



October 17, 2005

*VIA FEDERAL EXPRESS*

Hon. Jaclyn A. Brillling  
Secretary  
Public Service Commission  
State of New York  
Three Empire State Plaza  
Albany, NY 12223

RE: Case 05-M-0090  
In the Matter of  
The Systems Benefit Charge III

Dear Secretary Brillling:

Enclosed for filing with the Commission are an original and 15 copies of the Comments of The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York and KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island, which were served on the electronic service list today.

Kindly acknowledge receipt and filing of the enclosures by date stamping the enclosed copy of this letter and returning it in the self-addressed postage-paid envelope provided for your convenience.

Yours truly,

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Enclosures  
cc: Service List via email  
TPO/lss

**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

In the Matter of the System Benefits Charge III

Case 05-M-0090

**Comments of KeySpan Energy Delivery New York and  
KeySpan Energy Delivery Long Island**

**INTRODUCTION**

On August 30, 2005, the Commission issued a Staff Proposal For The Extension Of The System Benefits Charge (“SBC”) And The SBC-Funded Public Benefit Programs (“Proposal” or “Staff’s Proposal”), in which the Commission solicits input on Staff’s Proposal for extension of the SBC and related SBC programs.<sup>1</sup> The Proposal makes reference to a Notice Soliciting Comments on the future of the SBC, issued January 28, 2005 (“Notice”)<sup>2</sup>, where the Commission sought comment on various questions regarding the desirability of expanding the scope of the SBC program to provide services to New York’s natural gas customers.<sup>3</sup> The Proposal recommends that the Commission make its determination regarding the potential expansion of the SBC to gas customers after the completion and analysis of the Gas Statewide Study, consideration of other available information, including the comments received in response to the Notice, and issuance of a notice by the Secretary of the Commission regarding the Commission’s consideration of this matter.<sup>4</sup>

The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York and KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island

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<sup>1</sup> See Notice at p. 1, 26.

<sup>2</sup> Case No. 05-M-0090, In the Matter of the System Benefits Charge III, (Jan. 28, 2005) (Notice Soliciting Comments).

<sup>3</sup> *Id.* at p. 19-20.

<sup>4</sup> *Id.* at p. 21.

(collectively, “KeySpan” or the “Companies”) appreciate the opportunity to comment on the Proposal and, particularly in light of the current high cost of energy for consumers, applaud the Commission’s effort to provide programs to encourage energy efficiency, improve the environment and reduce energy costs to natural gas customers in New York.

## **DISCUSSION**

In the current gas rate plan for Consolidated Edison Company of New York, the Commission approved<sup>5</sup> a joint proposal for a Gas Efficiency Program, with funding of \$5.2 million. The approved proposal requires the completion of a Gas Statewide Study (“Study”).<sup>6</sup> KeySpan looks forward to the results of the Study, expected to be available and/or completed in early 2006, and supports the Proposal’s recommendations that the Commission make its determination on expanding the SBC to gas customers after its review and analysis of the Study and notice regarding the Commission’s consideration of this matter. In the meantime, KeySpan would like to offer its assistance to actively participate in the design and implementation plans for gas energy efficiency programs in New York.

In New England, KeySpan’s affiliate local distribution companies<sup>7</sup> (“KEDNE”) have extensive experience administering energy efficiency programs. Since 1996, these programs have been based on an approach commonly referred to as Market Transformation. Market Transformation has been defined as changing the types of products or services that are offered in the market, changing the basis on which purchase

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<sup>5</sup> Case 03-G-1671, Consolidated Edison Company of New York, Inc., Order Adopting the Terms of a Joint Proposal, (Order Adopting the Terms of a Joint Proposal) (Sept. 27, 2004).

<sup>6</sup> Notice at p. 20.

<sup>7</sup> The local distribution companies that do business as KeySpan Energy Delivery New England are Boston Gas Company, Colonial Gas Company and Essex Gas Company in Massachusetts and EnergyNorth Natural Gas, Inc. in New Hampshire.

and behavioral decisions are made, influencing the type and number of actors in the market and in some other way altering the set of interactions in self-sustaining way. *See Market Transformation in a Changing Utility Environment, National Association of Regulatory Utility Commissioners (Mar. 4, 1996)*. The objective of the KEDNE Market Transformation effort is to encourage the most efficient use of energy, especially natural gas, wherever practical. To achieve this objective, KEDNE plans, develops, implements and evaluates targeted initiatives to overcome market barriers, modify energy decision-making processes, increase the availability of energy efficient products, and reduce the first cost of energy efficiency

Presently, KEDNE administers an array of energy efficiency programs in the Massachusetts and New Hampshire service territories. Both the Massachusetts Department of Telecommunications and Energy and the New Hampshire Public Utilities Commission have authorized the current program in their respective jurisdictions. See, KeySpan Energy Delivery New England, D.T.E. 02-31 (2002); EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England, Order No.24,109 (December 31, 2002) in docket DG 02-106. Program elements include customer communication and education, energy audits, customer incentives, trade ally communication and education, low-income weatherization, and market research. The individual programs promote energy efficiency through education, training, awareness campaigns and incentives to shape consumer, business, contractor and other market participants' behaviors toward choosing efficient gas products. The program also supports new technology to meet customers' space heating, process heating, water heating and other needs. Rebates are employed in the residential market to promote efficient natural gas products. Rebates and

incentives are available to commercial and industrial (“C&I”) customers to encourage the installation of energy efficiency measures, including new technology. Personalized energy information is available through KEDNE energy auditors or on-line audit tools. KEDNE program costs are recoverable in customer bills through the Local Distribution Adjustment Charge. KEDNE also earns shareholder incentives for meeting predetermined performance objectives.<sup>8</sup>

KEDNE has invested over \$150 million since 1990, and the programs have helped over 300,000 customers use energy more efficiently and reduce their energy bills. Moreover, as shown in the table below all of the KEDNE program measures are cost effective<sup>9</sup> and produce benefits to customers that far outweigh the cost of providing the program. As a result, over the past fifteen years, KeySpan has been recognized regionally and nationally as a leader in market transformation and energy efficiency for natural gas customers.<sup>10</sup>

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<sup>8</sup> The incentives approved in Massachusetts and New Hampshire are intended to be a proxy for the lost base revenues (“LBR”) incurred by the companies as a result of implementing successful energy efficiency programs.

<sup>9</sup> Cost effectiveness was determined by an outside consultant, GDS Associates, using the Total Resource Cost Test which the MA DTE determined to be the appropriate measure for evaluating energy efficiency programs. See, Evaluation and Monitoring of Energy Efficiency Programs, D.T.E. 98-100 (2000).

<sup>10</sup> Some of KEDNE’s accomplishments in energy efficiency include: Becoming the first Massachusetts utility, gas or electric, to base its performance on the success in moving the marketplace to higher efficiency levels through its energy efficiency programs; Launching over 25 new energy efficiency initiatives; Undertaking baseline measurements of the residential, C&I heating markets and the residential new construction market and developing, for the first time nationally, indicators of market change for market transformation programs. These methods were featured in a session at the 9<sup>th</sup> Annual National Energy Services Conference in 1999; Becoming the first utility to offer a high-efficiency heating equipment program in Massachusetts which has since been used as a model for a national program sponsored by the Consortium for Energy Efficiency; Being instrumental in founding GasNetworks™ (www.gasnetworks.com), a collaborative of Massachusetts and New Hampshire natural gas utilities. GasNetworks™ has played a significant role in sponsoring regional natural gas energy efficiency initiatives; Becoming the first New England utility, gas or electric, to join and support the Efficient Windows Collaborative, helping to promote energy efficient window products; and being actively involved in regional market transformation efforts including active participation in many regional and national energy efficiency organizations. Moreover, a number of the KEDNE programs were recognized as

**2005 DSM/MT Program Benefit Cost Analysis Summary (Massachusetts)<sup>11</sup>**

<b>Program Name</b>	<b>Net Present Value Benefits</b>	<b>Net Present Value Costs</b>	<b>Net Present Value Savings</b>	<b>TRC Ratio</b>
Residential HE Heating Equipment	\$12,913,187	\$3,160,000	\$9,753,187	4.09
Commercial HE Heating	\$1,881,478	\$335,000	\$1,546,478	5.62
Residential HE Water Heating	\$528,296	\$285,000	\$243,296	1.85
Multi-Family Housing	\$27,861,054	\$3,450,000	\$24,411,054	8.08
Energy Star Homes	\$1,808,630	\$963,472	\$845,158	1.88
Residential Energy Star Thermostat	\$840,358	\$175,000	\$665,358	4.80
Energy Star Windows	\$16,767,652	\$8,000,000	\$8,767,652	2.10
Residential Weatherization	\$2,466,543	\$1,750,000	\$716,543	1.41
Residential Low Income	\$678,271	\$406,000	\$272,271	1.67
Commercial Energy Efficiency	\$27,861,054	\$1,838,000	\$26,023,054	15.16
Building Practices and Demonstration	\$1,892,806	\$497,400	\$1,395,406	3.81
Economic Redevelopment	\$1,970,928	\$1,337,800	\$633,128	1.47

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outstanding by the American Council for an Energy Efficient Economy (“ACEEE”) in its December 2003 report *Responding to the Natural Gas Crisis : America’s Best Natural Gas Energy Efficiency Programs*.

<sup>11</sup> Table recreated from exhibit 2 of *Demand-Side Management and Market Transformation Plan 2002-2007 Report on Program Details to the Department of Telecommunications and Energy*(April 2005)

A key feature of the KEDNE program is its emphasis on market segments where its investments can yield other public benefits. For example, KEDNE's Residential Low Income Program allows eligible customers to receive up to \$4,500 in qualifying measures. The measures provided through the program include an energy audit, attic insulation, wall insulation, air sealing, heating system repair/replacement (on a qualifying basis), and safety inspections.<sup>12</sup> Since 1997, KEDNE has provided \$23.4 million of funding to its Residential Low Income Program, benefiting 10,238 households. To maximize the benefits of this program whenever possible, KEDNE's Residential Low Income Program funds are leveraged with the Department of Energy ("DOE") weatherization funds, electric utility funds (e.g. Lighting and Appliances, etc.) and other non-profit funds (e.g. Ford Foundation, City of Boston, etc.). As a result, KEDNE has leveraged its investment of \$23.4 million with \$15.1 million of DOE funds, \$5.1 million of electric funds and \$1 million of other non-profit funds. For a full description of KEDNE's Residential Low Income Program as well as KEDNE's other energy efficiency programs and specific program offerings, please see Attachment A, *Demand-side Management and Market Transformation Plan 2002 to 2007 Report on Program Details to the Department of Telecommunications and Energy (April 2005)*.

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<sup>12</sup> Small energy-related repairs for eligible heating units can also be performed, excluding asbestos removal and electrical work. Homes with heating units that do not qualify for a program heating system measure, may be eligible for air sealing and general heat waste measures. Single homes are eligible for up to three hours of professional air sealing and general heat waste measures.

## CONCLUSION

KEDNE delivers a wide array of energy efficiency programs throughout its New England territories and the Company looks forward to the NYSERDA-funded Natural Gas Study, and any subsequent proceeding to bring energy efficiency programs to its New York customers. Because the infrastructure to administer and evaluate a comprehensive array of energy efficiency programs exists within KEDNE, KeySpan is uniquely positioned to draw on those resources, bringing to bear years of experience in program design, implementation and evaluation, and implement New York programs similar to the KEDNE programs, in a relatively short time frame.

Respectfully submitted,

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Dated: October 17, 2005  
Waltham, Massachusetts



**KeySpan Energy Delivery  
New England**

**Demand-Side Management and Market Transformation Plan,  
2002 to 2007**

**Report on Program Details to the  
Department of Telecommunications and Energy**

**April 2005**

<b>I. FORWARD.....</b>	<b>2</b>
<b>II. HISTORY OF DSM/MT AT THE COMPANY .....</b>	<b>3</b>
<b>III. OBJECTIVE OF MARKET TRANSFORMATION .....</b>	<b>5</b>
<b>IV. OVERVIEW OF DSM/MT PROGRAMS .....</b>	<b>6</b>
<b>V. RESIDENTIAL PROGRAMS .....</b>	<b>9</b>
V.-A RESIDENTIAL HIGH-EFFICIENCY HEATING PROGRAM.....	9
V.-B RESIDENTIAL HIGH-EFFICIENCY WATER HEATING PROGRAM .....	11
V.-C ENERGY STAR® PROGRAMMABLE THERMOSTAT PROGRAM .....	13
V.-D ENERGY STAR® HOMES PROGRAM .....	15
V.-E ENERGY STAR® WINDOWS PROGRAM .....	17
V.-F RESIDENTIAL WEATHERIZATION PROGRAM.....	19
V.-G RESIDENTIAL LOW INCOME PROGRAM .....	21
V.-H RESIDENTIAL CONSERVATION SERVICES PROGRAM .....	24
V.-I ENERGY ANALYSIS: INTERNET AUDIT PROGRAM .....	28
V.-J RESIDENTIAL PRACTICES & DEMONSTRATIONS PILOT PROGRAM.....	29
<b>VI. MULTIFAMILY AND COMMERCIAL &amp; INDUSTRIAL PROGRAMS .....</b>	<b>32</b>
VI.-A COMMERCIAL HIGH-EFFICIENCY HEATING PROGRAM .....	32
VI.-B MULTIFAMILY HOUSING PROGRAM.....	37
VI.-C COMMERCIAL ENERGY EFFICIENCY PROGRAM.....	38
VI.-D BUILDING PRACTICES AND DEMONSTRATION PROGRAM .....	43
VI.-E MULTIFAMILY AND C&I LOAD MANAGEMENT PILOT PROGRAM .....	45
VI.-F ECONOMIC REDEVELOPMENT PROGRAM.....	47
VI.-G BUSINESS ENERGY ANALYZER .....	49
<b>VII. OUTREACH AND COMMUNICATION.....</b>	<b>51</b>
VII.-A ENERGY EFFICIENCY COMMUNICATION AND EDUCATION .....	51
VII.-B TRADE ALLY TRAINING AND CODES & STANDARDS .....	52
VII.-C BUILDING OPERATORS CERTIFICATION .....	53
<b>VIII. ADMINISTRATION AND EVALUATION .....</b>	<b>54</b>
VIII.-A ADMINISTRATION.....	54
VIII.-B EVALUATION AND REPORTING .....	55
<b>IX. SHAREHOLDER INCENTIVES.....</b>	<b>57</b>
Exhibit-1 DSM/MT Program Activity Budget .....	59
Exhibit-2 2005 DSM/MT Program Benefit Cost Analysis.....	60

## **I. Forward**

The following document is a report to the Massachusetts Department of Telecommunications and Energy (“DTE”) of KeySpan Energy Delivery New England’s (the “Company”) plans for the period beginning May 1, 2005 through April 30, 2006<sup>1</sup>. This is Program Year Four of the second Demand-Side Management/Market Transformation five-year plan (“DSM/MT Plan” or “Plan”). The proposed annual budget for the Company’s DSM/MT efforts is \$13,258,783 per year. 0 displays the breakdown of proposed budgetary components for program year four, to begin on May 1, 2005 and conclude on April 30, 2006.

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<sup>1</sup> The regulated gas companies that operate under the name of KeySpan Energy Delivery New England are Boston Gas Company, Colonial Gas Company and Essex Gas Company in Massachusetts and Energy North Natural Gas, Inc. in New Hampshire. This report is limited to the Company’s program in Massachusetts.

## II. History of DSM/MT at the Company

On April 30, 2002, the original Boston Gas five-year market transformation plan expired. On March 15, 2002, the Company filed its second five-year plan for the period commencing May 1, 2002 and ending April 30, 2007. On June 30, 2002, this plan was approved by the DTE<sup>2</sup>.

Since 1997, the Company has been recognized nationally as a leader in market transformation and energy efficiency. Some of the Company's major accomplishments in energy efficiency include:

- Becoming the first Massachusetts utility, gas or electric, to base its performance on the success in moving the marketplace to higher efficiency levels through its energy efficiency programs.
- Launching over 20 new energy efficiency initiatives.
- Investing over \$74,000,000 in DSM/MT efforts.
- Serving over 133,000+ Massachusetts natural gas customers, including:
  - 120,725+ Residential, non-Low Income
  - 4,800+ Commercial
  - 7,500+ Low Income
- Undertaking baseline measurements of the residential, commercial and industrial ("C&I") heating markets and the residential new construction market and developing, for the first time nationally, indicators of market change for market transformation programs. These methods were featured in a session at the 9<sup>th</sup> Annual National Energy Services Conference in 1999.
- Becoming the first utility to offer a high-efficiency heating equipment program in Massachusetts which has since been used as a model for a national program sponsored by the Consortium for Energy Efficiency ("CEE").
- Being instrumental in founding GasNetworks™ ([www.gasnetworks.com](http://www.gasnetworks.com)), a collaborative of Massachusetts natural gas utilities. GasNetworks™ has played a significant role in sponsoring regional natural gas energy efficiency initiatives.
- Becoming the first New England utility, gas or electric, to join and support the Efficient Windows Collaborative, helping to promote energy efficient window products.
- Being actively involved in regional market transformation efforts including active participation in many regional and national energy efficiency organizations including:
  - GasNetworks™ to develop regional gas DSM/MT initiatives.

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<sup>2</sup> [KeySpan Energy Delivery New England](#), D.T.E. 02-31

- The Northeast Energy Efficiency Partnerships (“NEEP”) to develop joint gas and electric initiatives.
- CEE to develop national gas energy efficiency initiatives.
- Association of Energy Services Professionals (“AESP”) to develop skills of energy efficiency professionals.
- The Massachusetts Board of Building Regulations and Standards (“BBRS”) to develop energy code training.
- The Joint Management Committee (“JMC”) to develop the ENERGY STAR® Homes initiative.
- A regional collaborative developing a C&I Operations and Maintenance (“O&M”) practices training program.

### **III. Objective of Market Transformation**

The objective of the Company's market transformation efforts is to encourage the most efficient use of energy, especially natural gas, wherever practical. To achieve this objective, the Company will plan, develop, implement and evaluate targeted initiatives to overcome market barriers, modify energy decision-making processes, increase the availability of energy efficient products, and reduce the first cost of energy efficiency. In addition, the Company will concentrate its efforts on market segments where not only are the gas efficiency barriers significant, but where investment yields other public benefits. Examples of efforts that yield other public benefits are the Company's Residential Low-Income program and the Economic Redevelopment program.

## IV. Overview of DSM/MT Programs

This report discusses plans for the upcoming year, including modifications to the programs and budgets. These proposed changes are based on the experience gained by the Company in the first three years of the second five year plan, as well as during the previous five year DSM/MT plan, May 1, 1997 to April 30, 2002, and discussions with the Non-Utility Parties<sup>3</sup>. Regional initiatives and collaborative groups also have influenced this proposal for Program Year Four. Many of the programs described are a continuation of programs in operation. In addition, the report discusses the progress of several new program initiatives the Company has added during its second five year DSM/MT plan. Overall, the Company has developed programs that address a wide variety of energy efficiency opportunities for natural gas customers.

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<sup>3</sup> The Non-Utility Parties include the Massachusetts Division of Energy Resources, the Northeast Energy Efficiency Council, Action, Inc., the Massachusetts Community Action Association, and the Massachusetts Energy Directors Association. The Office of the Attorney General, although not a signatory to the 2002 settlement, is regularly informed of all programs and invited to participate in all discussions between the Company and the Non-Utility Parties.

Table-i: Proposed DSM/MT Program Offerings of the Company.

<b>Table-i DSM/MT Programs</b>	
<b>Residential Market</b>	
High-Efficiency Heating Equipment Program	\$250 rebate for ENERGY STAR labeled boilers (85% AFUE), \$100 rebate for steam boilers (82% AFUE), \$400 rebate for high efficiency furnaces (92% AFUE) with ECM Motor and \$100 rebate on furnaces (90% AFUE).
High-Efficiency Water Heating Program	\$100 rebate for indirect-fired water heaters connected to an ENERGY STAR rated natural gas forced hot water boiler and \$300 for instantaneous/tankless water heaters (EF .82 & electronic ignition).
ENERGY STAR Programmable Thermostat Program	\$25 rebate each for up to two ENERGY STAR labeled programmable setback thermostats.
ENERGY STAR Homes Program	Free building plans review and certification for new ENERGY STAR residential construction.
ENERGY STAR Windows Program	\$10.00 per window (no maximum), for qualifying ENERGY STAR labeled windows (U-factor of .35 or less).
Residential Weatherization Program	Rebate of 20% of installed cost of qualifying insulation and weatherization measures installed by participating contractors up to \$750.
Residential Low Income Program	Energy audit conducted and measures installed (up to \$4,500 per residence) at no cost to income eligible customers (up to 200% of poverty level or below 60% of median income).
Residential Conservation Services Program	State mandated program to provide recommendations and technical assistance for installation of energy saving measures.
Energy Analysis: Internet Audit Program	Free online energy analysis service that makes customized energy efficiency recommendations based on a customer's energy consumption profile.
<b>Multifamily and Commercial &amp; Industrial Markets</b>	
C&I High-Efficiency Heating Equipment Program	Rebates up to \$6,000 for high-efficiency furnaces (90% AFUE), boilers (85% thermal efficiency) or steam boilers (82% thermal efficiency).
Multifamily Housing Program	Rebate of \$0.75 per first year estimated therm savings, up to 50% of project's installed costs for eligible measures, cap of \$100,000 per project. Multifamily projects include redesign of space heating or water heating systems, steam system upgrades, building insulation, high-efficiency windows, and related measures.
Commercial Energy Efficiency Program	Co-funding for Energy Auditing or Engineering Services; Prescriptive and custom incentives for more sophisticated systems and controls up to \$100,000.
Building Practices & Demonstration Program	Participate in funding for demonstration projects that apply to new or underutilized technologies.
Multifamily and C&I Load Management Pilot Program	Establishment of load management procedures, processes, or technologies as they apply to the natural gas industry.
Economic Redevelopment	Matching grants up to \$100,000 for energy saving measures in commercial properties in designated Economic Redevelopment areas.
Business Energy Analyzer	Free online energy analysis service that makes customized energy efficiency recommendations based on a commercial customer's energy consumption profile.
<b>Codes Training Outreach etc.</b>	
Trade Ally Training and Codes & Standards	Provide information and training on energy efficiency issues to plumbing & heating contractors, builders, architects, engineers, realtors, appraisers and others.
Building Operator Certification	Energy management training sessions targeted to individuals responsible for the maintenance and operation of equipment and systems in commercial buildings, industrial plants, and public facilities.

During the Year Four plan, the Company will build upon this portfolio of programs by:

- Continuing to manage existing programs cost-effectively.
- Identifying and developing new, cost-effective programs.
- Integrating discrete initiatives to more comprehensively address energy markets and barriers to energy efficiency.

The DSM/MT programs provide incentives to customers to choose energy efficient products. These products may be purchased from and installed by any qualified contractor selected by the customer. The Company's programs are designed to encourage contractor participation. The Company generally does not perform direct product installations. Customers are afforded the opportunity to use the contractor of their choice. All contractors are permitted to compete for the customer's business on an equal basis. Through its trade ally program, the Company provides training and encourages contractors to recommend and provide bids for qualifying energy efficient products.

In designing the proposed energy efficiency programs, wherever practical, the Company has established efficiency standards consistent with the ENERGY STAR labeling program standards of the U.S. Environmental Protection Agency ("EPA") and the U.S. Department of Energy ("DOE"). ENERGY STAR is a collaborative effort of the DOE and EPA to prevent pollution and encourage conservation by helping consumers buy products that use less energy. The ENERGY STAR label and promotional activities raise awareness of the environmental and economic benefits of energy efficient products and help consumers easily identify them.

## **V. Residential Programs**

### **V.-A Residential High-Efficiency Heating Program**

The Company's Residential High-Efficiency Heating program is jointly operated with GasNetworks™ and is available to the Company's residential heating customer base. Program goals include:

- Increasing customer knowledge of the performance and reliability of high-efficiency gas heating equipment and the energy savings achieved.
- Increasing market sector awareness of high-efficiency gas heating equipment.
- Provide training to trade allies such as plumbing and heating contractors.
- Increasing customer knowledge of where to obtain high-efficiency heating products.
- Monitoring customer perception of the performance and reliability of high-efficiency gas heating equipment and the savings achieved.

The program will be promoted through a variety of means including, but not limited to, direct mail campaigns, bill inserts, trade ally events, sponsorships and contractor job site visits. Program brochures, builder packets and rebate applications will be the primary marketing material utilized. The program will also be promoted via the Company's Web site and the GasNetworks™ Web site; where consumers and contractors will have the opportunity to download program rebate applications, as well as learn about program announcements, updates, or changes.

Overall, a strong emphasis will be placed on working with builders and the contractors who install gas-heating equipment. Target markets for the program include both new construction and retrofit projects. The retrofit market is seen as the primary driver of high-efficiency forced hot water and steam heating system opportunities, whereas the new construction market is seen as the primary driver for high-efficiency furnaces.

The incentive for Program Year Four will be a rebate available to residential heating customers' (builders and/or homeowners) worth up to \$400, depending on the type of heating equipment installed. This rebate encourages customers to choose a high-efficiency model by offsetting a portion of the higher initial purchase cost of a high-efficiency model versus a standard efficiency model. See table-ii for a listing of eligible equipment under the program and their associated rebate level.

<b>Table-ii: Residential High-Efficiency Heating Program: Rebate Table</b>		
<b>Product</b>	<b>Rating</b>	<b>Current Rebate</b>
Furnaces (forced hot air)	AFUE* 90% or greater	\$100 Rebate
Furnaces (forced hot air)	AFUE* 92% or greater and ECM motor technology	\$400 Rebate
Boilers (forced hot water)	AFUE* 85% or greater	\$250 Rebate
Boilers (steam with electronic ignition)	AFUE* 82% or greater	\$100 Rebate
AFUE = Annual Fuel Utilization Efficiency		

As a result of the success of the program, the Company has been able to reduce the rebate level for high-efficiency furnaces from \$150 to \$100 and high-efficiency steam boilers from \$200 to \$100. Additionally, for high-efficiency forced hot water boilers, because of continued positive market effects, the Company has reduced the rebate level for this equipment to \$250. The Company does not propose to change the rebate level for the ECM Furnace rebate program that is currently being run in collaboration with the state’s investor owned electric utilities.

Table-iii: Residential High-Efficiency Heating Program Budget and Rebate Goal.

<b>Table-iii Residential High-Efficiency Heating Program</b>	
<b>Item</b>	<b>Budget</b>
Rebates	\$1,270,000
Vendor Admin	\$146,750
Company Admin	\$240,930
Communication	\$16,557
Evaluation & Reporting	\$ 38,649
<b>Total</b>	<b>\$ 1,712,886</b>
<b>Goal</b>	<b>3,500 HE Furnace Rebates 2,500 FHW Boiler Rebates 800 Steam Boiler Rebates 700 ECM Furnace Rebates</b>

## **V.-B Residential High-Efficiency Water Heating Program**

The Company's Residential High-Efficiency Water Heating program is jointly operated with GasNetworks™ and is available to the Company's residential water heating customers. Similar to the Company's Residential High-Efficiency Heating program, program goals include:

- Increasing the demand for residential high-efficiency natural gas water heaters.
- Increasing the utilization of high efficiency natural gas water heaters.
- Increasing customer and trade ally awareness of the benefits of high-efficiency natural gas water heaters.
- Provide training to trade allies such as plumbing and heating contractors.
- Increasing customer knowledge of where to obtain high-efficiency water heating products.
- Increasing customer perception of the performance and reliability of high-efficiency gas water heating equipment and the savings achieved.

Program marketing will consist of direct mail campaigns and outreach to contractors and builders, bill inserts to residential customers at seasonal intervals, attendance at trade ally training events, radio, and promotion via the Company and the GasNetworks™, Web sites. While direct customer marketing will generate a portion of the leads for this program, a significant emphasis will be placed on meeting with heating and plumbing contractors at trade shows, training sessions, and job sites to encourage contractors to influence consumer purchasing behavior toward this type of product.

Due to changes in the energy code for water heaters, the Company has discontinued offering rebates for stand alone water heaters. The change in the minimum energy factor (EF) from 0.54 to 0.59 has made it impossible for the Company to provide rebates for this equipment based upon the Guidelines for Cost Effectiveness set forth in DTE 98-100.

The program incentives are currently a \$100 rebate to residential water heating customers who install an indirect water heater to an ENERGY STAR rated natural gas forced hot water boiler. The Company has initiated a new program incentive of \$300 for tankless water heaters with an Energy Factor of 0.82 or greater and an electronic ignition.

Table-iv: Residential High-Efficiency Water Heating Program Budget and Rebate Goal.

<b>Table-iv: Residential High-Efficiency Water Heating Program</b>	
<b>Item</b>	<b>Budget</b>
Rebates	\$136,000
Vendor Admin	\$17,000
Company Admin	\$ 25,931
Communication	\$ 1,783
Evaluation & Research	\$ 4,161
<b>Total</b>	<b>\$184,875</b>
<b> </b>	
Indirect water heaters	450
Tankless water heaters	300
<b>Goal</b>	<b>750</b>

## V.-C ENERGY STAR Programmable Thermostat Program

The ENERGY STAR Clock Thermostat program provides home heating customers with a rebate for the purchase and installation of ENERGY STAR labeled programmable thermostats. Through this program, customers are eligible for a \$25 mail-in rebate for installation of up to two ENERGY STAR qualified programmable clock thermostats. Eligible thermostats may be installed by homeowners, heating contractors, or energy auditors. In addition to mail-in rebates, instant rebates in the form of point-of-sale discounts are available through heating contractors and energy auditors.

There are currently over 150 thermostat models manufactured by 29 different manufacturers which meet ENERGY STAR guidelines and qualify for the Company's rebate. Earning the ENERGY STAR means products meet strict energy efficiency guidelines set by the US Environmental Protection Agency and the Department of Energy. To be ENERGY STAR labeled, programmable thermostats must be equipped with the following features:

- Stores four or more temperature settings a day
- Adjusts heating or air conditioning turn-on times as the outside temperature changes
- Saves and repeats multiple daily settings
- Includes a "Hold" feature that temporarily overrides automatic settings without deleting programs.

During Program Year Four, the Company expects to support the installation of over 3,500 thermostats in its Massachusetts territory. For the coming Program Year Four, the Company anticipates an increase in Program participation rate by over 40%.

The Company will promote this program via advertising, direct mail, bill inserts, the KeySpan Web site, online Home Energy Analyzer, **e-fficiency news** electronic newsletters and through Residential Conservation Services program auditors. Direct mail campaigns utilized in Program Year Three proved to be another successful strategy to reach heating customers by offering a home energy assessment coupled that included an installed thermostat to interested customers. The Company will also explore both the value of providing installation training opportunities for its home heating customers, as well as teaming with participating heating contractors to provide ENERGY STAR Thermostats with each new heating system installed in the Company's territory. In addition, the Company will continue its retailer outreach program with such as stores as The Home Depot®, Lowe's®, as well as regional hardware stores. The

retailer outreach effort provides training of these retailers' sales personnel regarding the rebate program and coordinates the ongoing distribution of program rebate forms at these stores.

Because a common source of mercury is found in older model thermostats, used mercury thermostats should be properly recycled. The installation of new thermostats requires that the Company continue its efforts to reduce the amount of mercury improperly entering the waste stream and potentially polluting groundwater sources. Whenever a thermostat is installed by an auditor during an RCS audit, the old mercury thermostat is removed from the premises. This was previously optional; the customer could opt to keep the old thermostat and dispose of it him/herself. There were no safeguards to prevent the mercury from reaching the groundwater. The Company's vendor is a registered mercury recycling agent and qualified to recycle the retired thermostats.

Table-v: ENERGY STAR Clock Thermostat Program Budget and Rebate Goal.

<b>Table-v: ENERGY STAR Clock Thermostat Program</b>	
<b>Item</b>	<b>Budget</b>
Incentives	\$ 87,500
Vendor Admin	\$ 26,250
Company Admin	\$ 19,406
Communication	\$ 1,334
Evaluation & Research	\$ 3,114
<b>Total</b>	<b>\$ 137,604</b>
<b>Goal</b>	<b>3500 Thermostats</b>

## **V.-D ENERGY STAR Homes Program**

The ENERGY STAR Homes Program offers incentives to home buyers and home builders to promote the construction of homes which meet national ENERGY STAR Homes energy efficiency standards. The program's objective is to transform the residential new construction market standard to design and build energy efficient homes. ENERGY STAR Homes are nationally recognized for lower operating costs and energy consumption, increased durability, comfort, safety and greater resale value. ENERGY STAR Homes feature some of the industry's best building practices and technologies, including increased insulation levels, high-efficiency heating and air conditioning equipment, superior duct systems, and high performance windows. All segments of the housing market are eligible to participate in this program, including new as well as existing residential single family and multifamily dwellings, townhouses and condominium developments.

Conservation Services Group, Inc. (CSG) is the Company's administrative vendor for the ENERGY STAR Homes program, and has provided support to Massachusetts utilities since 1998. CSG is a third party energy conservation specialist responsible for the review and certification of each participating house in the Company's territory to ensure it meets ENERGY STAR Homes criteria.

Participants in the program receive CSG's design and technical support services, testing and inspection of energy efficiency measures, and an ENERGY STAR Homes certification following the passing of the ENERGY STAR Homes rating test. Each participating home receives extensive plan evaluations, computer energy modeling, on-site inspections during construction, and ongoing builder consultation and training while the home is being built. In order to earn the ENERGY STAR Homes certificate, each house, or sampling of model units within a larger development, is performance tested to verify the quality of installed energy features. This involves conducting a blower-door test once the home is completed to measure the building's overall air leakage, and a ventilation test to verify airflow rates.

The ENERGY STAR Homes Program is jointly managed through a consortium of utilities, identified as the Massachusetts Joint Management Committee (JMC). In 2004, the JMC was honored with a national award from the U.S. E.P.A. for its leadership in the ENERGY STAR Homes Program, an award that sets the JMC apart from other utility collaborations across the nation. The natural gas and electric utility provider in the specific territory of an ENERGY STAR home being developed will share the costs of providing CSG's technical support and certification testing services, from "sign-up" through certification testing for each qualifying home.

The JMC also supports CSG’s Massachusetts Technology School Outreach (MATSO) program, which works with technical high schools across the state to promote energy efficient construction techniques within the building trades. CSG has already provided hands-on training and construction seminars to over 200 students in 10 different technical schools. The students’ new skills and understanding are put to work as students construct ENERGY STAR Homes as part of their building trades curriculum.

Marketing activities for the ENERGY STAR Homes program consist primarily of direct outreach to builders, developers, and home inspectors throughout the state’s most active building regions. Multiple seminars and training sessions specifically for builders and homebuyers may be refined and delivered throughout the year.

Table-vi: ENERGY STAR Homes Program Budget and Participant Goal.

<b>Table-vi: ENERGY STAR Homes Program</b>	
<b>Item</b>	<b>Budget</b>
Certifications <sup>4</sup>	\$0
Vendor Admin	\$268,600
Company Admin	\$45,823
Communication	\$3,150
Evaluation & Research	\$7,353
<b>Total</b>	<b>\$324,926</b>
<b>Goal</b>	<b>400 Participants</b>

<sup>4</sup> Certification fees are part of the Vendor’s administration fees, and include all collaborations with builders from plan reviews, energy modeling, to home testing and rating evaluation.

## **V.-E ENERGY STAR Windows Program**

The ENERGY STAR Windows Program provides a \$10 mail-in rebate for the installation of each high-efficiency window in both new construction and existing residential homes. Eligible participants must be residential heating customers who have installed ENERGY STAR labeled windows with an U-factor of .35 or less<sup>4</sup>. When applying for the window rebate, customers are required to submit the rebate application with proof-of-purchase and a copy of the National Fenestration Rating Council (“NFRC”) label(s) from the window(s) which were purchased and installed. In order to ensure that prospective windows are installed as reported, the Company conducts inspections of the first two installations per new participating installation contractor, as well as random inspections of self-installations at 20% of the program’s participation rate.

The \$10.00 per window incentive for purchasing and installing high-efficiency windows will continue in Program Year Four. For new construction projects of ten or more homes, the Company offers negotiated rebates to participating builder(s) to provide rebates for the installation of ENERGY STAR windows that encourages installation of windows above standard building codes, while allowing the Company’s home owning customers to participate in the program. The Company remains the only gas utility in Massachusetts that provides window rebates for new construction projects.

To more accurately indicate energy savings through the ENERGY STAR Windows Program, this year, the Company will report the actual number of windows installed in its Massachusetts territory, as it does with the ENERGY STAR Thermostat Program. During Program Year Three, the Company provided rebates for the installation of over 30,000 windows in its Massachusetts territory, at a rate of roughly 16 windows per rebate. The Company anticipates the participation rate for the coming year to increase by over 20% from the previous program year.

The Company shifted to a “per window” rebate from its square foot requirement in January of 2004. Data from previous years indicated that a “square foot” rebate structure created confusion for interested participants. The \$10.00 per-window rebate has simplified the application process and has accelerated rebate disbursement to our participants.

The Company will explore expanding the number of participating window contractors during the coming year, while working with existing participants to learn how to customize future

training opportunities to enhance both optimal therm savings, as well as installation best practice techniques. The Company may work closely with regional window manufacturers to explore installation training opportunities to the program’s participating window installers.

The Company will promote the program using various methods, including the Company Web site, online Home Energy Analyzer, **e-efficiency news** electronic newsletters, as well as bill inserts. In addition, the Company has established an outreach program with retailers The Home Depot®, Lowe’s®, and regional hardware stores that includes training of their sales personnel regarding the Company’s rebate program and supplying their stores within the Company’s New Hampshire territory with program rebate applications.

Table-viii: ENERGY STAR Windows Program Budget and Rebate Goal.

<b>Table-viii-ENERGY STAR Windows Program</b>	
<b>Item</b>	<b>Budget</b>
Rebates	\$ 400,000
Vendor Admin	\$ 75,000
Company Admin	\$ 81,034
Communication	\$ 5,517
Evaluation & Research	\$ 13,004
<b>Total</b>	<b>\$ 574,609</b>
<b>Goal</b>	<b>40,000 windows</b>

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<sup>4</sup> U-Factor = Measurement of thermal conductivity. A lower U-factor indicates a higher level of window insulation.

## **V.-F Residential Weatherization Program**

The Residential Weatherization program provides a rebate of 20% of the cost of installing weatherization measures in a residential heating customer's home built prior to the enactment of the current Massachusetts Energy Code (January 1, 1995). The maximum rebate available to a customer under this program is \$750.

Measures eligible for a rebate under the program include: attic insulation, wall insulation, basement/crawl space insulation, rim joist insulation, duct insulation, heating system pipe insulation, attic ventilation (only in conjunction with attic insulation), ductwork leakage testing, ductwork leakage sealing, air infiltration testing, and air infiltration sealing.

To be eligible for a rebate, a KeySpan pre-qualified contractor must be chosen to install program measures. Do-it-yourself work will not be allowed through the program.

Contractors wishing to become a pre-qualified contractor eligible to offer this program to the Company's heating customers, must provide proof of the following:

- 1) Registration as a Home Improvement Contractor (HIC) within the Commonwealth of Massachusetts. Registration must be in good standing.
- 2) Proof of insurance at the Company's contractor partner specified levels.

The Company will also request that a background check of each contractor be preformed by the Massachusetts Attorney General's Office to verify the contractor's good standing, and to determine if there have been complaints or outstanding issues that would render the contractor ineligible

Work completed under the program must meet all applicable state and local code requirements. It is anticipated that all measures installed will meet ENERGY STAR guidelines, where applicable.

It is the responsibility of the installation contractor to complete and submit rebate applications with proper supporting documentation to verify that the work was performed.

For quality control purposes, the first three jobs of newly approved contractors are inspected, and a sampling of their work is inspected thereafter. The inspection process consists of a visual review of all work reported to be performed at the job site. The Company has added infrared scanning technology to the inspection process.

Infrared scanning will be used as a quality control tool to inspect wall insulation work that can not be observed visually.

The Company will continue to hold a training event at a minimum of once per year for existing program contractors, to increase awareness of new technologies, installation practices, and selling techniques. Feedback will be gathered from contractors to determine which technologies and practices they are interested in learning about.

The program is marketed through home shows, direct mail promotions, and bill inserts. The program is also marketed through The Company's *e-fficiency news* electronic newsletter, Home Energy Analyzer on-line audit, and corporate web site. Potential participants are also made aware of the Residential Weatherization program through their participation in Residential Conservation Services program<sup>5</sup>. Residential Conservation Services program auditors have received supplemental training for the purpose of seamlessly integrating the Weatherization program and the RCS audit. The Company will continue its efforts to find opportunities to integrate the two programs.

Based upon the success of the Residential Weatherization Program in Program Year 3, the Company proposes to increase the rebate goal from 725 this Program Year to 1000 for Program Year 4, and to increase the budget to accommodate that growth. The Company feels the 1000 rebate goal is aggressive, but achievable

Table-viii: Proposed Residential Weatherization Program Budget and Rebate Goal.

<b>Table-viii: Residential Weatherization Program</b>	
<b>Item</b>	<b>Budget</b>
Rebates	\$410,000
Vendor Admin	\$45,000
Company Admin	\$77,622
Communication	\$5,336
Evaluation & Reporting	\$12,456
<b>Total</b>	<b>\$550,414</b>
<b>Goal</b>	<b>1000 Rebates</b>

<sup>5</sup> See V.-H; Residential Conservation Services Program

## **V.-G Residential Low Income Program**

The Residential Low-Income program allows eligible customers to receive up to \$4,500 in qualifying measures. The measures eligible to be provided through the program include an energy audit, attic insulation, wall insulation, air sealing, heating system repair/replacement (on a qualifying basis), and safety inspections. Small energy-related repairs for eligible heating units can also be performed, excluding asbestos removal and electrical work. Homes with heating units that do not qualify for a program heating system measure, may be eligible for air sealing and general heat waste measures. Single family homes are eligible for up to three hours of professional air sealing and general heat waste measures. (To a maximum expenditure of \$400. The maximum expenditure for a multi-unit residential structure is \$500 for the entire building).

To maximize the services provided, whenever possible program funds are leveraged with DOE weatherization funds

Massachusetts Community Action Program (“CAP”) agencies are responsible for ensuring that customers meet the eligibility requirements for program participation and for providing the actual weatherization services to customers<sup>6</sup>. CAP agencies work with installation contractors to ensure that program requirements are met.

Action Energy, Inc. (“Action”) continues in its role as administrative vendor for this program. The CAP agencies provide Action with documentation demonstrating that the measures specified were installed.

. The Company holds periodic meetings with Action and the CAP agencies to update information, address questions or concerns that may have arisen, and to ensure that goals are being met.

The Low Income Weatherization internet website, [www.weatherize.org](http://www.weatherize.org), continues to be extensively utilized. This website serves as a central information source for all of the CAP agencies and for Company personnel associated with the fuel assistance program. Weatherize.org has the capability to search data and determine

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<sup>6</sup> Except on Cape Cod, Arlington and Somerville. Services are provided by Housing Assistance on Cape Cod and Menotomy Weatherization in Arlington and Somerville.

whether a particular applicant is eligible for assistance. The site can also be used to communicate with the CAP agencies and provide timely information and updates. Customers can qualify for this program in one of two ways, by being eligible for the Commonwealth of Massachusetts' Fuel Assistance, Welfare, or Social Security Income Disability programs, or by providing evidence of household income that is 60% or less of MA median income.

Pursuant to a Challenge Grant from the Weatherization, Rehab and Asset Preservation ("WRAP") Partnership, the Company has made a limited exception to the 60% of median income guideline to assist in a project to weatherize low income homes in Dorchester and in Gloucester. Sponsored by the Ford Foundation, Action, and Action for Boston and Community Development ("ABCD"), the project will work to rehabilitate fifty (50) homes per year for a total of one hundred fifty (150) homes over a 3-year period. Action and ABCD estimate approximately 20% of the participants will have household income in the 60% to 80% of the median income range. On a pilot basis, the settling parties have agreed to raise the eligibility threshold to 80% of median income for customers in the two (2) service territories affected by the project.

In addition to serving tenants and owners of single and multi-family homes, the Company remains committed to its effort to weatherize publicly funded housing units.

The Company has partnered with gas and electric utilities to promote "Energy Bucks". Energy Bucks is an integrated campaign of grassroots outreach, community activities, and advertising, for the purpose of building awareness of weatherization, fuel assistance, and discount services. The outreach targets a mix of 14 large metropolitan areas and towns. In KeySpan's service territory, the communities targeted by the Energy Bucks campaign include: Boston, Haverhill, Lowell, Lynn, Quincy, and Somerville.

In addition to the Energy Bucks outreach, the Company will continue to market the program via Company newsletters and the Company's **e-fficiency news** electronic newsletter. A brochure dedicated to the Low Income Program will again be distributed to all income eligible clients during this program year to encourage their participation in the services that the Company sponsors.

The Company’s customer satisfaction letter is a very valuable tool for communicating with customers after work has been completed. These letters continue to be generated for every completed job. The letter asks customers to rate their overall experience with the program and allows them to recommend improvements.

Table ix: Proposed Residential Low-Income Program Budget and Participant Goal.

<b>Table ix: Residential Low Income Program</b>	
<b>Item</b>	<b>Rebate</b>
Installed Measures	\$2,545,000
Vendor Admin	\$753,000
Company Admin	\$123,656
Communication	\$8,501
Software Support	\$50,000
Evaluation & Reporting	\$19,843
<b>Total</b>	<b>\$3,500,000</b>
<b>Participant Goal</b>	<b>850 Participants</b>

## **V.-H Residential Conservation Services Program**

The Residential Conservation Services (“RCS”) program is designed to help customers optimize their homes’ energy use. The RCS program is administered by all investor-owned utilities in the Commonwealth of Massachusetts and the Cape Light Compact, who are jointly referred to as the RCS Network. The Massachusetts Division of Energy Resources (“DOER”) coordinates all RCS Network activities. All Massachusetts residential heating and non-heating customers are eligible to participate in the RCS program. Unlike the DSM programs, RCS operates on a Calendar Year basis, so this discussion looks back to Calendar Year 2004 and forward to Calendar Year 2005. To increase program awareness and name recognition, the RCS Network purchased the name MassSAVE from Conservation Services Group during 2004 and is using MassSAVE on all marketing and educational literature and advertising. The Network also jointly launched a MassSAVE web site [www.masssave.com](http://www.masssave.com).

There are two levels (tiers) of service provided by the RCS program. Tier One screening offers referrals to educational web sites and information about DSM programs and captures requests for literature such as the DOE “Energy Savers” booklet. Technical assistance regarding installation of energy savings measures is also available by phone. The Company has adopted a customized version of the online audit tool to guide the customer through Tier One. The tool provides the customer service representative (CSR) with discussion points along the way that allows her/him to engage the customer in a dialog that may lead to a better understanding of that particular customer’s needs. For example, a customer may call to request an in home assessment when all he/she really needs is the list of contractors who participate in the Company’s Weatherization program because he/she knows the home needs air sealing and insulation and plans to install them. Ultimately, the combination of information collected by Tier One staff and customer requests may result in a referral to Tier Two services.

Tier Two services consist of a Home Energy Assessment (HEA) and installation of high quality, low cost energy efficiency Instant Savings Measures (ISMs) that have an average total value of \$20 to \$30. The Company also provides Piggyback Lighting Measures that are provided by the appropriate investor-owned electric utility or the Cape Light Compact. If the customer is unable to produce an electric bill for verification or receives electric service from a municipal electric company, KeySpan will install up to two compact fluorescent light bulbs (CFLs) as part of the ISM package.

The customer is provided with a report of the results of the Home Energy Assessment, including recommendations for energy saving measures, the estimated cost of installation, (for both contractor installed and do-it-yourself) and the energy savings that will result from

implementation. The technician will also evaluate the customer's refrigerator to determine if it qualifies for the refrigerator replacement rebate offered by the electric utilities or Cape Light Compact. The primary goal of the Home Energy Assessment is to give customers an opportunity to understand the impact energy efficiency measures and improvements will make in the home and motivate them to implement measures.

In December 2004, the Company successfully negotiated with DOER revised metrics that will be used to evaluate the success of the program in 2005. Those metrics are included in the goals letter from the DOER dated October 15, 2004 and in paragraph 22 of the Offer of Settlement, docket number D.T.E. 04-95 approved by the Department on December 29, 2004. They are:

**Goal #1: Increased Implementation:**

The Company has not ascertained the anticipated BCR for its RCS program for CY 2004. The Company agrees to make that calculation and submit that BCR value to the Department and the DOER on or before March 31, 2005. The purpose of determining this ratio is to establish a baseline by which future cost effectiveness of the RCS program can be more reliably measured by both the Department and the DOER.

In 2005, the Company and DOER agree to work with one another and other interested parties to review the cost effectiveness of the RCS program as well as to perform an energy savings analysis that determines the percentage of Total Program Costs resulting in spending on customer incentives. The Company also agrees to ascertain the ratio of these same Total Program Costs that result in Lifetime Energy Savings in terms of dollars per MMBtu. An explanation of these calculations is attached as Exhibit 1<sup>7</sup>.

**Goal #2: One Stop Shopping.**

As with Goal #2 for the previous year, the Company agrees to calculate a second BCR that includes the costs and benefits attributed to electric Program Administrators ("PAs") that are generated from the initial participation in the RCS program. The Company may include said cost or benefit whether it occurs through an incentive they provided to a customer or from an energy efficiency improvement installed by an RCS vendor that originated from an RCS recommendation. Ascertaining a BCR was a prerequisite to the development of an agreed list of specific metrics. The Company commits to an annual calculation of this BCR for 2004 that shall be submitted to the DOER on or before March 31, 2005.

Further, the Company commits to working cooperatively with the other PAs and the DOER to better serve residential customers with the convenience of one-stop shopping, to establish a streamlined process for providing rebates and incentives to eligible customers, and to eliminate having customers either needing or receiving more than one Home Energy Assessment.

**Goal #3: Creation of a Competitive Market**

The Company agrees to develop an annual summary document on the competitive market. The Settling Parties acknowledge that the criteria identified therein will establish

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<sup>7</sup> This exhibit is not attached to this filing. Please refer to DTE 04-95.

the baseline for future years. The Company further agrees to submit this annual summary report to the DOER on or before March 31, 2005.

In 2004, the Company launched two pilot programs aimed at serving more customers and installing more measures at less cost. The first pilot was launched in September and is called "Inspection Piggyback Walkthrough Audit". The Company realized that over the course of a year, our technicians are in hundreds of homes to inspect the installation of energy saving measures that have already been installed. Because they have already expressed an interest in saving energy, these customers are perfect candidates to install additional measures. While in the home for an inspection, the technician offers the customer a brief review of the home to determine if there are any energy saving opportunities. Appropriate ISMs and piggyback lighting measures are installed and the customer is provided with a handwritten report of recommended measures. Because the inspection is funded through the DSM program, the Inspection Piggyback Walkthrough Audit costs the RCS budget less than half the cost of a full HEA. 32 of these Inspection Piggyback Walkthrough Audits were conducted until activity was suspended so that we could dedicate the staff to the second pilot described in the next paragraph.

The second pilot was launched in November 2004 and is referred to as "LC04", the marketing code assigned to this initiative. A letter was sent to 9,936 residential natural gas heating homeowners of single family homes in five adjoining towns on lower Cape Cod – Brewster, Chatham, Eastham, Harwich, and Orleans. The letter included a limited time offer for the first 400 who called to request a "Walkthrough Audit" as described in the previous paragraph. The offer was a Honeywell ENERGY STAR qualified programmable clock thermostat installed at no charge at the time of the audit. These customers were also offered enhanced rebates if they acted quickly: 50% up to \$750 for weatherization, \$150 for high efficiency furnace, \$200 for high efficiency steam boiler, \$500 for high efficiency forced hot water boiler, \$300 for indirect water heater attached to an ENERGY STAR boiler. Response was overwhelming, with 457 customers requesting Walkthrough Audits. As of the end of February, 410 audits were conducted, 310 had thermostats installed and 6 had installed additional measures, with more expected by the deadline of March 31.

In 2005, the Company will market the RCS program through advertising, Home Shows, bill inserts, direct mail, the MassSAVE and KeySpan web sites, online Home Energy Analyzer, and **e-efficiency news** electronic newsletters. The program is also discussed during the Company's outreach to new homebuyers through the Community Development Corporations (CDCs). Customers interested in learning more about the program may use the Company's toll-

free phone number where they can also learn about all of the Company's other energy efficiency programs. In addition, the RCS program has a separate statewide toll-free number that any Massachusetts utility customer can call for service. The statewide toll-free number is 1-866-527-SAVE (7283). Calls are redirected to the appropriate vendor based on the customer's zip code and primary heating fuel. With the possible exception of low-use gas customers, the electric utilities serve customers who heat with oil.

Table x: Residential Conservation Services Program Budget and Goal (The RCS program runs on a calendar year basis.)

<b>Table x: Residential Conservation Services Program</b>	
<b>Item</b>	<b>Budget</b>
Audits	\$141,750
ISM	\$57,375
Vendor Admin	\$276,396
Company Admin	\$165,821
Communication	\$41,000
Energy Efficiency Incentives	\$67,500
Evaluation & Reporting	\$60,000
<b>Total</b>	
	<b>\$809,842</b>
<b>Goal</b>	<b>3,375 Participants</b>

## V.-I Energy Analysis: Internet Audit Program

All KeySpan customers are eligible to receive a Home Energy Assessment through the RCS program. However, the potential exists to provide customers whose busy lifestyles do not allow time for an in-home energy audit with a more progressive alternative to facilitate evaluation of energy use and recommendations on how to conserve. To make this option available to KeySpan customers, the Company teamed with Nexus Energy Software d/b/a Nexus Energyguide™ to provide the Home Energy Analyzer, an on-line self-managed audit tool that provides customers with customized detailed and practical recommendations for saving energy, all within the convenience of a web browser.

There are several levels of service the customer can receive through the analyzer, all of which can be accessed either through the KeySpan web site or through a dedicated URL: [www.freeenergyanalysis.com/KeySpan](http://www.freeenergyanalysis.com/KeySpan). The process starts with 12 basic questions about the home and its occupants producing a report that compares their home with similar homes and their personal “Top Ways to Save”, including information about any applicable DSM programs. Users are invited to sign up to receive the Company’s seasonal electronic newsletter, **e-fficiency news**, which includes seasonal tips to save energy, information about new energy saving technologies and the Company’s other energy efficiency programs, and a link to continue the analysis of their homes. The continued analysis consists of more in-depth questions about the numbers and types of appliances, the current state of the home’s weatherization and mechanical equipment, and offers additional advice on how to improve the energy efficiency and comfort of the home.

In addition to self-service, the Company adapted the Home Analyzer to serve as the screening tool for the RCS program. The screening tool provides the customer service representatives (CSRs) with discussion points along the way that allows them to engage the customer in a dialog that may lead to a better understanding of that particular customer’s needs.

In Program Year Three, the Home Analyzer underwent a complete overhaul, updating the graphics, increasing functionality, and becoming user-friendlier. The Company has also added three new modules. First, the “Improve My Home” section provides energy savings calculators customers can use to see how much energy can be saved by replacing certain equipment. There are calculators for heating, cooling, lighting, refrigerators, washers, dryers, and water heaters. Second, the ENERGYsmart Library is an online source for information about energy topics and technologies and to learn more about home energy use. Third, the ENERGYsmart University (ESU) helps the user learn about energy and energy related issues.

It contains a variety of courses like “History and Geography” and “Science and Technology”, reference material, labs and other interactive features.

In addition to the complete overhaul of the current analyzer, as part of its program to target hard-to-reach customers, the Company launched a Spanish version of the Home Analyzer in March 2005. This can be accessed at [www.freeenergyanalysis.com/keyspanspanish](http://www.freeenergyanalysis.com/keyspanspanish). Because of budget concerns, ***e-efficiency news*** is not available in Spanish.

In Program Year Three, the Company began an evaluation and revision of the questions used in the RCS screening tool with the goal of streamlining the process. This task is being undertaken because of customer and CSR comments that it takes too long to go through all the questions. Reporting has also been revised to provide more detailed profiling of the homes being analyzed and screened. Finally, the Company began the process of including functionality that will allow the customer to download their actual bill history into their analysis tool, which will provide more accurate information and recommendations, based on actual usage. The company hopes to complete these projects in Program Year Four, although the bill download may take somewhat longer.

The Company plans to promote the on line Home Analyzer through advertising, bill inserts, email broadcasts, direct mail and contests. Plus, the URL is included on all of the Company’s residential DSM program literature and the program is discussed during the Company’s outreach to new homebuyers through the Community Development Corporations (CDCs).

Participants in this program are defined as “New Users completing Basic Home Profile Questions” or the Level 1 profile, and includes all customers who access through the dedicated URL, the KeySpan web site, or through RCS screening. To avoid double counting, the system places a “cookie” on users’ computers, which allow the system to recognize them as return users and does not count them again.

Table-xi: Internet Audit Program’s Budget and Participant Goal.

<b>Table-xi-Energy Analysis: Internet Audit Program</b>	
<b>Item</b>	<b>Budget</b>
Vendor Support	\$115,000
Company Admin	\$19,619
Communication	\$1,349
Evaluation & Reporting	\$3,148
<b>Total</b>	<b>\$139,116</b>
<b>Goal</b>	<b>6,000 New User Participants Completing the Level 1 Profile</b>

## V.-J Building Practices and Demonstration Pilot Program

The Company plans to launch its Building Practices and Demonstration Program for residential markets during Program Year Four. The purpose of the Building Practices and Demonstration Program will be to explore and demonstrate new and/or underutilized energy efficient procedures and equipment, including renewable energy system processes. In its first year, the Building Practices and Demonstration Program will work to identify which technologies or building techniques would be well suited for use and installation.

Input for this new program will be drawn from the expertise gathered by the Company's Commercial & Industrial Building Practices & Demonstration Program, as well as input from other utilities, program vendors, and interested business partners.

Eligible participants in this program will include home owners, landlords, as well as home builders. Each participant may be asked to allow monitoring of the installation and/or results, provide tours of the installation by potential users or other interested stakeholders, and publication of the results in case study format.

Marketing of the program will rely on working with industry vendors developing and/or offering new or underutilized natural gas energy efficiency technologies, as well as other interested organizations, such as the Massachusetts Technology Collaborative (MTC), for example.

Table-xiii: Building Practices and Demonstration Program Budget

<b>Table-xiii: Building Practices and Demonstration Program</b>	
<b>Item</b>	<b>Budget</b>
Vendor Admin	\$75,000
Company Admin	\$ 12,795
Communication	\$ 880
Evaluation & Reporting	\$2,053
<b>Total</b>	<b>\$ 90,728</b>

## **VI. Multifamily and Commercial & Industrial Programs**

### **VI.-A Commercial High-Efficiency Heating Program**

The Commercial High-Efficiency Heating program offers rebates to commercial, industrial, governmental, institutional, non-profit and multifamily facilities that install high-efficiency heating equipment. The rebates are provided to reduce the incremental cost between standard and high-efficiency equipment.

The Commercial High-Efficiency Heating program will continue to be promoted primarily to architects, engineers, equipment vendors, contractors and other trade allies. Since many of the trade allies overlap in the residential and smaller multifamily and commercial markets, the program will often be promoted together with the Residential High-Efficiency Heating program. Trade ally awareness will be increased through direct mail, trade publications, newspapers, trade shows/seminars, field calls and site visits.

The program's rebate schedule applies to a variety of product types and a broad range of equipment sizes that are appropriate for the commercial market segments. This range provides equal opportunity for participation among our small and large commercial customers. There will also be rebates for natural gas fired, low intensity infrared heaters, high efficiency condensing unit heaters and direct fired make-up air systems that are appropriate for the larger commercial and industrial segments. Boiler rebates are available in a two-tiered matrix: Tier One for high-efficiency non-condensing boilers and Tier Two for high-efficiency fully condensing boilers.

A market assessment study on condensing boilers completed by CEE in 2001 indicated that the higher initial capital cost of condensing boilers is one of the market transformation barriers for this technology. Therefore, to help overcome this barrier, the rebates have been set approximately 50% higher for fully condensing boilers than for high-efficiency, non-condensing boilers.

The Commercial High-Efficiency Heating Rebate Program efficiency ratings for smaller heating equipment (up to 300,000 btuh input) are measured using AFUE ratings. Efficiency ratings for larger heating equipment, which exceeds the size ranges for AFUE, will be measured using a thermal efficiency or steady state rating.

As outlined in the programs terms and conditions the Company reserves the right to negotiate a lower rebate amount per-unit for multiple installations at a single site. It is believed that customers and/or contractors making bulk equipment purchases have a lower incremental cost per unit. This practice ensures that rebate dollars are helping participants reduce the true incremental costs of installing high-efficiency heating equipment.

In Program Year Three, the Company added clarification to their rebate application. The application now states that direct fired heaters/direct fired makeup air units must also have either gas modulation or variable air flow to qualify for the program rebate. The purpose of this clarification is to ensure customers are incorporating the best options for gas-saving when selecting direct fired equipment.

In Program Year Three the Company discontinued rebates for stand-alone water heaters because the program did not meet cost-effectiveness tests. The Company continued to offer rebates for indirect fired water heaters. For Program Year Four, the rebate level for indirect fired water heaters under 75 gallons of storage will be \$100.

In Program Year Three, the Company and GasNetworks™ determined that instantaneous tankless water heaters were a high efficiency water heating option and should be added to the rebate schedule. Beginning in Program Year Four, instantaneous tankless water heaters with a .82 EF and electronic ignition will qualify for a \$300 rebate. This program is consistent with the GasNetworks™ offering. Instantaneous tankless water heaters were previously rebated as a custom measure in the Energy Savings Plan.

During Program Year Four, the Company will be reviewing the potential of adding additional technologies to the Commercial High-Efficiency Heating schedule. Two technologies currently under review are combustion controls and direct vented wall heaters. Both technologies may be rebated through the Energy Savings Plan as a custom rebate. Developing a prescriptive rebate for these technologies would simplify the current process and increase the opportunity to promote these two options for increased efficiency.

Table xiii: Commercial High-Efficiency Heating Program Rebate Qualifications.

<b>Table xiii: Commercial High-Efficiency Heating Program Rebate Qualifications</b>		
<b>Product</b>	<b>Rating</b>	<b>Rebate</b>
Furnaces (up to 150 MBtuh)	> 90% AFUE	\$150
Condensing unit heaters (151 to 400 MBtuh)	> 90% Thermal Efficiency	\$500
Direct fired heaters / direct fired makeup air (up to 1500 MBtuh)		\$1,000
Direct fired heaters / direct fired makeup air (1501 to 3000 MBtuh)		\$1,500
Direct fired heaters / direct fired makeup air (over 3000 MBtuh)		\$2,000
Infrared heaters (all sizes)	low intensity	\$500
Steam Boilers (up to 300 MBtuh)	> 82% AFUE	\$200
Hydronic Boilers (under 175 MBtuh)	> 85% AFUE	\$500
Hydronic Boilers (176 to 300 MBtuh)	> 85% AFUE	\$700
Hydronic Boilers (301 to 499 MBtuh)	> 85% Thermal Efficiency	\$1,000
Hydronic Boilers (500 to 999 MBtuh)	> 85% Thermal Efficiency	\$2,000
Hydronic Boilers (1000 to 1700 MBtuh)	> 85% Thermal Efficiency	\$3,000
Hydronic Boilers (1701 MBtuh and larger)	> 85% Thermal Efficiency	\$4,000
Condensing Boilers (under 175 Mbtuh)	> 88% AFUE	\$600
Condensing Boilers (176 to 300 Mbtuh)	> 88% AFUE	\$1,000
Condensing Boilers (301 to 499 Mbtuh)	> 90% Thermal Efficiency	\$1,500
Condensing Boilers (500 to 999 Mbtuh)	> 90% Thermal Efficiency	\$3,000
Condensing Boilers (1000 to 1700 Mbtuh)	> 90% Thermal Efficiency	\$4,500
Condensing Boilers (1701 Mbtuh and larger)>	90% Thermal Efficiency	\$6,000
Indirect fired water heaters (up to 75 gallon storage)	> 90% Thermal Efficiency	\$100
Indirect fired water heaters (up to 75 gallon storage)	> 90% Thermal Efficiency	\$250
Instantaneous Tankless Water Heaters with and Energy Factor of 0.82 or higher and electronic ignition		\$300

Table-xiv: Commercial High-Efficiency Heating Program Budget and Rebate Goal.

<b>Table-xiv: Commercial High-Efficiency Heating Program</b>	
<b>Item</b>	<b>Budget</b>
Rebates	\$415,000
Vendor Admin	\$35,000
Company Admin	\$76,689
Communication	\$5,278
Evaluation & Reporting	\$12,319
<b>Total</b>	<b>\$544,366</b>
<b>Goal</b>	<b>500 Rebates</b>

## **VI.-B Multifamily Housing Program**

The Multifamily Housing Program offers energy audits and financial incentives for energy saving measures to multifamily facilities that are on a qualifying commercial rate. Examples of projects that qualify for funding through this program include redesign of space heating or water heating systems, steam system upgrades, building insulation, premium efficiency windows and doors. Programmable thermostats, heat recovery ventilation systems, digital energy management systems, or sophisticated burners and/or controls for boilers. The original program design targeted only public housing authorities. In Program Year Two the program was expanded to support both privately owned properties as well as public housing authorities.

In Program Year Three the Company aligned the program with the C&I program. The programs are administered by the same vendor and managed internally by a single program manager. Through the program properties receive either a prescriptive or custom audit depending on the size of the property or complexity of the project. Multifamily Properties are eligible for a rebate of \$0.75 per first year estimated therm savings, up to 50% of the eligible installed project costs with a cap of \$100,000.

In Program Year Three, the program was promoted through the Energy Management staff and Company sales representatives. This year the Company also administered several direct mail campaigns. Two campaigns targeted the religious segment and C&I customers on Cape Cod, also included multifamily properties.

The Company has committed to allocating resources from the Multifamily Program to aid Mayor Menino's, Leading the Way II, campaign for the City of Boston. The Leading the Way II campaign is focused on increasing the amount of affordable housing in Boston through new development, redevelopment and private property owners in the city. In response to a request from the City, the Company committed to aiding the B.H.A. and private property owners to increasing the energy efficiency of these properties.

In Program Year Four, the Company plans to serve 100 participants. The budget in Program Year Four is being increased to provide additional rebates for energy efficiency measures in public and private affordable housing projects.

Table xv: Multifamily Housing Budget and Goal in Number of Units.

<b>Table xv: Multifamily Housing</b>	
<b>Item</b>	<b>Budget</b>
Rebates	\$600,000
Vendor Admin	\$100,000
Company Admin	\$119,419
Communication	\$8,210
Evaluation & Reporting	\$19,164
<b>Total</b>	<b>\$846,793</b>
<b>Goal</b>	<b>100 Participants</b>

## **VI.-C Commercial Energy Efficiency Program**

The Commercial Energy Efficiency Program is designed to provide support services and financial incentives that encourage the Company's commercial and industrial customers to install energy efficient related natural gas equipment. Virtually any energy efficient technology or system design that exceeds the minimum requirements of the local energy code and which is not covered by another Company program offering, may be eligible for a rebate under this program. The program is open to all firm gas sales customers on a commercial tariff. Rebate incentives provided through the program must be pre-approved by the Company and/or the administrative vendor prior to delivery or installation of product (s) or service(s).

Customers may apply for program services or rebate incentives via a variety of trade ally channels including Company representatives, plumbing and heating contractors, engineering firms, energy service companies or equipment vendors. After reviewing the customer's energy efficiency needs, the customer will be offered the appropriate program services. The following describes the three categories of services a customer may be eligible for.

### ***Energy Audit and Engineering Services***

Energy Auditing services are for customers intending to proceed with energy efficiency improvements, but who require assistance estimating savings and rebate levels. Most participants in this category will be small to medium customers with energy efficiency applications, or large customers with relatively simple energy efficiency projects. It is not required for customers to obtain an energy audit to proceed with prescriptive energy efficiency measures, nor does the Company intend to provide Energy Auditing services for such projects.

Engineering services will be used to evaluate more complex projects that involve technologies associated with mechanical and/or process equipment. These types of technologies may include boiler or chiller plant redesigns, heat recovery systems, digital energy management systems or process efficiency improvement projects. The Company will also collaborate with electric utilities to promote electric savings opportunities as well as natural gas savings opportunities. In Program Year Three the

Company expanded the scope of engineering studies to include those used for commissioning or recommissioning. Services provided under the program will include technical analysis and engineering support for medium to large customers who need assistance evaluating and/or designing complex projects. The Company will cost share these services with the customer. The customer may select the engineering firm of their choice and receive co-funding from the Company up to 50% of the reasonable fees related to the efficiency project, not to exceed a \$10,000 Company contribution.

***Prescriptive Rebates***

Prescriptive Rebates will be available for common energy efficiency measures including programmable thermostats, boiler reset controls, steam trap replacements, pipe and/or duct insulation, building shell (walls, roof, floor, crawlspace) insulation and high efficiency windows. Prescriptive Rebates will be targeted primarily toward the small and medium sized multifamily, commercial and industrial customers

In Program Year Four the Company will continue to promote the prescriptive rebates to customers, contractors and trade allies. Although energy audits are not required for participation, pre-approval of the contractor’s proposals and the available prescriptive rebate must be submitted to KeySpan prior to installation. Customers will receive rebates for installed measures as indicated in Table-xvi below.

Table xvi: Eligible Prescriptive Measures

<b>Table xvi: Eligible Prescriptive Measures</b>	
<b>Measure</b>	<b>Rebate Available</b>
Programmable thermostats	\$25.00 each, up to five units
Digital boiler reset control	\$150.00 single stage; \$250.00 multi-stage
Steam trap replacements	\$25.00 / replaced trap
Pipe or duct insulation; duct sealing	Up to 20% of project cost
Building shell insulation (roof, walls, floor)	Up to 20% of project cost
Premium efficiency windows	\$1.00 / sq. ft. of window rough opening area
Gas Fired High-Efficiency Fryers	\$300.00 / \$500.00 Rebates
High-Efficiency Spray Valve	\$75.00 Rebate

### ***Custom Incentives***

Custom Incentives will be available for projects that demonstrate the use of natural gas more efficiently than typical industry practices or more efficiently than the minimum building code requirements. Incentives will be limited to no more than 50% of the eligible installed project costs, and the Company's contribution will be capped at \$100,000 per site and/or project. Following a review of historical program participation in New England, as well as practices at other utilities the Company has determined that financial incentives are not necessary for projects with less than a one year simple payback. In Program Year Three the Company discontinued providing rebates to those projects.

Custom Incentives will be classified as either Level One or Level Two. Level One projects involve less complex technologies and/or highly cost-effective technologies and will receive incentives based upon \$0.75 per first year of estimated therm savings. Examples of Level One projects are redesigns of HVAC systems, energy recovery ventilation, most heat recovery applications, building automation/energy management systems and advanced technology burners and/or burner controls. Incentives for heat recovery from cogeneration units will be limited to \$.75 per first year of estimated therm savings.

Level Two projects are more complex and/or represent underutilized technologies and will receive incentives based upon \$1.50 per first year of estimated therm savings. Few applications are expected to reach this threshold. Incentives may not be applied toward normal maintenance costs, or for equipment disabling or abandonment without an energy efficient replacement.

In Program Years Two and Three the Company launched a series of targeted direct mail campaigns to the food service industry, the religious segment, the autobody segment and the five towns in the lower cape, Brewster, Chatham, Harwich, Orleans and Eastham. These targeted campaigns proved to be very successful to in bringing participants into the program. The success of these campaigns as well as developments in the energy efficiency arena have led the Company to develop a new direction for Program Year Four.

In Program Year Four, the Company intends to define specialized tracks inside the Commercial Energy Efficiency Program.

The first track, the Energy Savings Plan, will offer rebates and services to participants as the program had over the previous years. The Energy Savings Plan will continue to target individual markets with specialized offers for each industry segment or geographic territory.

The second track, The Emerald Network, will offer rebates and services to customers focused on developing new green buildings or increasing green aspects of their existing buildings. The Emerald Network track will provide resources to assist customers seeking a LEED Certification or increasing the efficiency of their building or project design. In addition to looking at traditional opportunities for energy efficiency, this track will also promote the use of advanced technologies, including combined heat/cooling and power and double effect absorption cooling, by connecting customers with resources from KeySpan and industry partners. In Program Year Three the Company announced this initiative in an effort to support green building in Boston. The Company is connecting with new partners in the green arena that had not traditionally been reached through our energy efficiency programs. In order to fully support this offering the Company will also be looking at the best options for training operators of green buildings.

In Program Year Three, the Company began investigating opportunities to support options for renewable energy. After conducting secondary research, the Company, identified a third track for Program Year Four, the Solar Thermal track. This track would support the design, installation and evaluation of solar thermal applications by customers. Solar thermal rebates would be provided at the level 2 incentive rate of \$1.05/therm. This track would offer a unique opportunity for the Company to be the first natural gas utility in the United States to offer rebates for these energy efficiency opportunities.

Success in these tracks may lead to development of full individual programs in subsequent program years.

Table-xvii: Commercial Energy Efficiency Program Budget and Rebate Goal.

<b>Table-xvii: Commercial Energy Efficiency</b>	
<b>Item</b>	<b>Budget</b>
Rebates	\$1,800,000
Vendor Admin	\$225,000
Company Admin	\$345,462
Communication	\$23,749
Evaluation & Reporting	\$55,438
<b>Total</b>	<b>\$2,449,649</b>
<b>Goal</b>	<b>500 Participants</b>

## **VI.-D Building Practices and Demonstration Program**

The purpose of the Building Practices and Demonstration Program is to establish successful applications of new or underutilized energy efficient procedures, processes, or technologies. Interested parties may file applications for financial and technical assistance directly to the Company. Applications must include a description of the scope of work and an estimate of the savings and benefits to be realized. Participants are required to allow monitoring of the installation and/or results, tours of the installation by potential users or other interested stakeholders, and publication of the results in case study format.

To market the program we will rely on industry vendors developing and/or offering new or underutilized natural gas energy efficiency technologies. The program will also be marketed through the Company's sales force.

In Program Year Three, the Company identified and implemented several new technologies that include:

- Ozone Laundry System
- Infrared Pizza Oven
- IP Based Remote EMS System
- Low-flow Commercial Dishwashers
- Magnetic Water Conditioning

The Company has also been working to identify new technologies to fill the pipeline for Program Year Four. The Company has sought out additional partners, such as the CEE Commercial Kitchens Group and Energy Solutions Center. The Company is also investigating the possibility of gaining membership in the Gas Food Equipment Network to increase its access to new technology information.

Table-xviii: Building Practices and Demonstration Program Budget and Project Commitment Goal.

<b>Table-xviii: Building Practices and Demonstration</b>	
<b>Item</b>	<b>Budget</b>
Rebates	\$200,000
Vendor Admin	\$10,000
Company Admin	\$35,826
Communication	\$2,463
Evaluation & Reporting	\$5,749
<b>Total</b>	<b>\$254,038</b>
<b>Goal</b>	<b>10 Project Commitments</b>

## **VI.-E Multifamily and C&I Load Management Pilot Program**

In Program Year Two, the Company selected GDS Associates to conduct a scoping study for the Multifamily and C&I Load Management program. The research included a thorough review of secondary sources and limited interviews with market actors. The goals of the research included: identifying the need to develop such a program, potential technologies, practices or strategies that could provide cost effective natural gas load management and potential barriers and drivers to successfully implement such a program.

Early in Program Year Three a final report uncovered that no need existed for a customer based load management program. The research did identify an opportunity for load management at community level through a concentrated energy efficiency effort. In Program Year Three the Company launched a community based effort in the last five towns in the territory on Cape Cod, Brewster, Chatham, Eastham, Harwich, and Orleans, with a direct mail piece. The Company will continue its effort with this community based effort on the Lower Cape. The Company intends to look at other areas of its service territory that could benefit from a community based program.

Since the strategy for implementing energy efficiency at the community level fits best in the Commercial Energy Efficiency Program the budget for the Multifamily and C&I Load Management program is being rolled into the Commercial Energy Efficiency Program budget. In Program Year Four, the company may develop a track inside the Commercial Energy Efficiency Program focused on community based energy efficiency.

Table-xix: Multifamily and C&I Load Management Pilot Program Budget. (The incentive level listed below is an estimate of the required first-stage funding to launch the initial five project commitments.)

<b>Table-xix: Multifamily and C&amp;I Load Management Pilot Program</b>	
<b>Item</b>	<b>Budget</b>
Incentives	\$0
Vendor Admin	\$0
Company Admin	\$0
Communication	\$0
Evaluation & Reporting	\$0
<b>Total</b>	<b>\$0</b>

## **VI.-F Economic Redevelopment Program**

The Economic Redevelopment program provides incentives to foster the rehabilitation of buildings, storefronts and neighborhoods, while also helping to improve energy efficiency and reduce energy costs. Through the program, the Company works with Chambers of Commerce and other economic redevelopment organizations to facilitate the installation of eligible building shell and other measures that increase the energy efficiency of business districts and empowerment zones, K-12 public school systems, and public and private subsidized housing. One of the program's objectives is to leverage energy efficiency funds with other investments that are being made for community development purposes.

The program is eligible to all Company multifamily, commercial and industrial customers located in state designated economic target areas. Maximum funding per project is \$100,000, with a minimum of 50% matching funds required by the customer.

Applications for funding must include a description of the redevelopment project, information on the sponsoring organization, identification of additional funding sources, types of energy conserving measures to be installed, estimated energy savings and project schedule. Each application for funding is evaluated and an analysis is performed to identify cost-effective opportunities for reducing a customer's energy consumption. The analysis performed leads to a report summary of recommendations and a detailed description of the alternatives evaluated, including; total installation costs, annual energy costs, annual savings and simple payback periods.

The program will continue to be promoted to Chambers of Commerce, Community Development Corporations, schools and other economic development organizations. In Program Year Four the Company intends to evaluate participation in Economic Target Areas, "ETA" over the past several years. The Company will make an effort to increase participation in any previously under served "ETA's" identified in the Company review. In addition, the Company will continue to participate in tradeshow events and other promotional events.

Also, in Program Year One, the Company was engaged by a consultant to compile a case study on Year One program participant, the Uphams Corner Market Renovation Project in Dorchester, Massachusetts. The case study was co-funded by

the Company, the project financing institution, the Massachusetts Housing and Financing Commission, and the developer, New Atlantic Development Corporation. The case study evaluated the barriers of financing on constructing high performance affordable housing. The case study was completed in Program Year Two. The case study was presented at various outreach events in Program Year Two including a workshop held for BuildBoston 2003. In Program Year Four, the Company will coordinate with the consultant to conduct a Company sponsored presentation of the case study. The case study findings may also be incorporated in new program literature to be developed in the next program year.

Table-xx: Economic Redevelopment Program Budget and Project Goal.

<b>Table-xx: Economic Redevelopment</b>	
<b>Item</b>	<b>Budget</b>
Incentives	\$750,000
Vendor Admin	\$10,000
Company Admin	\$129,655
Communication	\$8,913
Evaluation & Reporting	\$20,806
<b>Total</b>	<b>\$919,374</b>
<b>Goal</b>	<b>20 Projects</b>

## **VI.-G Business Energy Analyzer**

The Energy Fast-Track Business Analyzer provides customers an opportunity to learn about energy savings as it relates to both their facility and their industry, the flexibility of addressing energy concerns at their leisure, and the ability to return to the site and review the recommendations. The tool also provides customers a vehicle to identify which energy saving rebates they may be eligible for from KeySpan Energy Delivery.

In Program Year Two, the Company introduced the Efficiency Fast Track piece of the Nexus Energy Software Business Analyzer tool. This piece provided a great value to our customers, offering them not only customized energy efficiency recommendations but also the ability to compare their energy use to similar businesses and industry specific case studies.

Customers complete a profile that includes their location, business type, size of facility and hours of operation. The system then generates energy saving recommendations or “Ways to Save”. At this point the customer can opt to enter in more specific information about their facility including actual energy use from utility bills or have the system estimate usage. The system can then generate a further detailed analysis of the business’s energy usage and more accurate energy saving suggestions. With this information the tool can generate targeted “Ways to Save”. The customer can view these tips either showing those with the greatest savings or the shortest payback. The recommended measures have been customized to reflect information on rebates from KeySpan. Customers can create a plan for energy efficiency plan from these measures that can be retrieved any time they log on.

In the spring of 2004, the Company launched the Business Energy Analyzer promoting it to customers through direct mail, trade show and outreach events. While the URL was promoted through these means the tool itself was not the focus of the marketing pieces. Due to limited staffing, the tool was not sufficiently marketed, which resulted in limited participation through January 2005. In February 2005 the Company launched a direct mail campaign to increase awareness and usage of the tool. This campaign consisted of a direct mail piece to all small and medium sized customers in the Company’s Massachusetts territory. The piece combined the promotion of the tool

with a chance to win Boston Red Sox tickets and other Red Sox paraphernalia to any customer who logged on and completed the energy profile. This contest approach is an additional incentive for customers to visit the site. Through the Company’s partnership with NEEP the tool is also being promoted to former students of the Building Operators Certification course through the BOC Newsletter. Finally, this promotion is being marketed through the Company’s sales force and energy efficiency staff that comes in contact with customers. Even with the increased marketing effort it is expected the program will only meet 50% of goal. In Program Year Four, the Company will develop marketing and communications plan to drive customers to the site.

Following an evaluation of the budget for the business analyzer in Program Year Three, the Company determined that increased funding is necessary to meet the program goal of 1000 users. The former budget significantly underestimated the costs associated with vendor support and the level of funding necessary for successful communication development.

Table-xii: Business Energy Analyzer Program’s Budget and Participant Goal.

<b>Table-xii: Business Energy Analyzer</b>	
<b>Item</b>	<b>Budget</b>
Vendor Support	\$65,000
Company Admin	\$11,089
Communication	\$12,500
Evaluation & Reporting	\$1,779
<b>Total</b>	<b>\$90,368</b>
<b>Goal</b>	<b>1,000 New Users</b>

## **VII. Outreach and Communication**

### **VII.-A Energy Efficiency Communication and Education**

Communication to and education of customers and trade allies is critical to the success of the Company's DSM/MT efforts. One of the most common barriers to the increased use of energy efficient equipment or practices is a lack of awareness by customers of the potential energy and financial savings. In addition, another common barrier is the lack of awareness by customers as to how its utility can help them reduce their energy costs. To overcome these barriers and help customers make informed energy decisions, the Company plans to maintain a consistent and high level of program outreach to its customers and trade allies.

One component of program outreach will be the ongoing development and refinement of brochures, direct mail pieces, bill inserts, and educational literature for the Company's initiatives. For Program Year Three, through March, the Company received over 8,000 calls inquiring of the Company's energy efficiency programs. Over 40% of the inquiries were a direct result of marketing the energy efficiency programs.

The energy management staff will also have opportunities to disseminate energy efficiency information on a personal level. Examples include exhibiting at home shows, trade shows, community events, landlord events, new homeowner workshops, energy information fairs, awareness events at major employers, etc. The corporate Website will also be utilized as a tool to promote energy efficiency. On a quarterly basis, call center representatives will be trained on the Company's Energy Efficiency Programs and how to direct customers to our DSM/MT programs.

## VII.-B Trade Ally Training and Codes & Standards

Energy efficiency awareness amongst the Company's trade allies and customers is crucial to reducing barriers to energy efficiency and increasing acceptance of new technologies. Education activities will be a critical piece to the Company's promotion efforts.

The Company will support and undertake a wide range of training events in collaboration with GasNetworks™, the JMC, manufacturing training reps and other trade allies. Outreach will extend to contractors, engineers, builders, landlords, realtors, facility managers, housing authorities and other customers. The objective of all training activities will be to increase trade ally awareness of the benefits of energy efficiency and provide trade allies with the technical tools to properly select size, install and maintain energy efficient products and customers with the knowledge to select energy efficient products.

Training activities will be promoted via company newsletters and direct mail campaigns to contractors and customers in addition to meeting with trade allies at public events. The GasNetworks™ Web site ([www.gasnetworks.com](http://www.gasnetworks.com)) will also be used as a vehicle for promotion, offering trade allies a central source of information on special event training efforts, in addition to joint energy efficiency programs.

Table xxii: Trade Ally Education and Codes & Standards Budget and Goals.

<b>Table xxii: Trade Ally Education and Codes &amp; Standards</b>	
<b>Item</b>	<b>Budget</b>
Training Sessions	\$25,000
Company Admin	\$40,000
Communication	\$10,000
<b>Total</b>	<b>\$75,000</b>
<b>Goal</b>	<b>1,000 Participants</b>

### VII.-C Building Operators Certification

The Company is continuing to offer the Building Operator Certification (BOC) program. The BOC program is administered by Northeast Energy Efficiency Partnerships, Inc. (“NEEP”) who provides curriculum selection, instructors, testing, certifications, as well as administrative functions. The target audience for the BOC program is individuals responsible for the maintenance and operation of equipment and systems in commercial buildings, industrial plants and public facilities. A BOC certificate is awarded to students who complete eight full days of classroom instruction, homework projects and testing.

The BOC program will offer six to eight sessions during the program year throughout the New England region. Each session will enroll approximately 28 students. Each student is scheduled for two days of classroom instruction per month over a four month training cycle. In 2004 the Company co funded a number of participants with the Cape Light Compact. The Company also hosted a class at its Waltham facility during Program Year Three.

In Program Year Four, the Company will continue to co-sponsor with other participating utilities. The Company will host at least one class at either its Waltham facility or a remote location. The Company will also look at BOC as one possible solution for training operators of green buildings.

Table-xxiii: BOC Program Budget and Participant Goal.

<b>Table xxiii: BOC Program</b>	
Incentives	\$45,000
Vendor Admin	\$5,000
Company Admin	\$3,412
Communication	\$235
Evaluation	\$548
<b>Total</b>	<b>\$54,195</b>
<b>Goal</b>	<b>30 Participant Students</b>

## VIII. Administration and Evaluation

### VIII.-A Administration

To effectively administer the proposed energy efficiency programs, the Company's Energy Management group has a staff of 15 full-time employees. The staff consists of a director, a manager of Residential and Low-Income programs, a manager of Commercial and Industrial programs, a senior supervisor of Administration and Support, 5 program managers, 2 program engineers, a communication specialist, a program evaluator and 2 energy management specialists. The Company also retains the services of qualified energy services vendors to assist in administrative or technical aspects. The following table (Table XXIV) identifies the vendors used for significant program administration. Energy services vendors also may be selected throughout the five-year plan on an as needed basis for specific projects.

Table-xxiv: DSM/MT Program Vendors

<b>Table xxiv: DSM/MT Program Vendors</b>		
<b>Program</b>	<b>Vendors</b>	<b>Abbreviation</b>
Most DSM/MT Programs	Honeywell DMC Services, Inc.	DMC
Residential Low Income Program	Action Energy, Inc.	Action
ENERGY STAR Homes Program	Conservation Services Group	CSG

The Company has developed accounting systems and tracking methods to identify costs attributable to each of its DSM/MT programs. These systems will clearly separate DSM/MT plan costs from other business activities. The Company's DSM/MT activities will be independent of any competitive service offerings, and program offerings will be open for participation by all qualified trade allies and marketers.

The budget for program administration is included within each program's budget.

## VIII.-B Evaluation and Reporting

The Company has compiled information on residential, commercial and industrial markets in its Massachusetts service territory by means of market research conducted during its previous five-year DSM/MT plan. In particular, the Company has a database of information on the residential and commercial gas heating markets, the gas water heating market, and the residential new construction market. The Company also has a database of research on high-efficiency technologies ranging from heating equipment to building practices.

The Company plans to build on its current library of research and analysis studies to not only evaluate the impact and cost effectiveness of its DSM/MT programs, but to help identify opportunities for new and/or underutilized energy efficiency technologies and initiatives.

The Company will be conducting customer satisfaction surveys of randomly selected residential and C&I program participants from this past year. These surveys will be conducted during the 1<sup>st</sup> quarter of Program Year 4. We will use the results of the surveys to evaluate and access our programs in regards to process, rebate literature and applications, and customer/Company contact.

Table-xxv: Type of Research Efforts to be Performed and/or considered.

<b>Table-xxv: DSM/MT Research Efforts</b>	
<b>Type</b>	<b>Description</b>
<b>Customer Satisfaction Surveys</b>	Survey residential and C&I program participants for customer service evaluation and process evaluation.
<b>Reporting</b>	Periodic process evaluations, impact evaluations, and progress reports on all DSM/MT programs.
<b>Market Assessment Studies</b>	Detailed description of the overall operation of a market, the distribution channels, an identification of key market actors and the value chain.
<b>Development or Refinement of Program Logic Models</b>	Clarification as to the goals of a DSM/MT program, how those goals will be accomplished, and identification as to how the market landscape should have changed by the program implementation.
<b>Baseline Research</b>	Identify and measure crucial market attributes prior to program continuation or launch.
<b>Segmentation Studies</b>	Analysis on customer needs and preferences by different types of customers.
<b>Indicator Identification and Tracking</b>	Identification and measurement of key indicators of market transformation.
<b>Targeted Special Studies</b>	Measure life/persistence, arrearages, educational impacts, non-energy benefits or other DSM/MT program issues that need to be examined.

The Company developed a five-year research evaluation plan with GDS Associates, Inc., a market research provider, where a timeline of activities and studies was recommended. The finalized research plan was delivered to the DTE August 1, 2002.

The budget for evaluation and research is included within each program's budget. Wherever possible, the Company will look to offset the cost of evaluation and reporting by performing research in collaboration with industry partners GasNetworks™, NEEP, AESP, JMC, CEE and other utilities and utility.

## IX. Shareholder Incentives

In this filing, the Company is not seeking recovery of shareholder incentives. However, it submits the following for informational purposes.

On August 18, 2003, the Company and the Non-utility Settling Parties proposed to change the method by which shareholder incentives are calculated. KeySpan Energy Delivery New England, D.T.E. 03-86. The proposed change was in response to a precipitous drop in the 3-month treasury bill rate since the Department's adoption of the guidelines in February 2000 and was consistent with the Department's finding that "a properly designed incentive must be large enough to promote good program management, but small enough to leave almost all of the money to directly serve customers". Massachusetts Electric Company and Nantucket Electric Company, D.T.E. 0065-A. The Company proposal would substitute a fixed percentage of 4.25% in Program Year One and 5% in all subsequent program years for the 3-month t-bill rate in the shareholder incentive calculation. In exchange for a fixed percentage rate in the formula for calculating shareholder incentive, the Company agreed to provide enhanced reporting and expanded performance metrics. For more detail, see the Company's filing in docket D.T.E. 03-86.

These incentive levels are consistent with the incentive level recently authorized by the Department for Electric Distribution Companies See, Massachusetts Electric Company and Nantucket Electric Company, D.T.E. 03-2 at 16 (2003), citing Nstar Electric Company, D.T.E. 00-63-A at 8 (2003), Western Massachusetts Electric Company, D.T.E. 0079-A at 7 (2003) and Massachusetts Electric Company and Nantucket Electric Company, D.T.E. 00-65-A at 7. (2002). Subsequently, in September 2003, the Department allowed Massachusetts Electric Company to substitute 5% for the 2003 T-Bill rate. Massachusetts Electric Company and Nantucket Electric Company, D.T.E. 03-2 at 17.

In order D.T.E. 03-86 the D.T.E. found that the Company provided evidence that the T-Bill rate is lower than the rate recommended by DOER in D.T.E. 98-100 (Exh. DTE 2-6; RR-DTE-4; DTE-6). While the Company's proposed rates exceed the rate now provided for in the DTE Guidelines, they are near the middle range that DOER proposed in D.T.E. 98-100. The Department reaffirmed that an incentive must be large enough to promote good program management, but small enough to leave almost all of

the money to directly serve customers. The Company's proposal balanced those two objectives and was consistent with DOER information that the Department used in formulating the DTE guidelines. The Department granted the Company's request to use 4.25 percent instead of the T-Bill rate in calculating after-tax shareholder incentives for the first two years of the Plan. In the final two years of the Plan and depending on prevailing T-Bill rate, KeySpan may propose changes to the method for calculating the shareholder incentive rate for Department consideration. Pursuant for the settlement, the Company files for recovery of incentives by August 1<sup>st</sup> of each year.

**Exhibit-1: DSM/MT Program Activity Budget: FY 2005 to 2006**

Program	Services	Vendor Admin/Support	Company Admin	Communication	Evaluation & Reporting	Other	Budget	Program Goals	
<b>Residential</b>									
Low Income	\$2,545,000	\$753,000	\$123,656	\$8,501	\$19,843	\$50,000	\$3,500,000	850	Participants
Residential High Efficiency Heating	\$1,270,000	\$146,750	\$240,930	\$16,557	\$38,649	\$ -	\$1,712,886	7,500	Rebates
*Residential Conservation Services <sup>3</sup>	\$141,750	\$276,396	\$165,821	\$41,000	\$60,000	\$124,875	\$809,842	3,375	Participants
Energy Star Windows	\$400,000	\$75,000	\$81,034	\$5,571	\$13,004	\$ -	\$574,609	40,000	Participants
Residential Weatherization	\$410,000	\$45,000	\$77,622	\$5,336	\$12,456	\$ -	\$550,414	1,000	Rebates
Energy Analysis: Internet Audit Guide	\$ -	\$115,000	\$19,618	\$1,349	\$3,148	\$ -	\$139,116	6,000	New Users
Energy Star Thermostats	\$87,500	\$26,250	\$19,406	\$1,334	\$3,114	\$ -	\$137,604	3,500	Rebates
Residential High Efficiency Water Heating	\$136,000	\$17,000	\$25,931	\$1,783	\$4,161	\$ -	\$184,875	750	Rebates
Energy Star Homes	\$0	\$268,600	\$45,823	\$3,150	\$7,353	\$ -	\$324,926	400	Participants
Residential Building Practices and Demonstrations	\$0	\$75,000	\$12,795	\$880	\$2,053	\$ -	\$90,728	3	Participants
<b>Multifamily and C&amp;I</b>									
Commercial Energy Efficiency Program	\$1,800,000	\$225,000	\$345,462	\$23,749	\$55,438	\$ -	\$2,449,649	500	Participants
Economic Redevelopment	\$750,000	\$10,000	\$129,655	\$8,913	\$20,806	\$ -	\$919,374	20	Projects
Commercial High Efficiency Heating	\$415,000	\$35,000	\$76,769	\$5,278	\$12,319	\$ -	\$544,366	500	Rebates
Multifamily Housing Program	\$600,000	\$100,000	\$119,419	\$8,210	\$19,164	\$ -	\$846,793	100	Participants
Building Practices and Demonstrations	\$200,000	\$10,000.00	\$35,826	\$2,463	\$5,749	\$ -	\$254,038	10	Project Commitments
Trade Ally Education and Codes & Standards	\$25,000	\$ -	\$40,000	\$10,000	\$ -	\$ -	\$75,000	1,000	Participants
MF/CI Load Management Pilot	\$0	\$ -	\$0	\$0	\$0	\$ -	\$0	5	Project Commitments
Building Operator Certification	\$25,000	\$25,000.00	\$3,412	\$235	\$548.00	\$ -	\$54,195	30	Participant Students
Business Energy Analyzer	\$ -	\$65,000	\$11,089	\$12,500	\$1,779	\$ -	\$90,368	1,000	New Users
<b>Total</b>	<b>\$8,805,250</b>	<b>\$2,267,996</b>	<b>\$1,574,268</b>	<b>\$156,809</b>	<b>\$279,584</b>	<b>\$174,875</b>	<b>\$13,258,783</b>		

\*Residential Conservation Services program budget is for January 1, 2005 through December 31, 2005.

<sup>1</sup>Low Income Program: \$50,000 "Other" refers to program Extranet database development and management.

<sup>2</sup>Low Income Program: \$753,000 "Vendor Admin/Support" represents Local Program Support.

<sup>3</sup>Residential Conservation Services program: \$124,875 of "Other" refers to Instant Savings Measures (ISMs) provided to customer.

## Exhibit - 2 2005 DSM/MT Program Benefit Cost Analysis Summary

<b>Program Name</b>	<b>Net Present Value Benefits</b>	<b>Net Present Value Costs</b>	<b>Net Present Value Savings</b>	<b>TRC Ratio</b>
Residential HE Heating Equipment	\$ 12,913,187	\$ 3,160,000	\$ 9,753,187	4.09
Commercial HE Heating Program	\$ 1,881,478	\$ 335,000	\$ 1,546,478	5.62
Residential HE Water Heating Program	\$ 528,296	\$ 285,000	\$ 243,296	1.85
Multifamily Housing Program	\$ 27,861,054	\$ 3,450,000	\$ 24,411,054	8.08
Energy Star Homes Program	\$ 1,808,630	\$ 963,472	\$ 845,158	1.88
Residential Energy Star Thermostat Program	\$ 840,358	\$ 175,000	\$ 665,358	4.80
Energy Star Windows Program	\$ 16,767,652	\$ 8,000,000	\$ 8,767,652	2.10
Residential Weatherization	\$ 2,466,543	\$ 1,750,000	\$ 716,543	1.41
Residential Low Income	\$ 678,271	\$ 406,000	\$ 272,271	1.67
Commercial Energy Efficiency Program	\$ 27,861,054	\$ 1,838,000	\$ 26,023,054	15.16
Building Practices and Demonstrations	\$ 1,892,806	\$ 497,400	\$ 1,395,406	3.81
Economic Redevelopment	\$ 1,970,928	\$ 1,337,800	\$ 633,128	1.47