode Island. The Company's retail affiliate in Massachusetts has conducted load shed surveys in that state, where there was a higher concentration of highly loaded feeders. Lessons from that experience (such as identification of potential measures, and successful customer recruitment strategies) will be applied in Rhode Island in 2004.

Funding of \$25,600 is requested for 2004.

#### Eligible Population

The Company will identify areas throughout Rhode Island where past and anticipated load growth has the potential to outpace infrastructure improvements, resulting in an accelerated need for infrastructure improvements over original estimates. Active management of the loads on the system could be a useful tool for future planning.

The Distribution Demand Response Program targets large customers on highly loaded distribution system components. These could be customers with newer buildings (office buildings, retail establishments, schools, etc.), which currently have building management systems (BMS) in the facility to monitor life safety conditions (smoke, fire

alarms), security, and HVAC systems. Buildings with building management systems are typically less than 15 years old. Industrial process customers with potentially controllable or variable production loads are also potential candidates.

Some opportunities, such as modifications to BMS controls, may have the potential to garner significant electrical savings throughout the year, while also providing load control during peak hours of the year. Other opportunities, such as re-scheduling industrial processes, will generally provide only peak demand savings.

It is anticipated that the proposed funding will support 10 to 20 “load shed” technical assistance studies. The Company’s demand response initiative program manager and the Company’s account managers will market this initiative to customers on a one-to-one basis. Several TA contractors will be used to identify demand response options and coordinate their implementation. Economies may be achieved if these focused studies are performed simultaneously with broader energy efficiency TA studies.

#### Program Design

The load shed audits may be conducted as part of energy efficiency surveys or as independent studies. Lessons from the experience in Massachusetts (such as identification of potential measures, and successful customer recruitment strategies) will be applied in Rhode Island.

Preliminarily, the list of measures to be considered includes:

- Lighting retrofits, including dimmable electronic ballasts for lighting;
- Cooling system upgrades, including chiller efficiency improvements and CO<sub>2</sub> sensors to regulate air distribution;
- Building management system control changes, including temperature setbacks for HVAC systems;
- Scheduling of industrial processes, such as rearranging shift operations;

- Compressed air system modifications.

Utilizing existing technology within the buildings and adding other Internet enabled devices (gateways) may provide new ways for customers to shed load, and potentially allow the Company control of these loads. Open protocol systems are now becoming commonplace and can integrate into existing systems to provide a much higher level of control.

Providing customers access to the payment streams from the ISO-NE demand response programs, and more importantly, the tools to allow participation, will provide added incentives for customers. The Internet enabled gateway also has potential to provide real-time demand data allowing customers to experiment within their facility to modify their load curves and further reduce the overall electric bill.

Demand-reducing measures that also save energy will be run through the Custom Measure approach under Energy Initiative and Design 2000*plus* to determine cost-effectiveness and rebate eligibility under standard energy efficiency protocols. Implementation of measures that solely reduce peak load would not be funded through the energy efficiency programs.

The Parties will review spending on this initiative compared to the budget in August 2004 and will identify funds, if any, to be transferred to another program.

The Company will assess and discuss with the other members of the Collaborative the cost-effectiveness of this effort prior to developing DSM plans for 2005.

#### **4. Market Transformation Activities**

Market transformation initiatives under Energy Initiative and Design 2000*plus* are described as follows:

### **Regional Energy Efficient Motors and Unitary HVAC initiatives**

As a feature of the Design 2000*plus* Program, the Company supports the MotorUp premium efficiency motor initiative. This regional market transformation initiative promotes motor management of high efficiency motors and quality repair of motors to maintain high efficiency. MotorUp was developed with utilities throughout New Jersey, Connecticut, Massachusetts, Vermont, Rhode Island and New Hampshire through the Northeast Energy Efficiency Partnerships (NEEP). Sponsoring utilities have joined together to design and implement a uniform regional program that features consistent equipment efficiency requirements, rebates, application forms and marketing materials. Together, the sponsoring utilities have hired a contractor who is responsible for identifying, recruiting, and training trade allies to support program efforts. This contractor disseminates program information to trade allies, provides technical assistance to vendors and distributors, processes rebate applications, produces marketing materials, and tracks program activities and results. In 2003, the regional initiative began providing instant rebates at motor dealer sites. The Company expects to continue with this approach in 2004.

The Company also supports Cool Choice, a regional program that focuses on promoting the installation of energy efficient unitary HVAC equipment through Design 2000*plus*. This initiative, like the MotorUp initiative described above, has been developed with essentially the same group of utilities through NEEP. Its features are similar to those described above for the Northeast Premium Efficient Motors program, with the exception of the instant rebate process.

The budget for these initiatives is \$60,700 to pay contractors for delivering the program.

### **Compressed Air Challenge**

The Company will continue its active sponsorship of the national Compressed Air Challenge (CAC). The CAC is a broad based collaborative of government agencies, compressed air specialists, equipment manufacturers, end-use consumers and utilities whose objective is to promote the substantial energy savings improvements available by means of a comprehensive, systems approach to compressed air system design and operation. The CAC educational and technical materials being disseminated by the Company are intended to increase customer awareness of, and demand for, products and services that encompass a comprehensive, "systems optimization" approach. Coupled with this increased demand for enhanced services from customers, regional compressed air equipment and service vendors will be exposed in depth to the technical approaches promoted by the CAC.

Over the past few years the Company has been actively coordinating local workshops that have been developed by the CAC. These workshops reflect consensus approaches to a variety of technical issues associated with the comprehensive system approach to compressed air quality, reliability, and efficiency. The first workshop, entitled "Fundamental of Compressed Air Systems," has been very well received by industrial customers and vendors who have attended to date. The second is a more advanced two-day workshop entitled "Advanced Management of Compressed Air Systems". This complementary workshop is primarily targeted at larger, more sophisticated customers as well as regional vendors and engineering consultants. The Company anticipates that these workshops will result in an increased number of applications under the Company's programs that address more comprehensive solutions to system efficiency

In addition to promoting the two levels of CAC training currently available, the Company will also be providing support to a variety of other CAC technical and marketing activities. Notable among these is hosting of an AirMaster training and

certification workshop. AirMaster is a software tool that can be used to evaluate energy savings from compressed air system improvements.

The budget for this initiative will be \$5,100 for training and contractors.

### **DesignLights™ Consortium**

The DesignLights™ Consortium (DLC) is a regional collaborative of utilities and other organizations whose purpose is to influence lighting design toward quality, comfort and energy efficiency during remodeling, renovation and new construction activities in commercial buildings. The DLC's stated mission is to foster the adoption of improved design practices in all parts of the lighting market. Moreover, the DLC's intent is to develop, promote and apply useful tools for practitioners to use in the selection and installation of lighting systems.

This initiative consists of two interrelated components. Since 1999 Narragansett has pursued seven demonstration sites that employ state of the art lighting design practices. Second, the Company has contributed toward the development of design guidelines. Over this period seven guides have been developed which provide guidance for the design of quality lighting in office, small retail, school and industrial spaces. In addition, guides have been developed for skylighting in retail and warehouse spaces. These guidelines referred to as the knowhow™ series have been well received by lighting designers through training seminars offered in Rhode Island and throughout the northeast.

For 2004, the Company will continue to use the knowhow™ guides to promote high quality energy efficient lighting design through Design 2000*plus* to the lighting design community, including electrical contractors. The Company will continue to offer a schools initiative that will incorporate the knowhow™ guides as a key element. This initiative is discussed below. The Company will also continue an effort initiated in 2003

to provide a service to area lighting distributors. Called the DLC Partners Initiative, area distributors are provided education, technical assistance and marketing assistance to help them “up-sell” the benefits of high quality energy efficiency.

The budget for this initiative will be \$25,300.

### **Schools Initiative**

The Company proposes to continue offering a special initiative targeted to public schools through Design 2000*plus*. While Design 2000*plus* has been effective in reaching public schools, a majority of schools have not participated due to a broad range of market barriers including limited funding and competitive bidding requirements. This program's intent is to help schools minimize the hurdles posed by these market barriers during a time when Rhode Island is seeing an unprecedented level of investment in new and renovated schools.

The Company proposes to fund the full incremental cost for new construction or renovation under Design 2000*plus*. All cost-effective electric energy saving measures would be addressed. It is anticipated that most projects will involve lighting. A key requirement for this initiative is that lighting must follow the DesignLights™ Consortium guidelines for schools as outlined in "Classroom Lighting knowhow™" guide published by the DesignLights™ Consortium.

### **Building Codes and Standards**

The Parties agree to support work at national and local levels to develop codes and standards that continue to upgrade building energy efficiency. Continually refining these codes and standards, which complement existing programs such as Design 2000*plus* and Energy Initiative, has a significant impact on institutionalizing progress made through

utility programs. Therefore, this initiative focuses on (1) working with national code development organizations such as ASHRAE to upgrade building efficiency codes and (2) working at the local level with Rhode Island and other states in the development of state efficiency codes and standards. We will offer our support to this effort which will be coordinated primarily through the New Buildings Institute (NBI), an organization with the goal of assisting states and others with the development of codes and standards that are practical and enforceable. For instance, Rhode Island has recently upgraded its state energy code to the “2000 International Energy Conservation Code” (IECC-2000) with amendments drafted by NBI. We will continue to pursue additional upgrades to the present code through NBI. Part of this effort includes facilitating and supporting the training and education efforts for code enforcers, designers and builders.

The 2004 budget is \$5,100.

### **Federal Standards**

Ultimately, markets are transformed towards higher efficiency when newer efficient equipment supplants older inefficient equipment to an extent that the latter is either no longer produced, becomes unattractive to end users or is excluded from the marketplace as the result of various standard-setting processes. Some of these standard setting processes are industry-driven and voluntary; others produce mandatory codes or standards promulgated by federal or state governments.

The Company agrees to actively track and participate in DOE’s standard setting process. DOE’s standard setting process involves multiple stakeholder workshops and a public hearing for each standard. These workshops typically seek input on all aspects of the standard setting process. By participating in these workshops and using our experience with energy efficient equipment, the Company feels it will be able to most effectively communicate its support for appropriate standards.

As Federal standards are raised, participation requirements for Design 2000*plus* and Energy Initiative will be elevated accordingly, pulling the market toward successively higher efficiency strata. The Company believes that active participation in the elevation of energy efficiency standards is an integral part of any transition strategy in respect to ratepayer funded market transformation initiatives.

**Building Operator Training and Certification (BOTC):**

In 2004, the Company will continue to sponsor the Building Operator Training and Certification initiative, which started in 2000. The BOTC is a collaborative effort among gas and electric utilities in the region and is administered by the Northeast Energy Efficiency Partnerships. Through this effort a training and certification program is administered and conducted by a third party and offered to commercial and industrial customers.

The BOTC's objectives include:

- Increasing O&M personnel knowledge and skills in operating and maintaining commercial and industrial buildings for efficiency, comfort, and safety.
- Expanding market awareness of the benefits of improved building performance.
- Building market demand for resource-efficient O&M services.
- Distinguishing resource-efficient practices, service providers, and knowledgeable building operators in the marketplace.
- Establishing a Training and Certification program that will become financially self-sustaining in the future.

In 2003 twenty five people who work in various facilities in RI successfully completed the program. As a result of attending the BOTC seminars, these people gained new skills and were introduced to different strategies that can help them operate their facility optimally. Additionally, in September 2003 a BOTC Level II will start in RI to

benefit RI facility operators and managers. The level II class was offered at the request of RI Energy Office. More than 25 people have registered for this class so far.

The budget for the BOTC initiative in 2004 will be \$10,100 for training and customizing training materials for this region.

### **Rhode Island Greenhouse Gas Initiative**

The RI Greenhouse Gas Stakeholders Group (RIGGSG) has proposed an initiative to promote high performance design and construction practices in public facilities, specifically, to encourage public facilities to investigate sustainable design standards in their building projects. The Company proposes to budget \$4,000 to examine increased energy efficiency that goes beyond current services. These additional services could fall into direct assistance or through RIGGSG to help cities and towns investigate the benefits that come from using the US Green Building Council's Leadership in Energy and Environmental Design (LEED) as a planning tool for design and constructing more energy efficient buildings. These funds will also be used to support the RIGGSG Plan to develop a purchasing program to help customers identify and select high performing electrical equipment to meet their building programming goals. The Company also sees that it can assist with the appropriated funding by using the monies to investigate the potential for increased daylighting opportunities in public facilities and will offer its expertise gained through the DesignLights™ Consortium to aid in this review.

As an active participant in the RIGGSG, the Company supports targets for reducing GHG emissions and recognizes that one of the best methods to achieve this is through better building design and construction. These activities outline how the Company may assist in identifying improved practices in public facilities for higher performance and would underscore the intent of the Company to share its technical

experience as part of the RIGGSG's effort to reduce energy related emissions in public facilities.



THE NARRAGANSETT ELECTRIC COMPANY

Re: Docket No. 3463  
Settlement of the Parties  
September 2003

## **ATTACHMENT 4**

**Preliminary Summary of Proposed Changes to the Energy Initiative  
(EI) and Design 2000*plus* (D2) Programs for 2004**

Category	Proposed Incentive and Process Changes
Lighting	<ol style="list-style-type: none"> <li>1. Reduce incentives Metal Halide track lighting Code 70 (EI and D2)</li> <li>2. Tighten eligibility for HIF Code 56 and 57 in response to new, low end, products (EI and D2)</li> <li>3. Provide incentive for inductive lighting (EI and D2)</li> </ol>
Compressed Air	<ol style="list-style-type: none"> <li>1. Reduce incentives for 50 to 75 Hp. Load/ No load compressors (EI and D2).</li> <li>2. Reduce incentives for additional storage (EI and D2)</li> </ol>
HVAC Chillers (D2)	<ol style="list-style-type: none"> <li>1. Research the market for available prescriptive air cooled chillers and reevaluate eligibility criteria. .</li> <li>2. Relax requirements for chiller incentives to better align with the IECC Code requirements.</li> </ol>
HVAC EMS (EI)	<ol style="list-style-type: none"> <li>1. Reintroduce hotel occupancy sensors for HVAC.</li> </ol>
Motors	Same.
Variable Speed Drives	Same
Cool Choice	Same
Custom	<ol style="list-style-type: none"> <li>1. Integrate Advanced Building Design Guidelines into current programs to encourage more comprehensive treatment for medium size new construction buildings.</li> <li>2. Refine baseline document to reflect current standards and better practices in C&amp;I buildings</li> <li>3. Refine eligibility requirements for HVAC and process controls.</li> </ol>

The recommended changes primarily reflect the technical advancement and continued adoption of premium efficiency equipment in the marketplace. Measures have been dropped that are now considered standard practice. Efficient measures that have recently become commercially available have been added. Some rebates have been adjusted up or

down based on market data collected through the program. In addition, the Company will actively promote comprehensive design into Design 2000*plus* through the incorporation of the New Buildings Institute's Advanced Building Design Guidelines that are currently under development. These changes continue to reflect the Company's objectives to improve the way buildings are designed, constructed and operated.



THE NARRAGANSETT ELECTRIC COMPANY

Re: Docket No. 3463  
Settlement of the Parties  
September 2003

## **ATTACHMENT 5**

**NARRAGANSETT ELECTRIC COMPANY  
2004 Proposed Budget**

	PAYROLL (\$000)	EXPENSE (\$000)	ADVERTISING (\$000)	TOTAL (\$000)
<b>RESIDENTIAL PROGRAMS</b>				
<b>IN-HOME SERVICES</b>				
EnergyWise	\$28.9	\$1,960.9	\$5.0	\$1,994.8
Appliance Management Program (Low Income)	\$21.8	\$924.1	\$5.0	\$950.9
Home Energy Management	\$4.1	\$148.4	\$0.0	\$152.5
<b>ENERGY EFFICIENT PRODUCTS</b>				
Energy Star Appliances	\$16.3	\$281.1	\$145.0	\$442.4
Energy Star Heating System	\$6.9	\$191.0	\$2.5	\$200.4
Energy Star Central Air Conditioning	\$12.9	\$122.2	\$33.5	\$168.6
Energy Star Lighting	\$18.7	\$918.8	\$219.0	\$1,156.5
<b>INFORMATION &amp; EDUCATION</b>				
Energy Efficiency Educational Programs	\$6.9	\$99.9	\$0.0	\$106.8
<b>NEW CONSTRUCTION</b>				
Energy Star Homes	\$21.1	\$644.5	\$25.0	\$690.6
<b>Subtotal Residential</b>	<b>\$137.5</b>	<b>\$5,290.9</b>	<b>\$435.0</b>	<b>\$5,863.4</b>
<b>C&amp;I PROGRAMS</b>				
<b>LARGE C&amp;I PROGRAMS (1)</b>				
Design 2000plus	\$456.6	\$4,691.1	\$16.1	\$5,163.8
Energy Initiative	\$454.7	\$6,714.1	\$9.5	\$7,178.3
<b>Subtotal Large C&amp;I</b>	<b>\$911.3</b>	<b>\$11,405.2</b>	<b>\$25.6</b>	<b>\$12,342.0</b>
<b>SMALL C&amp;I PROGRAMS</b>				
Small Business	\$28.5	\$2,775.5	\$50.0	\$2,854.0
<b>Subtotal C&amp;I</b>	<b>\$939.9</b>	<b>\$14,180.7</b>	<b>\$75.6</b>	<b>\$15,196.1</b>
<b>Total Res and C&amp;I Programs</b>	<b>\$1,077.3</b>	<b>\$19,471.6</b>	<b>\$510.6</b>	<b>\$21,059.5</b>
<b>OTHER DSM EXPENSE ITEMS</b>				
Company Incentive		\$678.5		\$678.5
Distribution Load Response Program	\$0.0	\$25.6	\$0.0	\$25.6
Program Design, Evaluation & Planning	\$130.0	\$246.0	\$0.0	\$376.0
<b>Subtotal Other Items</b>	<b>\$130.0</b>	<b>\$950.1</b>	<b>\$0.0</b>	<b>\$1,080.1</b>
<b>TOTAL DSM BUDGET</b>	<b>\$1,207.3</b>	<b>\$20,421.7</b>	<b>\$510.6</b>	<b>\$22,139.6</b>

1) Includes commitments for Design 2000plus and Energy Initiative of \$1,962,000 and \$3,339,500, respectively.

NARRAGANSETT ELECTRIC COMPANY  
2004 Proposed Budget Vs. 2003 True-Up Budget

	Proposed 2004 Budget (\$000)	2003 True- Up (\$000)	Difference (\$000)
<b>RESIDENTIAL PROGRAMS</b>			
<b>IN-HOME SERVICES</b>			
EnergyWise	\$1,994.8	\$2,330.0	(\$335.2)
Appliance Management Program (Low Income)	\$950.9	\$952.0	(\$1.1)
Home Energy Management	\$152.5	\$159.4	(\$6.8)
<b>ENERGY EFFICIENT PRODUCTS</b>			
Energy Star Appliances	\$442.4	\$448.6	(\$6.2)
Energy Star Heating System	\$200.4	\$258.2	(\$57.8)
Energy Star Central Air Conditioning	\$168.6	\$245.8	(\$77.2)
Energy Star Lighting	\$1,156.5	\$1,168.6	(\$12.1)
<b>INFORMATION &amp; EDUCATION</b>			
Energy Efficiency Educational Programs	\$106.8	\$106.9	(\$0.1)
<b>NEW CONSTRUCTION</b>			
Energy Star Homes	\$690.6	\$521.3	\$169.3
<b>Subtotal Residential</b>	<b>\$5,863.4</b>	<b>\$6,190.7</b>	<b>(\$327.3)</b>
<b>C&amp;I PROGRAMS</b>			
<b>LARGE C&amp;I PROGRAMS (1)</b>			
Design 2000 <i>plus</i>	\$5,163.8	\$5,501.4	(\$337.6)
Energy Initiative	\$7,178.3	\$7,564.9	(\$386.6)
<b>Subtotal Large C&amp;I</b>	<b>\$12,342.0</b>	<b>\$13,066.3</b>	<b>(\$724.2)</b>
<b>SMALL C&amp;I PROGRAMS</b>			
Small Business	\$2,854.0	\$2,699.2	\$154.9
<b>Subtotal C&amp;I</b>	<b>\$15,196.1</b>	<b>\$15,765.4</b>	<b>(\$569.3)</b>
<b>Total Residential and C&amp;I Programs</b>	<b>\$21,059.5</b>	<b>\$21,956.1</b>	<b>(\$896.6)</b>
<b>OTHER DSM EXPENSE ITEMS</b>			
Company Incentive	\$678.5	\$697.4	(\$18.9)
Distribution Load Response Program	\$25.6	\$25.9	(\$0.3)
Program Design, Evaluation & Planning	\$376.0	\$376.0	\$0.0
<b>Subtotal Other Items</b>	<b>\$1,080.1</b>	<b>\$1,099.3</b>	<b>(\$19.2)</b>
<b>TOTAL DSM BUDGET</b>	<b>\$22,139.6</b>	<b>\$23,055.4</b>	<b>(\$915.9)</b>

1) Includes commitments for Design 2000*plus* and Energy Initiative of \$1,962,000 and \$3,339,500, respectively in the proposed budget for 2004.



THE NARRAGANSETT ELECTRIC COMPANY

Re: Docket No. 3463

Settlement of the Parties

September 2003

## **ATTACHMENT 6**

**Attachment 6**  
**The Narragansett Electric Company**  
**DSM Funding Sources in 2004 by Sector**

**Projected kWh Sales:**

Residential	2,864,505,428
Small Commercial & Industrial	1,351,390,225
Large Commercial & Industrial <sup>1</sup>	<u>3,474,107,135</u>
Total	7,690,002,788

**DSM Revenue per kWh** \$0.002

**Projected DSM Revenues (\$000)**

Residential	\$5,700.0
Small Commercial & Industrial	\$2,700.0
Large Commercial & Industrial	<u>\$6,900.0</u>
Total	\$15,300.0

**Other Sources of DSM Revenues (\$000):**

Projected DSM Fund Balance Interest in 2004

Residential	\$218.5
Small Commercial & Industrial	\$103.1
Large Commercial & Industrial	<u>\$265.0</u>
Total	\$586.6

Projected Co-Payments by Customers in 2004:

Residential	\$0.0
Small Commercial & Industrial	\$528.2
Large Commercial & Industrial	<u>\$74.8</u>
Total	\$603.0

Projected DSM Commitments in 2003:

Residential	\$0.0
Small Commercial & Industrial	\$0.0
Large Commercial & Industrial	<u>\$5,650.0</u>
Total	\$5,650.0

Projected 2003 Fund Balance:

Residential	\$0.0
Small Commercial & Industrial	\$0.0
Large Commercial & Industrial	<u>\$0.0</u>
Total	\$0.0

Subtotal - Other Sources of DSM Revenues:

Residential	\$218.5
Small Commercial & Industrial	\$631.3
Large Commercial & Industrial	<u>\$5,989.8</u>
Total	\$6,839.6

**Projected Total Funding Available in 2004:**

Residential	\$5,918.5
Small Commercial & Industrial	\$3,331.3
Large Commercial & Industrial	<u>\$12,889.8</u>
Total	\$22,139.6

**Notes:**

<sup>1</sup> Includes projected kWh by large C&I customers as well as projected streetlighting sales.



THE NARRAGANSETT ELECTRIC COMPANY

Re: Docket No. 3463  
Settlement of the Parties  
September 2003

## **ATTACHMENT 7**

## 2004 Performance Metrics<sup>1</sup>

### Introduction

Starting in 2003, performance metrics were established for five initiatives offered in Rhode Island. Four of these metrics were for “market transformation” initiatives and one (Comprehensiveness in Small Business Services) was for a significant improvement in program offerings. In all cases, the metrics were designed to be straightforward measures of progress for initiatives believed worthy of a special targeted focus.

The major structure and delivery of each initiative is not changing for 2004 from the pilot metrics tracked in 2003. The Company proposes the following performance targets for each proposed 2004 metric. These proposed targets reflect current market conditions and are expected to require the Company to “stretch” in order to achieve desired results.

### **Residential Metric 1: ENERGY STAR Clothes Washers**

The metric supports the increased penetration of ENERGY STAR Clothes Washers in Rhode Island.

**The Company will achieve an ENERGY STAR qualified Clothes Washer market share for 2004 in Rhode Island that is 7 percentage points above the national average.**

Discussion: The chart below provides market share statistics for ENERGY STAR clothes washers for RI and nationally in the period 2001 through the second quarter of 2003.

ENERGY STAR CLOTHES WASHER MARKET SHARE			
Year	Quarter	RI	National
2003	2	27.14%	20.81%
2003	1	20.76%	19.63%
2002	4	20.76%	19.36%
2002	3	18.00%	18.32%
2002	2	16.85%	16.74%
2002	1	12.85%	12.18%
2001	4	16.84%	11.64%
2001	3	12.56%	12.51%
2001	2	11.49%	11.96%
2001	1	9.42%	10.37%

<sup>1</sup> Attachment 7 of the Settlement Agreement of September 12, 2003, did not contain specific numeric targets for the performance metrics. Per the Settlement Agreement, the Parties agreed to set appropriate performance targets for each of the metrics when additional information about market conditions was available to better define these targets. At the Collaborative meeting on November 6, 2003, the Parties reviewed available information and agreed to the revised metrics contained herein. The discussion sections are included to provide support to the revised metric proposals.

This table shows that the market share for qualifying clothes washers in RI in the second quarter of 2003 significantly exceeded the national market share for the first time since late 2001. For the second quarter of 2003, RI achieved a 27.14% ENERGY STAR market share compared to the national market share of 20.51%. This almost 7% differential is a key indicator of significant progress. We believe the increased sales in Rhode Island were due to Narragansett Electric's participation in the national "Double Your Savings with ENERGY STAR" promotion. Eight manufacturers provided a matching \$50 rebate to our rebate, resulting in a \$100 rebate for customers during the time period of April 15th through July 15th, 2003. This promotion was very successful in New England, but manufacturers report that they did not see significant participation in other parts of the country.

The requirements to meet ENERGY STAR standards will tighten up as of January 2004, and 20 popular models will no longer qualify as ENERGY STAR appliances. We expect a period of market adjustment in early 2004. Based on that, we suggest keying the metric to the national average as opposed to setting a goal for a specific percentage market share in the state. This would build on the progress that we have seen with RI exceeding the national average. This is a risky metric for us, since we're basing it on only one quarter of information, and we do not know whether manufacturers will offer the matching rebate again, but we think it is a good indicator of RI specific accomplishment.

The Company will need to report on metric performance in the Year End Report by May 1, 2005. Since we expect to have all data for 2004 by that time, we also think it makes sense to change the metric to include data from all of 2004, not just the first two quarters of 2004.

**Residential Metric 2: ENERGY STAR Homes**

The metric supports market transformation in the construction of new homes.

**The Company will conduct plans analyses and home ratings and sign ENERGY STAR builders agreements with 15% of the new homes built in Rhode Island in 2004.**

Discussion: The chart below provides statistics for ENERGY STAR homes for RI in 2001 through the third quarter of 2003.

Year	ENERGY STAR HOMES		
	Permits	Signed	Percent
2001	2346	156	6.6%
2002	2804	233	8.3%
2003	2249	279	12.4%

Signing up builders and home buyers to the ENERGY STAR homes program requires builders to agree to a significant change in their building practices. We expect market transformation to continue to be slow and steady. In 2003, we hoped to achieve 10% and are currently at 12.4% through nine months. Final data for 2003 will not be available until the US Census Department releases information about permits pulled in all states in early 2004.

For 2004, we recommend a goal of 15%. We suggest that 15% will be a stretch, but achievable, given the penetration seen in 2002 and thus far in 2003. This is our best estimate as of September 30th, based on our estimate of how many permits will be pulled in Rhode Island in 2004 and our count of homes that are signed up for the program.

### **C& I Metric 1: Building Operator Certification (BOC) Training**

Improving building performance represents a major opportunity to increase energy efficiency and effect peak demand reductions in the C&I sector. The BOC is a competency based training and certification program for building operators designed to improve the energy efficiency of commercial and industrial buildings. The metric tracks BOC Level 1 for building operators to develop skills to evaluate building energy use, foster better work environments, increase customer education, and support market transformation.

**The Company will enroll in 2004 an additional 25 Rhode Island facility building engineers, technicians, contractors, or operators in the NEEP- Level 1- O&M training and certification course.**

Discussion: Prior to 2003, 50 facility professionals working in Rhode Island had completed the Level 1 class. By the end of 2003, 25 additional facility professionals from Rhode Island will have been trained at Level 1, with 23 attending a Rhode Island based class and two attending in Massachusetts.

Facility professionals who participate in the Level 1 training make a commitment to participate in training given in 8 full day sessions over a 7 month period, a significant commitment for a business to make during this current economic climate where staffing levels have been reduced. The Company expects that it will be challenging to increase the numbers of professional building operators who attend these classes beyond the level of participation achieved in 2003.

### **C&I Metric 2: High Performance Schools**

Schools present unique opportunities to not only adopt energy efficiency but to enhance student learning through better classroom design. This metric provides technical and

financial support from the very beginning of school construction projects, emphasizes thermal, acoustic, and visual comfort, especially in lighting design, and helps cities and towns construct new schools that are high quality, environmentally sensitive, and cost less to operate.

**The Company will contract with three new school projects through Design 2000*plus* to provide full incremental cost for high performance design and construction practices with a special focus on high quality energy efficient lighting.**

Discussion: We have recently obtained the annual “Approval of Necessity of School Construction” funding approval letters from the Department of Education for the years 1998 through 2003. The annual letters give the names of the towns and generally what is being funded. On average, funding has been approved for approximately 15 projects per year. Some of this funding 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.

The Company provides incentives for energy efficiency school construction through the Design 2000*plus* program (as well as retrofits under Energy Initiative). A total of 35 school construction projects have been funded through the Design 2000*plus* program since the beginning of the Schools Initiative: six projects were funded in 2001, 13 in 2002 and 16 thus far in 2003. These may have been full or partial facility construction, renovations, or equipment replacement at the end of its useful life. Of the 35 projects, 9 have participated in the Schools Initiative: one contract was completed in 2001, 6 in 2002 and 1 in 2003 with one additional one anticipated by the end of 2003.

The Company’s proposal of three completed contracts will be a challenge when considering the small number of new schools built each year, the long project development schedules, and the current economic climate, particularly for municipalities. For 2004, the Company will work with the Rhode Island Department of Elementary and Secondary Education to help identify additional participants.

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

While the potential for significant energy savings in small businesses rests on improving lighting energy use, this metric encourages the Company to add other electrical efficiency opportunities including-- but not limited to-- HVAC tune-ups and other non-prescriptive measures to the Small Business Services program. In combination, these improvements to program design support more comprehensiveness in customers’ facilities and expand the depth and appeal of the program.

**The Company will achieve 14% comprehensiveness in Small Business Services in 2004. The percentage will be calculated as the number of non prescriptive lighting, HVAC tune-ups or other custom energy efficiency measures (excluding custom**

**walk-in cooler measures) divided by the total number of participant locations (excluding walk-in cooler only participants) in 2004. The recommended performance target for this metric is predicated on an assumption that the current evaluation effort underway to assess savings from HVAC tune-ups will demonstrate that this measure is cost-effective. If evaluation findings indicate that this measure is not cost-effective, the Company proposes to work with the Collaborative to modify the target for this metric and will include the modified target in its True-Up Filing in May 2004.**

Discussion: Through October 2003, the Company has substantially completed 92 comprehensive small business installations. These include six custom small business installations (one project is complete with custom treatment; another site consisting of two measures is in progress; and three more are awaiting approval) and 86 HVAC tune-ups. However, the Company has yet to determine if the HVAC tune-ups are cost effective. Samples of projects are being evaluated and findings from this effort are expected before year-end.

The 92 comprehensive small business installations substantially completed through October 2003 is also the total the company expects to fully complete by year end 2003: no additional installations will be made in the tune-up pilot and the custom projects will be fully completed. This is 13% of the total of 689 small business participant locations expected to be served in Rhode Island in 2003. Walk-in cooler have been excluded from this calculation (and the metric) because they are delivered by a different vendor from the rest of the services and because comprehensive measures are just beginning to be offered for the small business refrigeration end use.

Our proposal is to target 14% in 2004, slightly higher than the level expected for 2003. We believe that it will be a challenge to maintain penetration in 2004 as tune-up services are moved from a pilot to being integrated into the program. This is because selected customers were target-marketed for the tune-up pilot in 2003 based on prior SBS participation and high summer demand. We believe that this created a highly receptive market for 2003 and may have boosted the comprehensiveness penetration for this year over what might be achieved without special marketing.



THE NARRAGANSETT ELECTRIC COMPANY

Re: Docket No. 3463  
Settlement of the Parties  
September 2003

## **ATTACHMENT 8**

**NARRAGANSETT ELECTRIC COMPANY**  
**Derivation of 2004 Spending Budget for Shareholder Incentive Calculation**

	(1) PROPOSED BUDGET (\$000)	(2) COMMITMENTS AND COPAYS (\$000)	(3) EXCLUDED PROGRAMS (\$000)	(4) ALLOCATED OTHER EXPENSES (\$000)	(5) ELIGIBLE SECTOR SPENDING BUDGET (\$000)
<b>RESIDENTIAL PROGRAMS</b>					
<b>IN-HOME SERVICES</b>					
EnergyWise	\$1,994.8				
Appliance Management Program (Low Income)	\$950.9				
Home Energy Management	\$152.5		\$152.5		
<b>ENERGY EFFICIENT PRODUCTS</b>					
Energy Star Appliances	\$442.4				
Energy Star Heating System	\$200.4				
Energy Star Central Air Conditioning	\$168.6				
Energy Star Lighting	\$1,156.5				
<b>INFORMATION &amp; EDUCATION</b>					
Energy Efficiency Educational Programs	\$106.8				
<b>NEW CONSTRUCTION</b>					
Energy Star Homes	\$690.6				
<b>Subtotal Residential</b>	<b>\$5,863.4</b>		<b>\$152.5</b>	<b>\$106.2</b>	<b>\$5,817.0</b>
<b>C&amp;I PROGRAMS</b>					
<b>LARGE C&amp;I PROGRAMS (6)</b>					
Design 2000plus	\$5,163.8				
Energy Initiative	\$7,178.3				
<b>Subtotal Large C&amp;I</b>	<b>\$12,342.0</b>	<b>\$5,376.3</b>		<b>\$268.5</b>	<b>\$7,234.2</b>
<b>SMALL C&amp;I PROGRAMS</b>					
Small Business	\$2,854.0	\$528.2		\$26.9	\$2,352.7
<b>Subtotal C&amp;I</b>	<b>\$15,196.1</b>	<b>\$5,904.5</b>	<b>\$0.0</b>		
<b>Total Res and C&amp;I Programs</b>	<b>\$21,059.5</b>	<b>\$5,904.5</b>	<b>\$152.5</b>		
<b>OTHER DSM EXPENSE ITEMS</b>					
Company Incentive	\$678.5		\$678.5		
Information Systems Upgrade	\$0.0				
Distribution Load Response Program	\$25.6			(\$25.6)	
Program Design, Evaluation & Planning	\$376.0			(\$376.0)	
<b>Subtotal Other Items</b>	<b>\$1,080.1</b>		<b>\$678.5</b>	<b>(\$401.6)</b>	
<b>TOTAL DSM BUDGET</b>	<b>\$22,139.6</b>	<b>\$5,904.5</b>	<b>\$1,509.5</b>	<b>\$0.0</b>	<b>\$15,404.0</b>

**Notes:**

- (1) Proposed 2004 budget.
- (2) Includes Small Business Services Copays, T/A Copays, and Large C&I Commitments.
- (3) Includes the Home Energy Management Program (HEM) and the target shareholder incentive.
- (4) The evaluation budget has been allocated to each sector. The Distribution Load Response Program has been allocated to the Large C&I Sector.
- (5) Equal to column (1) - column (2) - column (3) + column (4).
- (6) Includes commitments for Design 2000plus and Energy Initiative of \$1,962,000 and \$3,339,500, respectively.

**THE NARRAGANSETT ELECTRIC COMPANY**  
**Target 2004 Shareholder Incentive**

Incentive Rate: 4.40%

	(1) Spending Budget	(2) Target Incentive	(3) Target Incentive for Performance Metrics	(4) Target Incentive - Annual kWh Savings	(5) Annual kWh Savings Goal	(6) Threshold kWh Savings	(7) Above Threshold kWh	(8) Incentive Per Above Threshold kWh
Residential	\$5,817,034		\$30,000	\$227,910	12,001,010	5,400,454	6,600,555	\$0.035
Small Commercial & Industrial	\$2,352,743		\$15,000	\$92,180	4,597,659	2,068,947	2,528,712	\$0.036
Large Commercial & Industrial	\$7,234,235		\$30,000	\$283,436	24,343,975	10,954,789	13,389,186	\$0.021
Total	\$15,404,012	\$678,526	\$75,000	\$603,526	40,942,644	18,424,190	22,518,454	

Notes:

- (1) Sector budget net of projected commitments, copays, and the HEM budget.
- (2) 4.40% of the spending budget.
- (3) \$15,000 per proposed performance metric.
- (4) Column (2) - Column (3) allocated to each sector based on the sector spending budget.
- (5) Goal for annual kWh savings by sector.
- (6) 45% of Column (5).
- (7) Column (5) - Column (6),
- (8) Column (4)/Column (7).



THE NARRAGANSETT ELECTRIC COMPANY

Re: Docket No. 3463  
Settlement of the Parties  
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## **ATTACHMENT 9**

**\$/kW and \$/kWh Values Used in Calculation of Program Benefits:  
The Narragansett Electric Company 2004 DSM Programs**

**Commercial/Industrial Programs (\$2004)**

Year	Winter Peak Energy \$/kWh	Winter Off-Peak Energy \$/kWh	Summer Peak Energy \$/kWh	Summer Off-Peak Energy \$/kWh	Summer Generation Capacity \$/kW	Winter Generation Capacity \$/kW	Transmission Capacity \$/kW	Distribution Capacity \$/kW
2004	0.0512	0.0402	0.0507	0.0381	33.91	0.15	37.41	63.50
2005	0.0475	0.0380	0.0481	0.0360	36.64	0.17	37.41	63.50
2006	0.0438	0.0358	0.0454	0.0338	39.37	0.18	37.41	63.50
2007	0.0430	0.0347	0.0457	0.0336	39.61	0.18	37.41	63.50
2008	0.0423	0.0337	0.0459	0.0333	39.86	0.18	37.41	63.50
2009	0.0419	0.0332	0.0456	0.0329	43.43	0.20	37.41	63.50
2010	0.0415	0.0327	0.0452	0.0325	47.32	0.21	37.41	63.50
2011	0.0412	0.0322	0.0449	0.0321	51.56	0.23	37.41	63.50
2012	0.0408	0.0317	0.0445	0.0317	56.18	0.25	37.41	63.50
2013	0.0405	0.0312	0.0442	0.0313	61.21	0.28	37.41	63.50
2014	0.0407	0.0314	0.0445	0.0315	62.08	0.28	37.41	63.50
2015	0.0410	0.0316	0.0449	0.0316	62.95	0.29	37.41	63.50
2016	0.0413	0.0318	0.0452	0.0318	63.84	0.29	37.41	63.50
2017	0.0415	0.0320	0.0455	0.0320	64.73	0.29	37.41	63.50
2018	0.0418	0.0323	0.0459	0.0321	65.65	0.30	37.41	63.50
2019	0.0418	0.0323	0.0461	0.0322	64.85	0.29	37.41	63.50
2020	0.0418	0.0323	0.0463	0.0322	64.07	0.29	37.41	63.50
2021	0.0418	0.0323	0.0466	0.0323	63.30	0.29	37.41	63.50
2022	0.0418	0.0323	0.0468	0.0323	62.54	0.28	37.41	63.50
2023	0.0419	0.0323	0.0470	0.0324	61.78	0.28	37.41	63.50
2024	0.0419	0.0323	0.0473	0.0324	61.04	0.28	37.41	63.50
2025	0.0419	0.0323	0.0475	0.0325	60.30	0.27	37.41	63.50
2026	0.0422	0.0325	0.0478	0.0326	60.78	0.28	37.41	63.50
2027	0.0425	0.0327	0.0481	0.0328	61.26	0.28	37.41	63.50
2028	0.0428	0.0329	0.0483	0.0330	61.75	0.28	37.41	63.50
2029	0.0431	0.0331	0.0486	0.0331	62.24	0.28	37.41	63.50
2030	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2031	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2032	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2033	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2034	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2035	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2036	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2037	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2038	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2039	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2040	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2041	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2042	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2043	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2044	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2045	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2046	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2047	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2048	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2049	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2050	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2051	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2052	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50
2053	0.0434	0.0333	0.0489	0.0333	62.73	0.28	37.41	63.50

To calculate the NPV use a real discount rate of 2.4%.

S/kW and \$/kWh Values Used in Calculation of Program Benefits:  
The Narragansett Electric Company 2004 DSM Programs

Residential Programs (\$2004)

Year	Winter Peak Energy \$/kWh	Winter Off-Peak Energy \$/kWh	Summer Peak Energy \$/kWh	Summer Off-Peak Energy \$/kWh	Summer Generation Capacity \$/kW	Winter Generation Capacity \$/kW	Transmission Capacity \$/kW	Distribution Capacity \$/kW
2004	0.0518	0.0406	0.0513	0.0385	34.44	0.16	37.41	92.55
2005	0.0480	0.0384	0.0486	0.0363	37.21	0.17	37.41	92.55
2006	0.0443	0.0362	0.0459	0.0341	39.99	0.18	37.41	92.55
2007	0.0435	0.0351	0.0462	0.0339	40.24	0.18	37.41	92.55
2008	0.0427	0.0340	0.0464	0.0336	40.48	0.18	37.41	92.55
2009	0.0424	0.0335	0.0461	0.0332	44.11	0.20	37.41	92.55
2010	0.0420	0.0330	0.0457	0.0328	48.06	0.22	37.41	92.55
2011	0.0417	0.0325	0.0454	0.0324	52.37	0.24	37.41	92.55
2012	0.0413	0.0320	0.0450	0.0320	57.06	0.26	37.41	92.55
2013	0.0410	0.0315	0.0447	0.0316	62.18	0.28	37.41	92.55
2014	0.0412	0.0317	0.0450	0.0318	63.05	0.28	37.41	92.55
2015	0.0415	0.0319	0.0454	0.0319	63.94	0.29	37.41	92.55
2016	0.0417	0.0322	0.0457	0.0321	64.84	0.29	37.41	92.55
2017	0.0420	0.0324	0.0460	0.0323	65.75	0.30	37.41	92.55
2018	0.0422	0.0326	0.0464	0.0324	66.68	0.30	37.41	92.55
2019	0.0423	0.0326	0.0466	0.0325	65.87	0.30	37.41	92.55
2020	0.0423	0.0326	0.0469	0.0325	65.08	0.29	37.41	92.55
2021	0.0423	0.0326	0.0471	0.0326	64.29	0.29	37.41	92.55
2022	0.0423	0.0326	0.0473	0.0326	63.52	0.29	37.41	92.55
2023	0.0423	0.0326	0.0476	0.0327	62.75	0.28	37.41	92.55
2024	0.0423	0.0326	0.0478	0.0327	62.00	0.28	37.41	92.55
2025	0.0424	0.0326	0.0481	0.0328	61.25	0.28	37.41	92.55
2026	0.0427	0.0328	0.0483	0.0330	61.73	0.28	37.41	92.55
2027	0.0430	0.0330	0.0486	0.0331	62.22	0.28	37.41	92.55
2028	0.0433	0.0332	0.0489	0.0333	62.72	0.28	37.41	92.55
2029	0.0436	0.0334	0.0492	0.0335	63.21	0.29	37.41	92.55
2030	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2031	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2032	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2033	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2034	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2035	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2036	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2037	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2038	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2039	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2040	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2041	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2042	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2043	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2044	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2045	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2046	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2047	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2048	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2049	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2050	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2051	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2052	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55
2053	0.0439	0.0336	0.0495	0.0336	63.72	0.29	37.41	92.55

To calculate the NPV use a real discount rate of 2.4%.

The Narragansett Electric Company  
Non-Electric Resource Values for 2004 Residential Programs (\$2004)

Year	Residential Distillate Oil \$/MMBtu	Natural Gas Base \$/MMBtu	Natural Gas Old Bldg Heat \$/MMBtu	Natural Gas New Bldg Heat \$/MMBtu	Natural Gas DHW \$/MMBtu	Water \$/Gallon	Clothes Washer Detergent \$/Washer
2004	\$9.22	\$6.43	\$7.67	\$7.67	\$9.22	\$0.0038	\$18.00
2005	\$8.30	\$5.95	\$7.19	\$7.19	\$8.73	\$0.0038	\$18.00
2006	\$7.62	\$5.39	\$6.63	\$6.63	\$8.18	\$0.0038	\$18.00
2007	\$7.32	\$5.20	\$6.44	\$6.44	\$7.99	\$0.0038	\$18.00
2008	\$7.25	\$5.05	\$6.29	\$6.29	\$7.83	\$0.0038	\$18.00
2009	\$7.19	\$4.86	\$6.10	\$6.10	\$7.65	\$0.0038	\$18.00
2010	\$7.14	\$5.04	\$6.27	\$6.27	\$7.82	\$0.0038	\$18.00
2011	\$7.18	\$4.46	\$5.69	\$5.69	\$7.24	\$0.0038	\$18.00
2012	\$7.19	\$4.53	\$5.76	\$5.76	\$7.31	\$0.0038	\$18.00
2013	\$7.25	\$4.63	\$5.87	\$5.87	\$7.42	\$0.0038	\$18.00
2014	\$7.30	\$4.75	\$5.99	\$5.99	\$7.54	\$0.0038	\$18.00
2015	\$7.34	\$4.68	\$5.92	\$5.92	\$7.47	\$0.0038	\$18.00
2016	\$7.35	\$4.85	\$6.08	\$6.08	\$7.63	\$0.0038	\$18.00
2017	\$7.39	\$4.86	\$6.10	\$6.10	\$7.65	\$0.0038	\$18.00
2018	\$7.41	\$5.02	\$6.26	\$6.26	\$7.81	\$0.0038	\$18.00
2019	\$7.44	\$4.97	\$6.20	\$6.20	\$7.75	\$0.0038	\$18.00
2020	\$7.46	\$4.84	\$6.07	\$6.07	\$7.62	\$0.0038	\$18.00
2021	\$7.46	\$4.78	\$6.01	\$6.01	\$7.56	\$0.0038	\$18.00
2022	\$7.46	\$4.79	\$6.02	\$6.02	\$7.57	\$0.0038	\$18.00
2023	\$7.46	\$5.02	\$6.26	\$6.26	\$7.81	\$0.0038	\$18.00
2024	\$7.46	\$5.42	\$6.65	\$6.65	\$8.20	\$0.0038	\$18.00
2025	\$7.46	\$5.43	\$6.66	\$6.66	\$8.21	\$0.0038	\$18.00
2026	\$7.46	\$5.43	\$6.66	\$6.66	\$8.21	\$0.0038	\$18.00
2027	\$7.46	\$5.43	\$6.66	\$6.66	\$8.21	\$0.0038	\$18.00
2028	\$7.46	\$5.43	\$6.66	\$6.66	\$8.21	\$0.0038	\$18.00
2029	\$7.46	\$5.43	\$6.66	\$6.66	\$8.21	\$0.0038	\$18.00
2030	\$7.46	\$5.43	\$6.66	\$6.66	\$8.21	\$0.0038	\$18.00
2031	\$7.46	\$5.43	\$6.66	\$6.66	\$8.21	\$0.0038	\$18.00
2032	\$7.46	\$5.43	\$6.66	\$6.66	\$8.21	\$0.0038	\$18.00
2033	\$7.46	\$5.43	\$6.66	\$6.66	\$8.21	\$0.0038	\$18.00
2034	\$7.46	\$5.43	\$6.66	\$6.66	\$8.21	\$0.0038	\$18.00
2035	\$7.46	\$5.43	\$6.66	\$6.66	\$8.21	\$0.0038	\$18.00
2036	\$7.46	\$5.43	\$6.66	\$6.66	\$8.21	\$0.0038	\$18.00
2037	\$7.46	\$5.43	\$6.66	\$6.66	\$8.21	\$0.0038	\$18.00
2038	\$7.46	\$5.43	\$6.66	\$7.66	\$9.21	\$0.0038	\$18.00
2039	\$7.46	\$5.43	\$6.66	\$8.66	\$10.21	\$0.0038	\$18.00
2040	\$7.46	\$5.43	\$6.66	\$9.66	\$11.21	\$0.0038	\$18.00
2041	\$7.46	\$5.43	\$6.66	\$10.66	\$12.21	\$0.0038	\$18.00
2042	\$7.46	\$5.43	\$6.66	\$11.66	\$13.21	\$0.0038	\$18.00
2043	\$7.46	\$5.43	\$6.66	\$12.66	\$14.21	\$0.0038	\$18.00
2044	\$7.46	\$5.43	\$6.66	\$13.66	\$15.21	\$0.0038	\$18.00
2045	\$7.46	\$5.43	\$6.66	\$14.66	\$16.21	\$0.0038	\$18.00
2046	\$7.46	\$5.43	\$6.66	\$15.66	\$17.21	\$0.0038	\$18.00
2047	\$7.46	\$5.43	\$6.66	\$16.66	\$18.21	\$0.0038	\$18.00
2048	\$7.46	\$5.43	\$6.66	\$17.66	\$19.21	\$0.0038	\$18.00
2049	\$7.46	\$5.43	\$6.66	\$18.66	\$20.21	\$0.0038	\$18.00
2050	\$7.46	\$5.43	\$6.66	\$19.66	\$21.21	\$0.0038	\$18.00
2051	\$7.46	\$5.43	\$6.66	\$20.66	\$22.21	\$0.0038	\$18.00
2052	\$7.46	\$5.43	\$6.66	\$21.66	\$23.21	\$0.0038	\$18.00
2053	\$7.46	\$5.43	\$6.66	\$22.66	\$24.21	\$0.0038	\$18.00

To calculate the NPV use a real discount rate of 2.4%.



THE NARRAGANSETT ELECTRIC COMPANY

Re: Docket No. 3463

Settlement of the Parties

September 2003

## **ATTACHMENT 10**

Calculation of 2004 Program Year Cost-Effectiveness and Goals

2004 RHODE ISLAND BENEFIT COST TEST  
Summary of Benefit, Expenses, Evaluation Costs (\$000)  
The Narragansett Electric Company

	Rhode Island Benefit/ Cost (2)	Total Benefit	Program Implementation Expenses	Evaluation Cost	Shareholder Incentive (3)
<b>Large Commercial &amp; Industrial</b>					
Design 2000plus	2.42	\$7,992.6	\$3,201.4	\$106.6	NA
Energy Initiative	3.37	13,121.6	3,838.5	60.2	NA
<b>SUBTOTAL</b>	<b>2.81</b>	<b>\$21,114.2</b>	<b>\$7,039.9</b>	<b>\$166.8</b>	<b>\$313.4</b>

**Small Commercial & Industrial**

Small Business (1)	1.63	\$3,735.6	\$2,266.8	\$26.9	NA
<b>SUBTOTAL</b>	<b>1.56</b>	<b>\$3,735.6</b>	<b>\$2,266.8</b>	<b>\$26.9</b>	<b>\$107.2</b>

**Residential Programs**

<b>IN-HOME SERVICES</b>	<b>1.04</b>	<b>\$3,236.6</b>	<b>\$3,097.5</b>	<b>\$8.3</b>	<b>NA</b>
Appliance Management Program	1.00	954.1	950.6	8.3	NA
EnergyWise Program	1.01	2,010.4	1,994.4	0.0	NA
HEM	1.78	272.0	152.5	0.0	NA
<b>PRODUCTS &amp; SERVICES</b>	<b>3.02</b>	<b>6,077.7</b>	<b>1,967.3</b>	<b>47.1</b>	<b>NA</b>
Energy Star Appliances	3.44	1,556.0	442.2	9.7	NA
Residential Lighting	3.34	3,891.1	1,156.2	9.7	NA
Energy Star Heating System	2.59	519.6	200.3	0.0	NA
Energy Star Central Air Conditioning	0.57	111.0	168.6	27.7	NA
<b>NEW CONSTRUCTION (Energy Star Homes)</b>	<b>1.01</b>	<b>700.5</b>	<b>690.3</b>	<b>0.0</b>	<b>NA</b>
<b>SUBTOTAL</b>	<b>1.65</b>	<b>\$10,014.8</b>	<b>\$5,755.1</b>	<b>\$55.4</b>	<b>\$257.9</b>

**Other**

Energy Efficiency Educational Programs	NA	NA	\$106.8	NA	NA
Distribution Load Response	NA	NA	25.6	NA	NA
Other Program Design, Evaluation and Planning	NA	NA	NA	126.9	NA
<b>SUBTOTAL</b>	<b>NA</b>	<b>NA</b>	<b>\$132.4</b>	<b>\$126.9</b>	<b>NA</b>
<b>TOTAL</b>	<b>2.15</b>	<b>\$34,864.6</b>	<b>\$15,194.2</b>	<b>\$376.0</b>	<b>\$678.5</b>

Notes:

- 1) Small Business program expenses are net of the projected customer co-pay for 2004 installations (\$587,236).
- 2) RI B/C Test = (Energy + Capacity + Participant Resource Benefits) / (Program Implementation + Evaluation Costs + Shareholder Incentive)
- 3) See Attachment 8.



**THE NARRAGANSETT ELECTRIC COMPANY**  
**R.I.P.U.C Docket No. 3463**  
**Attachment 10**  
**Page 3 of 3**

**Calculation of 2004 Program Year Cost-  
 Effectiveness and Goals**

<u>Program</u>	<u>Annual Energy Savings (MWh)</u>
<b>Large Commercial &amp; Industrial</b>	
Design 2000 <i>plus</i>	9,518
Energy Initiative	<u>14,826</u>
<b>SUBTOTAL</b>	<b>24,344</b>
<b>Small Commercial &amp; Industrial</b>	
Small Business(1)	<u>4,598</u>
<b>SUBTOTAL</b>	<b>4,598</b>
<b>Residential Programs</b>	
<b><i>IN-HOME SERVICES</i></b>	
Appliance Management Program	787
Energy <i>Wise</i> Program	2,706
HEM	0
<b><i>PRODUCTS &amp; SERVICES</i></b>	
Energy Star Appliances	517
Residential Lighting	7,864
Energy Star Heating System	12
Energy Star Central Air Conditioning	30
<b><i>NEW CONSTRUCTION (Energy Star Homes)</i></b>	<u><b>85</b></u>
<b>SUBTOTAL</b>	<b>12,001</b>
<b>TOTAL</b>	<b>40,943</b>