Narragansett Electric
A National Grid Company

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

R:\LEGAL\101 Legal Files\Legal Dept. Files\3463 Collaborative\3463 (2003) Collaborative\2004 Settlement\letter Sept 12, 03 settlement.doc

280 Melrose Street
P.O. Box 1438
Providence, RI 02901-1438
401-784-7644 Fax: 401-784-4321
terry.schwennesen@ngrid.com

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

SETTLEMENT OF THE PARTIES

September 12, 2003

TABLE OF CONTENTS

ATTACHMENTS

1. Residential Program Descriptions
2. Small Business Services Program Description
3. Large Business Services Programs Descriptions
4. Preliminary Summary of Proposed Changes to the Large Business Services Programs
5. Proposed 2004 DSM Budget and Comparison of Proposed 2004 Budget to 2003 True-Up Budget
6. Sources of Funding
7. Proposed Performance-Based Metrics
8. The Spending Budget and Target 2004 Shareholder Incentive
9. Summary of Updated Avoided Costs
10. Benefit/Cost Analysis and Goals

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[1] concerning the Company's Demand-Side Management ("DSM") Program for the year 2004.[2]

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

[1] 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.

[2] 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[3]. 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

---

[3] 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[4]. 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.

[4] 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 kilowatthour 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[5], 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

[5] 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

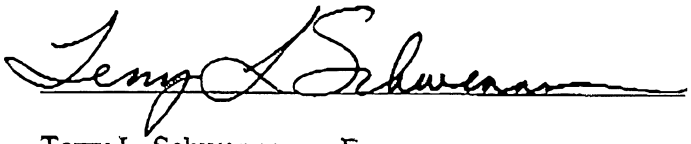
transfer, only Division approval of a proposal is required. In the event that the Parties do not reach a unanimous decision on a matter requiring Division approval, and the Division approves a Company proposal that TEC-RI does not support, TEC-RI shall have the right to appeal the Division's approval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

William K. Lueker, Special Assistant Attorney General

DIVISION OF PUBLIC UTILITIES AND CARRIERS

William K. Lueker 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

_____

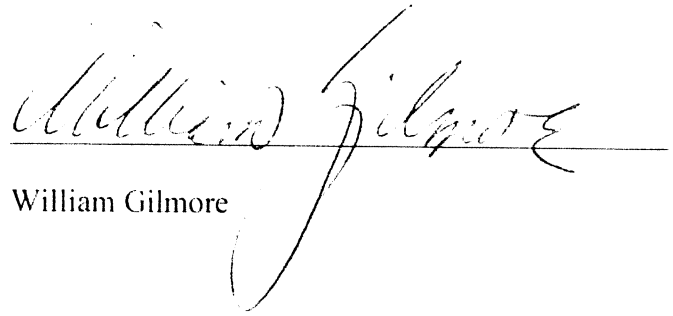
William Gilmore

THE STATE ENERGY OFFICE

_____

Janice McClanaghan

THE ENERGY COUNCIL OF RHODE ISLAND



William Gilmore

THE STATE ENERGY OFFICE

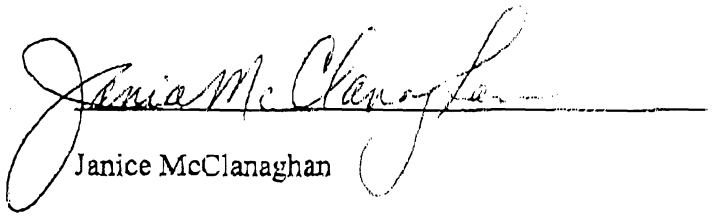
Janice McClanaghan

THE ENERGY COUNCIL OF RHODE ISLAND

_____

William Gilmore

THE STATE ENERGY OFFICE



Janice McClanaghan

THE COALITION FOR CONSUMER JUSTICE

Arline Bolvin

Arline Bolvin

Post-It™ brand fax transmittal memo 7671 | # of pages ▸ 1

To Carol White	From Arline Bolvin
Co. N. Electric	Co. C.C.J.
Dept.	Phone #
Fax # 508 421-7245	Fax # 401-365-6341

Attachment 1

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 Energy*Wise* 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 Energy*Wise* program in 2004.

Low Income customers living in 1-4 unit buildings will be served by the Appliance Management program, described next. The Energy*Wise* 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)[1] 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

[1] 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.

Attachment 2

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.

Attachment 3

ATTACHMENT 3

Large Business Services Program Descriptions

1. Design 2000*plus*

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_2 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 mangers. 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.

Attachment 4

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	1. Reduce incentives Metal Halide track lighting Code 70 (EI and D2) 2. Tighten eligibility for HIF Code 56 and 57 in response to new, low end, products (EI and D2) 3. Provide incentive for inductive lighting (EI and D2)
Compressed Air	1. Reduce incentives for 50 to 75 Hp. Load/ No load compressors (EI and D2). 2. Reduce incentives for additional storage (EI and D2)
HVAC Chillers (D2)	1. Research the market for available prescriptive air cooled chillers and reevaluate eligibility criteria. . 2. Relax requirements for chiller incentives to better align with the IECC Code requirements.
HVAC EMS (EI)	1. Reintroduce hotel occupancy sensors for HVAC.
Motors	Same.
Variable Speed Drives	Same
Cool Choice	Same
Custom	1. Integrate Advanced Building Design Guidelines into current programs to encourage more comprehensive treatment for medium size new construction buildings. 2. Refine baseline document to reflect current standards and better practices in C&I buildings 3. Refine eligibility requirements for HVAC and process controls.

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.

Attachment 5

ATTACHMENT 5

NARRAGANSETT ELECTRIC COMPANY
2004 Proposed Budget

	PAYROLL ($000)	EXPENSE ($000)	ADVERTISING ($000)	TOTAL ($000)
RESIDENTIAL PROGRAMS				
IN-HOME SERVICES				
Energy*Wise*	$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
ENERGY EFFICIENT PRODUCTS				
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
INFORMATION & EDUCATION				
Energy Efficiency Educational Programs	$6.9	$99.9	$0.0	$106.8
NEW CONSTRUCTION				
Energy Star Homes	$21.1	$644.5	$25.0	$690.6
Subtotal Residential	**$137.5**	**$5,290.9**	**$435.0**	**$5,863.4**
C&I PROGRAMS				
LARGE C&I PROGRAMS (1)				
Design 2000*plus*	$456.6	$4,691.1	$16.1	$5,163.8
Energy Initiative	$454.7	$6,714.1	$9.5	$7,178.3
Subtotal Large C&I	**$911.3**	**$11,405.2**	**$25.6**	**$12,342.0**
SMALL C&I PROGRAMS				
Small Business	$28.5	$2,775.5	$50.0	$2,854.0
Subtotal C&I	**$939.9**	**$14,180.7**	**$75.6**	**$15,196.1**
Total Res and C&I Programs	**$1,077.3**	**$19,471.6**	**$510.6**	**$21,059.5**
OTHER DSM EXPENSE ITEMS				
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
Subtotal Other Items	**$130.0**	**$950.1**	**$0.0**	**$1,080.1**
TOTAL DSM BUDGET	**$1,207.3**	**$20,421.7**	**$510.6**	**$22,139.6**

1) Includes commitments for Design 2000*plus* 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)
RESIDENTIAL PROGRAMS			
IN-HOME SERVICES			
Energy*Wise*	$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)
ENERGY EFFICIENT PRODUCTS			
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)
INFORMATION & EDUCATION			
Energy Efficiency Educational Programs	$106.8	$106.9	($0.1)
NEW CONSTRUCTION			
Energy Star Homes	$690.6	$521.3	$169.3
Subtotal Residential	**$5,863.4**	**$6,190.7**	**($327.3)**
C&I PROGRAMS			
LARGE C&I PROGRAMS (1)			
Design 2000*plus*	$5,163.8	$5,501.4	($337.6)
Energy Initiative	$7,178.3	$7,564.9	($386.6)
Subtotal Large C&I	**$12,342.0**	**$13,066.3**	($724.2)
SMALL C&I PROGRAMS			
Small Business	$2,854.0	$2,699.2	$154.9
Subtotal C&I	**$15,196.1**	**$15,765.4**	**($569.3)**
Total Residential and C&I Programs	**$21,059.5**	**$21,956.1**	**($896.6)**
OTHER DSM EXPENSE ITEMS			
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
Subtotal Other Items	**$1,080.1**	**$1,099.3**	**($19.2)**
TOTAL DSM BUDGET	**$22,139.6**	**$23,055.4**	**($915.9)**

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.

Attachment 6

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[1]	3,474,107,135
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	$6,900.0
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	$265.0
Total	$586.6
Projected Co-Payments by Customers in 2004:	
Residential	$0.0
Small Commercial & Industrial	$528.2
Large Commercial & Industrial	$74.8
Total	$603.0
Projected DSM Commitments in 2003:	
Residential	$0.0
Small Commercial & Industrial	$0.0
Large Commercial & Industrial	$5,650.0
Total	$5,650.0
Projected 2003 Fund Balance:	
Residential	$0.0
Small Commercial & Industrial	$0.0
Large Commercial & Industrial	$0.0
Total	$0.0
Subtotal - Other Sources of DSM Revenues:	
Residential	$218.5
Small Commercial & Industrial	$631.3
Large Commercial & Industrial	$5,989.8
Total	$6,839.6
Projected Total Funding Available in 2004:	
Residential	$5,918.5
Small Commercial & Industrial	$3,331.3
Large Commercial & Industrial	$12,889.8
Total	$22,139.6

Notes:
[1] Includes projected kWh by large C&I customers as well as projected streetlighting sales.

Attachment 7

ATTACHMENT 7

2004 Performance Metrics[1]

Residential Metric 1: ENERGY STAR Clothes Washers

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

Achieve an xx% market share for ENERGY STAR qualified clothes washers in Rhode Island for the first two quarters of 2004.

Residential Metric 2: ENERGY STAR Homes

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

Conduct plans analyses and home ratings, and sign ENERGY STAR builders agreements with xx% of the new homes built in Rhode Island.

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.

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.

[1] The Parties have agreed to set appropriate performance targets for each of the metrics described in this Attachment 7 later in the year when additional information about market conditions is available to better define these targets. Setting these performance targets at a later date will have no impact on the target shareholder incentive amounts otherwise set forth in this Settlement. The Parties expect to provide the Commission with an update to this Attachment 7 prior to the hearing about this Settlement, currently scheduled to take place on November 21, 2003. If the Parties are unable to reach an agreement about these performance targets, the Company reserves its right to file recommended targets with the Commission prior to the November 21 hearing for Commission approval.

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.

Company will contract with xx 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.

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 adds 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.

Implement xx comprehensive energy efficiency measures, to include non prescriptive lighting, HVAC tune-ups (assuming tune ups prove to be cost effective) or other custom ECMs in Small Business installations targeted for 2004.

Attachment 8

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)
RESIDENTIAL PROGRAMS					
IN-HOME SERVICES					
Energy*Wise*	$1,994.8				
Appliance Management Program (Low Income)	$950.9				
Home Energy Management	$152.5		$152.5		
ENERGY EFFICIENT PRODUCTS					
Energy Star Appliances	$442.4				
Energy Star Heating System	$200.4				
Energy Star Central Air Conditioning	$168.6				
Energy Star Lighting	$1,156.5				
INFORMATION & EDUCATION					
Energy Efficiency Educational Programs	$106.8				
NEW CONSTRUCTION					
Energy Star Homes	$690.6				
Subtotal Residential	**$5,863.4**		**$152.5**	**$106.2**	**$5,817.0**
C&I PROGRAMS					
LARGE C&I PROGRAMS (6)					
Design 2000*plus*	$5,163.8				
Energy Initiative	$7,178.3				
Subtotal Large C&I	**$12,342.0**	**$5,376.3**		**$268.5**	**$7,234.2**
SMALL C&I PROGRAMS					
Small Business	**$2,854.0**	**$528.2**		**$26.9**	**$2,352.7**
Subtotal C&I	**$15,196.1**	**$5,904.5**	**$0.0**		
Total Res and C&I Programs	**$21,059.5**	**$5,904.5**	**$152.5**		
OTHER DSM EXPENSE ITEMS					
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)	
Subtotal Other Items	**$1,080.1**		**$678.5**	**($401.6)**	
TOTAL DSM BUDGET	**$22,139.6**	**$5,904.5**	**$1,509.5**	**$0.0**	**$15,404.0**

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 2000*plus* and Energy Initiative of $1,962,000 and $3,339,500, respectively.

THE NARRAGANSETT ELECTRIC COMPANY

Target 2004 Shareholder Incentive

Incentive Rate: 4.40%

Sector	(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).

Attachment 9

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%.

$/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)
Large Commercial & Industrial					
Design 2000*plus*	2.42	$7,992.6	$3,201.4	$106.6	NA
Energy Initiative	3.37	13,121.6	3,838.5	60.2	NA
SUBTOTAL	**2.81**	**$21,114.2**	**$7,039.9**	**$166.8**	**$313.4**
Small Commercial & Industrial					
Small Business (1)	1.63	$3,735.6	$2,266.8	$26.9	NA
SUBTOTAL	**1.56**	**$3,735.6**	**$2,266.8**	**$26.9**	**$107.2**
Residential Programs					
IN-HOME SERVICES	**1.04**	**$3,236.6**	**$3,097.5**	**$8.3**	**NA**
Appliance Management Program	1.00	954.1	950.6	8.3	NA
Energy*Wise* Program	1.01	2,010.4	1,994.4	0.0	NA
HEM	1.78	272.0	152.5	0.0	NA
PRODUCTS & SERVICES	**3.02**	**6,077.7**	**1,967.3**	**47.1**	**NA**
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
NEW CONSTRUCTION **(Energy Star Homes)**	**1.01**	**700.5**	**690.3**	**0.0**	**NA**
SUBTOTAL	**1.65**	**$10,014.8**	**$5,755.1**	**$55.4**	**$257.9**
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
SUBTOTAL	**NA**	**NA**	**$132.4**	**$126.9**	**NA**
TOTAL	**2.15**	**$34,864.6**	**$15,194.2**	**$376.0**	**$678.5**

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.

Calculation of 2004 Program Year Cost-Effectiveness and Goals

2004 RHODE ISLAND BENEFIT COST TEST
Summary of Expenses, Benefit, kW, and kWh by Program

The Narragansett Electric Company

	Program Implmnt Expenses (000's)	Benefits (000's)										Load Reduction in kW				MWh Saved	
			Capacity				Energy										
			Generation				Winter		Summer		Participant	Maximum				Maximum	
Large Commercial & Industrial		Total	Summer	Winter	Trans	MDC	Peak	Off Peak	Peak	Off Peak	Resource	Annual	Summer	Winter	Lifetime	Annual	Lifetime
Design 2000*plus*	$3,201	$7,993	$1,275	$4	$829	$1,309	$1,706	$1,314	$912	$644	$0	2,131	2,131	1,204	31,757	9,518	146,316
Energy Initiative	3,838	13,122	2,108	6	1,358	2,169	3,157	1,767	1,689	867	0	3,073	3,073	2,022	50,543	14,826	233,937
SUBTOTAL	**$7,040**	**$21,114**	**$3,382**	**$10**	**$2,187**	**$3,478**	**$4,864**	**$3,080**	**$2,601**	**$1,511**	**$0**	**5,203**	**5,203**	**3,225**	**82,299**	**24,344**	**380,254**
Small Commercial & Industrial																	
Small Business(1)	$2,267	$3,736	$628	$2	$448	$722	$872	$402	$464	$197	$0	1,279	1,279	900	15,869	4,598	57,049
SUBTOTAL	**$2,267**	**$3,736**	**$628**	**$2**	**$448**	**$722**	**$872**	**$402**	**$464**	**$197**	**$0**	**1,279**	**1,279**	**900**	**15,869**	**4,598**	**57,049**
Residential Programs																	
IN-HOME SERVICES	**$3,097**	**$3,237**	**$266**	**$2**	**$270**	**$713**	**$401**	**$490**	**$228**	**$233**	**$634**	**1,806**	**1,806**	**3,001**	**6,728**	**3,493**	**40,358**
Appliance Management Program	951	954	54	0	46	120	101	123	58	59	394	97	97	132	1,282	787	10,373
Energy*Wise* Program	1,994	2,010	167	1	162	427	300	367	171	175	240	395	395	563	4,131	2,706	29,985
HEM	152	272	45	0	61	166	0	0	0	0	0	1,314	1,314	2,306	1,314	0	0
PRODUCTS & SERVICES	**1,967**	**6,078**	**242**	**4**	**371**	**1,108**	**819**	**1,005**	**475**	**486**	**1,569**	**526**	**526**	**2,260**	**5,921**	**8,423**	**81,549**
Energy Star Appliances	442	1,556	86	0	54	122	67	82	42	43	1,060	159	159	72	2,056	517	7,192
Residential Lighting	1,156	3,891	115	4	297	947	749	919	425	436	0	314	314	2,182	2,927	7,864	73,636
Energy Star Heating System	200	520	0	0	1	4	2	2	1	1	509	0	0	6	1	12	183
Energy Star Central Air Conditioning	169	111	40	0	19	35	1	2	7	7	0	52	52	0	937	30	538
NEW CONSTRUCTION **(Energy Star Homes)**	**690**	**701**	**58**	**0**	**30**	**71**	**17**	**20**	**10**	**10**	**486**	**57**	**57**	**19**	**1,394**	**85**	**1,930**
SUBTOTAL	**$5,755**	**$10,015**	**$565**	**$6**	**$670**	**$1,891**	**$1,237**	**$1,515**	**$713**	**$729**	**$2,689**	**2,389**	**2,389**	**5,280**	**14,042**	**12,001**	**123,838**
TOTAL	**$15,062**	**$34,865**	**$4,576**	**$18**	**$3,305**	**$6,092**	**$6,973**	**$4,998**	**$3,778**	**$2,437**	**$2,689**	**8,871**	**8,871**	**9,405**	**112,210**	**40,943**	**561,140**

Notes:
1) Small Business program expenses are net of the projected customer co-pay for 2004 installations ($587,236).

Calculation of 2004 Program Year Cost-Effectiveness and Goals

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