

**Case 07-M-0548 - EPS PROCEEDING**  
**Joint Utilities<sup>1</sup> Response to the ALJ's Questions to All Parties**

For All Parties:

1. Can you please identify any inventories in New York State of existing building stock, appliances and fixtures that might be used to identify and target efficiency opportunities?

**Response:**

The best way to obtain current data on existing building stock, appliances and fixtures is through properly designed, reliable surveys that cover the State and that recognize and capture variations by building stock age and geographic region. The methods employed by various New York utilities in surveys they conducted in the late 1980s (and somewhat later) provide guidance on approaches that could be suitable in various areas of the State. It should be noted that the Joint Utilities do not suggest that the results of those surveys, as distinguished from the methods, are necessarily representative of current conditions.

2. Can you please identify any specific methods used in this or other jurisdictions of creating inventories of existing building stock, appliances and fixtures that might be used to identify and target efficiency opportunities?

**Response:**

As noted above, it is preferable to develop estimates of building stocks, appliances and fixtures through properly designed, reliable surveys tailored to incorporate the diversity that exists throughout the State. Assuming that surveys of this nature are available from other jurisdictions, it would then become necessary to develop a reliable method of "calibrating" those results to New York, using some appropriate scaling parameters. Such an effort would be of little value, as a high degree of uncertainty would be associated with attempting to calibrate estimates of building stocks, appliances and fixtures developed in one state to another.

3. Can you please identify any specific energy efficiency programs targeted to existing building stock, appliances and fixtures rather than to new construction? If possible, provide a description, cost per MWh or Decatherm, and total resource cost test score for each such program.

**Response:**

The Con Edison targeted demand side program that is used to defer transmission and distribution ("T&D") projects applies to existing buildings only. Con Edison adopted this requirement

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<sup>1</sup> The Joint Utilities are Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., KeySpan Energy Delivery New York and KeySpan Energy Delivery Long Island, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, National Fuel Gas Distribution Corporation, Orange and Rockland Utilities, Inc. and Rochester Gas & Electric Corporation. Individual utilities also intend to provide additional information about the conditions in their service territories at various points in this proceeding to facilitate an overall program design that will be responsive to diverse needs across the State.

because this is a reliability based program, *i.e.*, it is designed to defer T&D projects, and it is difficult to determine whether energy efficiency in new construction is truly incremental. Under the Commission's order adopting the current Con Edison electric rate plan, the program is required to satisfy the Total Resource Cost test. To date, the average cost for permanent energy efficiency achieved under this program is approximately \$1,000/kW.

National Grid's 2007 Energy Efficiency Plan, filed with the Massachusetts Division of Energy Resources and the Massachusetts Department of Public Utilities (formerly the Massachusetts Department of Telecommunications and Energy), is attached. This filing includes descriptions of programs for residential non-low income consumers, low-income consumers, as well as programs for commercial and industrial customers, in Massachusetts. Projected benefit/cost ratios using the Massachusetts Total Resource Cost ("TRC") test can be found in Appendix A of this filing.

National Fuel Gas Distribution Corporation has implemented a Low Income Usage Reduction Program in its Pennsylvania Division that was recognized by the ACEEE (<http://www.aceee.org/utility/ngbestprac/liurp.pdf>) as an exemplary low-income energy efficiency program.

4. Can you please identify any specific energy efficiency programs targeted to participants lacking available capital to invest in energy efficiency measures? If possible, provide a description, cost per MWh or Decatherm, and total resource cost test score for each such program.

**Response:**

Please see the response to 3, above.

5. Are you aware of any specific market transformation energy efficiency programs that are not already being pursued in New York? If possible, please provide a description, cost per MWh or Decatherm, and total resource cost test score for each such program.

**Response:**

Some of the regional and national organizations that energy efficiency providers access to find and exchange information on current and prospective market transformation strategies are:

1. The Northeast Energy Efficiency Partnerships, *available at* <http://www.neep.org>
2. The Consortium for Energy Efficiency, *available at* <http://www.cee1.org>
3. The American Council for an Energy Efficient Economy, *available at* <http://www.aceee.org>
4. The Alliance to Save Energy, *available at* <http://www.ase.org>
5. The US Department of Energy, *available at* <http://www.energy.gov/energyefficiency>
6. The New Buildings Institute, *available at* <http://www.newbuildings.org>

A review of different market transformation programs should take place in a collaborative working group to determine if there are any programs that are not already being pursued that should be pursued.

6. What entities would be most appropriate and effective in delivering:
- (a) market transformation type programs
  - (b) peak shaving/demand response type programs
  - (c) end-user rebate type programs
  - (d) energy audit type programs
  - (e) weatherization type programs
  - (f) programs for participants lacking capital
  - (g) programs targeted to new construction
  - (h) programs targeted to existing building stock, appliances and fixtures
7. What entities would be least appropriate and effective in delivering:
- (i) market transformation type programs
  - (j) peak shaving/demand response type programs
  - (k) end-user rebate type programs
  - (l) energy audit type programs
  - (m) weatherization type programs
  - (n) programs for participants lacking capital
  - (o) programs targeted to new construction
  - (p) programs targeted to existing building stock, appliances and fixtures
8. Is your entity or organization interested in being a provider of energy efficiency programs? If so, what types?
9. Is your entity or organization opposed to being a provider of energy efficiency programs? If so, what types?

**Response to Questions 6-9:**

As the Joint Utilities stated in their July 11 responses to Staff questions, the electric and gas utilities in New York State are uniquely positioned to deliver energy efficiency measures and programs that meet the varying needs of customers located in different areas of the State. The utilities have proven records of achievement and can leverage existing customer relationships to deliver these services effectively and efficiently. At the same time, NYSERDA has demonstrated capability for research, development and demonstration, and market transformation activities in support of State energy efficiency policy objectives.

The Joint Utilities note that there may be overlap among the different kinds of programs discussed above and that the kinds of programs ultimately authorized by the Commission will not necessarily fall neatly into the categories described above. Indeed, it has been stated that more efficiency could be achieved if there were fewer programs, which would reduce the potential for customer confusion and enable streamlined marketing campaigns. The Joint Utilities submit that these issues can be resolved in the proposed working group process.

# **Exhibit 1**

# **2007 Energy Efficiency Plan**

**Massachusetts Electric Company  
Nantucket Electric Company  
d/b/a  
National Grid**

**February 2007**

**Submitted to:**

**Massachusetts Division of Energy Resources**

**and**

**Massachusetts Department of Telecommunications and Energy  
Docket No. D.T.E. 07 - \_\_\_\_\_**

**nationalgrid**

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# 2007 Energy Efficiency Plan

## National Grid<sup>1</sup>

### I. Program Goals

Massachusetts Electric and Nantucket Electric Companies (together, “Company” or “Companies” or “National Grid”) propose to implement energy efficiency programs in 2007 that are designed to serve the unique needs of residential non-low income, residential low-income, and commercial and industrial customers served by the Companies.

The proposed programs incorporate market transformation strategies, services that are targeted directly to end-users and to key trade allies, and strategies that help to minimize lost-opportunities. The proposed programs produce long-term energy and demand savings as well as other resource and non-resource benefits.

Proposed energy efficiency programs are expected to provide savings and net benefits as shown in the following table:

**Program Goals**

Sector	Lifetime MWh Savings	Lifetime Summer Demand Savings (kW- Years)	Value of Non- Electric Benefits (\$000)	Total Net Benefits (\$000)
Residential Non-Low Income	543,624	66,866	\$19,003	\$52,915
Residential Low Income	110,907	11,631	\$25,103	\$25,458
Commercial & Industrial	1,143,700	200,953	\$3,537	\$106,271
Total - All Sectors	1,798,232	279,450	\$47,644	\$184,644

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<sup>1</sup> Massachusetts Electric Company and Nantucket Electric Company currently conduct business in Massachusetts under the name “National Grid.”

## **II. Budget**

In 2007, the Company projects that it will have approximately \$60 million available to fund energy efficiency program efforts, including funding for the proposed performance incentive. The following tables summarize the sources of funding by sector for the proposed effort (Tables 1 and 2) and provide detailed budgets for each proposed energy efficiency program (Table 3). Table 4 provides a summary of outsourced services in 2007.

The residential low-income programs are identified in the Electric Industry Restructuring Act as requiring annual funding of at least 0.25 mils per kWh. For 2007, the Company projects that amount to be approximately \$5.7 million (22.8 billion kWh x 0.25 mils). The Company is proposing to exceed the minimum required low income program funding level in 2007. The higher level of funding will allow the Company to better meet the needs of low income consumers who are especially challenged by high energy costs. This proposed program budget is also consistent with the Company's low income funding in previous years, which always exceeded the required 0.25 mils.

**Table 1. Collections**

Conservation Charge	\$0.00250
Conservation Charge Low Income	\$0.00025

<b>Presentation in Energy Efficiency Plan</b>		
<b>Sector</b>	<b>Category</b>	<b>A000 Funding</b>
A - Residential	01 - Collections	\$19,152,169
B - Low Income	01 - Collections	\$9,784,483
C- Commercial & Industrial	01 - Collections	\$31,093,384

<b>Calculation for R2 Funding Methodology</b>				
<b>Sector</b>	<b>Annual kWh</b>	<b>\$ - Minimum LI \$.00025 X Total</b>	<b>% Res, %LI or %C&amp;I Res, LI or C&amp;I (Res + LI + C&amp;I)</b>	<b>Collects w/ SL: (%Res, %LI or %C&amp;I X SI + Res, LI or C&amp;I) X \$.0025</b>
Residential excluding R2 (Res)	8,523,955,841	\$2,141,314	38%	\$21,413,138
R2 (LI)	578,198,376	\$145,250	3%	\$1,452,500
Commercial & Industrial (C&I)	13,586,405,146	\$3,413,058	60%	\$34,130,581
Street Lighting (SL)	109,928,175			
<b>Total</b>	<b>22,798,487,537</b>	<b>\$5,699,622</b>		<b>\$56,996,219</b>

**Table 2. National Grid Budget Summary<sup>2</sup>**

<b>Sector</b>	<b>Category Detail</b>	<b>Total</b>
A - Residential	A01a Collections (+)	\$21,413,138
	A01b Carryover (+/-)	\$510,629
	A01c Carryover Interest (+/-)	\$190,453
	A01d Actual versus Forecasted (+/-)	
	A01e Low Income (-) (.25 mills method)	(\$1,703,853)
	A01f Low Income Actual versus Forecasted (-/+) (.25 mills method)	
	A01g Low Income Contribution Additional (-)	(\$1,448,698)
	A01h Other Funding (Specify) (+)	\$190,500
	A01i Other Contribution (Specify) (-)	
	A01j Loan to Commercial & Industrial	
<b>A - Residential Total</b>		<b>\$19,152,169</b>
B - Low Income	B01a Collections ([Residential] (+) R2)	\$3,156,352
	B01b Collections [Commercial & Industrial] (+) (.25 mills method)	\$2,543,270
	B01c Carryover (+/-)	
	B01d Carryover Interest (+/-)	
	B01e Actual versus Forecasted [Residential] (+/-) (.25 mills method)	
	B01f Actual versus Forecasted [Commercial & Industrial] (+/-) (.25 mills method)	
	B01g Funding Additional [Residential] (+)	\$1,448,698
	B01h Funding Additional [Commercial & Industrial] (+)	\$2,636,163
	B01i Other Funding (Specify) (+)	
	B01j Other Contribution (Specify) (-)	
<b>B - Low Income Total</b>		<b>\$9,784,483</b>
C - Commercial & Industrial	C01a Collections (+)	\$34,130,581
	C01b Carryover (+/-)	\$682,782
	C01c Carryover Interest (+/-)	\$79,727
	C01d Actual versus Forecasted (+/-)	
	C01e Low Income (-) (.25 mills method)	(\$2,543,270)
	C01f Low Income Actual versus Forecasted (-/+)	
	C01g Low Income Contribution Additional (-)	(\$2,636,163)
	C01h Other Funding (Specify) (+)	\$1,379,727
	C01i Other Contribution (Specify) (-)	
	C01j Loan from Residential	\$0
<b>C - Commercial &amp; Industrial Total</b>		<b>\$31,093,384</b>
<b>Grand Total</b>		<b>\$60,030,036</b>

<sup>2</sup> Proceeds from the Transition to the Forward Capacity Market are not included.

**Table 3. Projected Program Costs in 2007<sup>3</sup>**

Sector	Category	Program	A001 - Program Planning & Administration	A002 - Marketing	A003 - Customer Incentive	A004 - Sales, Technical Assistance & Training	A005 - Evaluation & Market Research	A007 - Performance Incentive	Grand Total
A - Residential	02 - Lost Opportunity	A02a ENERGY STAR Homes	\$254,550	\$44,100	\$652,000	\$124,000	\$145,358	\$58,547	\$1,278,555
		A02b ENERGY STAR HVAC	\$160,036	\$145,000	\$460,960	\$116,619	\$85,287	\$23,372	\$991,274
	02 - Lost Opportunity Total		\$414,586	\$189,100	\$1,112,960	\$240,619	\$230,645	\$81,919	\$2,269,829
	03 - Retrofit	A03a Residential Conservation Service	\$575,177	\$176,200	\$2,145,615	\$960,000	\$100,119	\$219,975	\$4,177,086
		A03b EnergyWise	\$437,140	\$36,200	\$3,114,049	\$173,025		\$62,893	\$3,823,307
	03 - Retrofit Total		\$1,012,317	\$212,400	\$5,259,664	\$1,133,025	\$100,119	\$282,868	\$8,000,393
	04 - Products & Services	A04a ENERGY STAR Lighting	\$417,949	\$619,270	\$2,405,300	\$414,766	\$210,126	\$431,358	\$4,498,769
		A04b ENERGY STAR Products	\$152,956	\$196,000	\$637,500	\$276,510	\$86,523	\$88,669	\$1,438,159
	04 - Products & Services Total		\$570,905	\$815,270	\$3,042,800	\$691,276	\$296,649	\$520,027	\$5,936,927
	05 - Information & Education	A05a Residential Education Program	\$46,674	\$34	\$16,000				\$62,708
	05 - Information & Education Total		\$46,674	\$34	\$16,000				\$62,708
	06 - Research & Development and Pilots	A06a Heat Loan Program	\$241,571		\$1,300,000				\$1,541,571
		A06b Power Monitor Pilot	\$20,000		\$400,000				\$420,000
	06 - Research & Development and Pilots Total		\$261,571		\$1,700,000				\$1,961,571

<sup>3</sup> Expenditures of Transition to the Forward Capacity Market proceeds are not included. National Grid intends to expend any such proceeds to achieve additional demand and energy savings under agreements with the Non Utility Parties and DOER.

Sector	Category	Program	A001 - Program Planning & Administration	A002 - Marketing	A003 - Customer Incentive	A004 - Sales, Technical Assistance & Training	A005 - Evaluation & Market Research	A007 - Performance Incentive	Grand Total
	07 - General Support	A07a NUP Collaborative	\$79,200						\$79,200
		A07b DOER Support	\$66,109						\$66,109
		A07c Sponsorship & Subscriptions	\$35,000						\$35,000
		A07d Misc. Market Research and Evaluation					\$169,361		\$169,361
		A07x Performance Incentive Tax Liability						\$571,071	\$571,071
	07 - General Support Total		\$180,309				\$169,361	\$571,071	\$920,741
A - Residential Total			\$2,486,361	\$1,216,804	\$11,131,424	\$2,064,920	\$796,774	\$1,455,885	\$19,152,169
B - Low Income	02 - Lost Opportunity	B02a ENERGY STAR Homes LI	\$23,967	\$900	\$285,700	\$50,000		\$10,119	\$370,686
	02 - Lost Opportunity Total		\$23,967	\$900	\$285,700	\$50,000		\$10,119	\$370,686
	03 - Retrofit	B03a Single Family - Appliance Management	\$428,875	\$250,800	\$3,834,000	\$603,846	\$37,081	\$273,977	\$5,428,578
		B03b Multifamily LI EnergyWise	\$552,268	\$5,400	\$2,548,230	\$299,632		\$167,939	\$3,573,469
	03 - Retrofit Total		\$981,143	\$256,200	\$6,382,230	\$903,478	\$37,081	\$441,916	\$9,002,048
	07 - General Support	B07a LEAN Funding	\$120,000						\$120,000
		B07x Performance Incentive Tax Liability						\$291,749	\$291,749
	07 - General Support Total		\$120,000					\$291,749	\$411,749
B - Low Income Total			\$1,125,110	\$257,100	\$6,667,930	\$953,478	\$37,081	\$743,784	\$9,784,483

Sector	Category	Program	A001 - Program Planning & Administration	A002 - Marketing	A003 - Customer Incentive	A004 - Sales, Technical Assistance & Training	A005 - Evaluation & Market Research	A007 - Performance Incentive	Grand Total
C - Commercial & Industrial	02 - Lost Opportunity	C02a Design 2000 <i>plus</i>	\$826,368	\$49,196	\$8,392,074	\$1,424,949	\$452,838	\$533,482	\$11,678,907
	02 - Lost Opportunity Total		\$826,368	\$49,196	\$8,392,074	\$1,424,949	\$452,838	\$533,482	\$11,678,907
	03 - Retrofit	C03a Energy Initiative	\$728,669	\$79,428	\$7,254,597	\$1,278,463	\$171,887	\$614,153	\$10,127,197
		C03b Small Customers under 200 kW	\$270,372	\$55,000	\$5,236,484	\$355,000		\$228,794	\$6,145,651
		C06a Demand Response	\$15,654	\$10,000	\$51,400	\$240,000			\$317,054
		C06b Retro-Commissioning	\$5,563			\$160,000			\$165,563
	03 - Retrofit Total		\$1,020,258	\$144,428	\$12,542,481	\$2,033,463	\$171,887	\$842,948	\$16,755,465
	04 - Products & Services	C04a Motors Initiative	\$904	\$10,000		\$26,000			\$36,904
		C04b Unitary HVAC Initiative	\$3,502	\$18,562		\$100,728			\$122,792
		C04e ENERGY STAR Commercial Buildings	\$103,477						\$103,477
		C04h 80 Plus		\$90,000	\$100,000				\$190,000
	04 - Products & Services Total		\$107,883	\$118,562	\$100,000	\$126,728			\$453,173
	05 - Information & Education	C05a Massachusetts Energy Code Support	\$1,590			\$12,000			\$13,590
		C05b Massachusetts Energy Efficiency Partnership	\$77,608						\$77,608

Sector	Category	Program	A001 - Program Planning & Administration	A002 - Marketing	A003 - Customer Incentive	A004 - Sales, Technical Assistance & Training	A005 - Evaluation & Market Research	A007 - Performance Incentive	Grand Total
		C05c New Building Institute Guidelines	\$5,042	\$15,000		\$145,000			\$165,042
		C05d DesignLights	\$1,912			\$55,000			\$56,912
		C05e Compressed Air Challenge	\$3,129			\$90,000			\$93,129
	05 - Information & Education	Total	\$89,281	\$15,000		\$302,000			\$406,281
	07 - General Support	C07a NUP Collaborative	\$129,120						\$129,120
		C07b DOER Support	\$105,652						\$105,652
		C07c Sponsorship & Subscriptions	\$135,000						\$135,000
		C07d Misc. Market Research and Evaluation					\$541,420		\$541,420
		C07x Performance Incentive Tax Liability						\$888,366	\$888,366
	07 - General Support	Total	\$369,772				\$541,420	\$888,366	\$1,799,558
C - Commercial & Industrial Total			\$2,413,562	\$327,186	\$21,034,555	\$3,887,140	\$1,166,145	\$2,264,795	\$31,093,384
Grand Total			\$6,025,034	\$1,801,090	\$38,833,909	\$6,905,538	\$2,000,000	\$4,464,465	\$60,030,036

**Table 4. Summary of Outsourced Services**

Sector	Outsource - Rebate	A001 - Program Planning & Administration	A002 - Marketing	A004 - Sales, Tech Assist & Training	A005 - Evaluation & Market Research	Grand Total	Percentage Outsourced	Percentage Competitively Bid	Total \$ Competitively Bid
A - Residential	No	\$1,046,463	\$35,804	\$15,000	\$189,984	\$1,287,251			
	Yes	\$1,439,899	\$1,181,000	\$2,049,920	\$606,790	\$5,277,609			
A - Residential Total		\$2,486,361	\$1,216,804	\$2,064,920	\$796,774	\$6,564,860	80%	97%	\$5,119,281
B - Low Income	No	\$406,325	\$2,100	\$25,000	\$7,081	\$440,506			
	Yes	\$718,785	\$255,000	\$928,478	\$30,000	\$1,932,263			
B - Low Income Total		\$1,125,110	\$257,100	\$953,478	\$37,081	\$2,372,769	81%	0%	\$0
C - Commercial & Industrial	No	\$1,338,329	\$15,300	\$1,185,862	\$279,434	\$2,818,925			
	Yes	\$1,075,234	\$311,886	\$2,701,278	\$886,711	\$4,975,109			
C - Commercial & Industrial Total		\$2,413,562	\$327,186	\$3,887,140	\$1,166,145	\$7,794,033	64%	95%	\$4,726,353
Grand Total		\$6,025,034	\$1,801,090	\$6,905,538	\$2,000,000	\$16,731,662	73%	81%	\$9,845,634

### III. Program Cost-Effectiveness

The Company has projected the expected benefits and costs associated with the energy efficiency programs and services that it plans to administer in 2007 consistent with the requirements delineated in D.T.E. 98-100. The following table summarizes the expected benefits, costs, and the benefit/cost ratios for the portfolio of programs that will be implemented in 2007. For more detailed information about program cost-effectiveness, see Appendix A.

**Program Cost-Effectiveness – 2007**

<b>Benefits<sup>4</sup> (\$000)</b>	<b>Costs<sup>5</sup> (\$000)</b>	<b>Benefit/Cost Ratio</b>
\$259,297	\$74,653	3.47

As in past years, the Company has included the value of non-electric resource and non-resource benefits related to expected program installations.

The avoided costs used to determine program cost effectiveness were developed in the “Avoided Energy Supply Costs in New England” final report, December 23, 2005, prepared by ICF Consulting for the New England Avoided-Energy-Supply-Component (AESC) Study Group<sup>6</sup>. In addition to the biennial updating of avoided generation capacity and energy values, the report developed recommendations for consistent treatment of transmission and distribution capacity values as well as the inclusion of the demand reduction induced price effect (DRIPE) as an additional capacity benefit, which were adopted by all Massachusetts utilities and used in the b/c analysis in this plan. The benefit/cost analysis provided in Appendix A provides results with and without DRIPE.

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<sup>4</sup> Benefits include the value of electric savings, the value of non-electric resource benefits, and the value of other benefits that are expected to result from planned program efforts.

<sup>5</sup> Costs include program implementation expenses, participant costs, customer costs from spillover, evaluation costs, and proposed performance incentives. All costs are included in this analysis except for the tax liability related to performance incentives included in the Company’s budget.

<sup>6</sup> A copy of the report is attached as Appendix C in the Company’s 2006 Energy Efficiency Plan.

## IV. Program Descriptions

### A. RESIDENTIAL NON LOW-INCOME PROGRAMS

#### 1. LOST OPPORTUNITY

##### a. Residential New Construction

<b>Primary Objective</b>	To capture lost opportunities and encourage the construction of energy efficient homes.
<b>Initially Offered</b>	1998
<b>Joint vs. Sponsor Specific Offering</b>	Joint
<b>Program Design</b>	<p>Builders can choose from three participation paths. All three paths include direct installation of ENERGY STAR CFL bulbs in all appropriate sockets, on-site training and a final verification inspection. The utilities continue their strong commitment to the comprehensive, whole house approach of the ENERGY STAR Homes program. At the same time, the ENERGY STAR Building Option Package (BOP) and the Codes Plus incentives provide a way to ensure that all new homes in Massachusetts have the opportunity to be built as efficiently as possible as the market enters a transition phase with the advent of the more stringent ENERGY STAR Homes performance path certification.</p> <p>ENERGY STAR certification--Performance Path: Following this path requires:</p> <ul style="list-style-type: none"> <li>• A HERS index score of 85 or less</li> <li>• Meeting envelope leakage standards and duct leakage standards</li> <li>• Completing a thermal bypass inspection list</li> <li>• Installing certain ENERGY STAR products (as specified by the EPA)</li> </ul> <p>ENERGY STAR certification—Builder Option Package (BOP): Following this path requires:</p> <ul style="list-style-type: none"> <li>• Meeting a list of prescribed standards, all of which must be met, including: <ul style="list-style-type: none"> <li>- Meeting envelope leakage standards and duct leakage standards</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>- Completing a thermal bypass inspection list</li> <li>- Installing certain ENERGY STAR products (as specified by EPA)</li> </ul> <p>CODE Plus/Energy Efficiency Measure Upgrade path: This path offers a prescriptive package to builders, developers, architects, or homeowners interested in building energy-efficient housing, but not necessarily achieving ENERGY STAR certification. Following this path requires:</p> <ul style="list-style-type: none"> <li>• No plan review or energy modeling</li> <li>• Allows builder to choose from a list of energy-efficient or ENERGY STAR measures</li> <li>• A portion of the cost of installed energy-efficiency measures will be reimbursed</li> <li>• Installing certain ENERGY STAR products (as specified by EPA)</li> </ul>
<b>Target Market</b>	Builders, architects, designers, trade allies and others involved in the construction of single family homes or three-story or fewer multi-family buildings, and home buyers.
<b>Marketing Approach</b>	Direct builder outreach, website, and public relations activities including meeting presentations, home and trade show exhibits, participation in builder conferences. Energy efficiency outreach and training to educate builders, architects, and industry players will also be provided. Individual program Sponsors may provide target marketing as needed to meet program participation and spending goals.
<b>Target End Uses</b>	Energy efficient building shell measures, proper duct and air sealing techniques, HVAC quality installation, and mechanical ventilation.
<b>Recommended Technologies</b>	<p>Recommended technologies include:</p> <ul style="list-style-type: none"> <li>• ENERGY STAR heating and cooling systems, lighting, appliances and windows</li> <li>• Increased levels of insulation</li> <li>• Improved construction techniques to minimize air leakage, infiltration, and heat loss</li> <li>• Improved construction techniques to minimize duct leakage</li> <li>• Improved HVAC installation techniques</li> <li>• In partnership with the Massachusetts Technology Collaborative, renewable technologies including solar water heating and photovoltaics where practical</li> </ul>

<p><b>Financial Incentives</b></p>	<p><b>Incentive levels may be adjusted to respond to market conditions:</b>  ENERGY STAR Certification—Performance (HERS) Path Incentives:</p> <ul style="list-style-type: none"> <li>• 85 or less on the HERS Index \$2,000</li> <li>• Free CFL installations at final inspection</li> </ul> <p>ENERGY STAR Certification—Prescriptive (BOP) Path Incentives:</p> <ul style="list-style-type: none"> <li>• Pass BOP minimum requirements \$2,000</li> <li>• Free CFL installations at final inspection</li> </ul> <p>CODE Plus Incentives</p> <ul style="list-style-type: none"> <li>• Package One - \$1,000 <ul style="list-style-type: none"> <li>- Free CFL installations at final inspection</li> <li>- Air Seal to 8 ACH@ 50 Pascals)</li> <li>- Duct Seal to 10 CFM leakage to outdoors/100 square feet@ 25 Pascals</li> </ul> </li> <li>Package Two - \$1,300: <ul style="list-style-type: none"> <li>- Free CFL installation at final inspection</li> <li>- Air Seal to 6 ACH@ 50 Pascals</li> <li>- Duct Seal to 8 CFM leakage to outdoors/100 square feet @ 25 Pascals</li> </ul> </li> </ul> <p>All homes are also eligible for the following GasNetworks program incentives:</p> <ul style="list-style-type: none"> <li>• GasNetworks Incentives: <ul style="list-style-type: none"> <li>- Warm Air Furnaces: \$100 for <math>\geq 90\%</math> AFUE</li> <li>- Warm Air Furnaces: \$400 for <math>\geq 92\%</math> AFUE w/ECM or equivalent furnace fan system</li> <li>- Hot Water Boilers: \$500 for <math>\geq 85\%</math> AFUE</li> <li>- How Water Boilers: \$800 for <math>\geq 90\%</math> AFUE</li> <li>- High-efficiency indirect fired gas water heater connected to natural gas heating system: \$300</li> <li>- Instantaneous Water Heaters: \$300 for Energy Factor of .82 or higher and electronic ignition</li> <li>- ENERGY STAR Thermostat: \$25 per thermostat (limit 2 per residential account)</li> </ul> </li> </ul>
<p><b>Delivery Mechanism</b></p>	<p>The Program is administered by each Program Administrator within its service territory and coordinated regionally through the Joint Management Committee (JMC). All aspects of the 2007 program year were put out to bid in 2006 and a new vendor was selected for 2007.</p>
<p><b>Joint Program Administrator Enhancements Planned for 2007</b></p>	<p>Introduce the CODE Plus/Energy Efficiency Measure Upgrade path for homes either not achieving, or not striving to achieve, ENERGY STAR certification.</p> <p>Begin transition to a market based network of trained contractors who offer energy efficiency and rating services to the homebuilder for a fee. In 2007, this function will still be overseen by the program vendor, with plans to transition to the market based model in 2008.</p> <p>Train and support new vendor in meeting program objectives.</p>

<p><b>Sponsor Specific Elements</b></p>	<p>National Grid will offer incentives to encourage the installation of efficient central air conditioning. These may be adjusted to respond to market conditions. These will include:</p> <ul style="list-style-type: none"> <li>• A \$300 incentive to the builder for the purchase and installation of high-efficiency central air conditioning equipment and air source heat pump condensers that meet or exceed the ENERGY STAR minimum standard SEER rating of 14, EER of 11.5, and HSPF of 8.2 (for heat pumps only) in new homes.</li> <li>• An additional incentive of at least \$300 to the builder for verification that the HVAC subcontractor has participated in the Cool Smart program and the manual J sizing and Quality Installation Verification component have been completed. The HVAC subcontractor and customer are entitled to any incentives earned through the Cool Smart program. Additional incentives may also be offered to other market actors.</li> </ul> <p>National Grid will continue to support energy efficiency building practices with its vocational school outreach program. This program exposes students and teachers to energy efficient and renewable energy building technologies.</p> <p>National Grid supports continued work to encourage energy efficiency in high-rise multifamily new construction, which is not covered by the national ENERGY STAR Homes program. In 2006, National Grid invested \$60,000 in efforts to study the potential for energy savings in residential buildings greater than three stories. Plans evaluations were completed on seven projects with a total of 457 units. The findings are that significant energy savings can be realized when residential and commercial energy savings programs are leveraged to serve this sector. In 2007, National Grid will develop a program to address this sector, likely combining residential and commercial expertise, program components, and funding.</p>
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**b. ENERGY STAR® Heating, Ventilation and Air Conditioning (“HVAC”)**

<p><b>Primary Objective</b></p>	<p>Raise residential consumer awareness of the benefits associated with the purchase and proper installation of high efficiency cooling equipment and systems as well as increase the market share of ENERGY STAR labeled natural gas warm air furnaces equipped with an electronic commutated motor (ECM) or equivalent advanced furnace fan system and cooling equipment.</p>
<p><b>Initially Offered</b></p>	<p>The Sponsors introduced their rebate program for ENERGY STAR-labeled central air conditioning units, which is now called COOL SMART, on April 1, 2004.</p> <p>The heating component of the program is a joint electric and gas offering begun in 2003.</p>
<p><b>Joint vs. Company Specific Offering</b></p>	<p>In 2007 the COOL SMART program will be a joint program offering from NSTAR and National Grid. (COOL SMART is also offered in Rhode Island. The program is delivered by the same vendor in both Massachusetts and Rhode Island.)</p> <p>Western Massachusetts Electric, Unutil and the Cape Light Compact will not be offering this program in 2007.</p> <p>The heating component of the program will be jointly offered in 2007 by the following Sponsors: Cape Light Compact, National Grid and NSTAR. Western Massachusetts Electric Company’s participation will be based on the availability of funding. Unutil will not be participating.</p>
<p><b>Program Design</b></p>	<p>The ENERGY STAR Heating, Ventilation and Air Conditioning (HVAC) program is a market transformation initiative designed to increase consumer awareness and the market share of ENERGY STAR labeled furnaces, central air conditioning (AC) units and air source heat pumps, and promote quality cooling installations by HVAC technicians and contractors.</p> <p>The heating component of the program, which is jointly offered with GasNetworks, is a dual electric/natural gas rebate program for high efficiency furnaces equipped with ECM or equivalent advanced furnace fan systems. This program was launched on May 1, 2003 and represents the first dual rebate program of its kind in the country.</p> <p>By offering training and incentives for “Digital check-ups” of existing equipment during the course of a repair or tune-up the program reduces barriers to customer and contractor participation. Seasonal HVAC service demand issues, lack of customer awareness of what makes for quality air conditioning operation, and seasonal temperature limitations combined with limited time to complete paper based incentive</p>

	<p>applications present some of the greatest barriers for contractors to offer and complete third-party verification testing. The program Sponsors continue to explore new strategies to minimize these market barriers.</p> <ul style="list-style-type: none"> <li>• Customers with equipment installed prior to January 1, 2005 are eligible once every five years for a “Digital check-up” of equipment during the course of a repair or tune-up. (The digital check-up involves checking and adjusting charge and airflow using CheckMe or Honeywell Service Assistant and reporting the results\data to the customer and to COOL SMART for third-party verification.)</li> </ul> <p>Quality Installation Verification (QIV) offerings are considered essential to the program’s Quality Installation (QI) market transformation efforts. QIV services include third-party verification of optimal refrigerant charge and system airflow on any new equipment installation (commissioning), whether or not the equipment meets ENERGY STAR minimum standards.</p> <p>The program also promotes North American Technical Excellence (NATE) in HVAC contractor and customer educational materials. This strategy is designed to promote the value of NATE certification in the HVAC community and support best installation practices, education, and training for HVAC technicians and contractors.</p>
<p><b>Target Market</b></p>	<p>There are several target markets:</p> <ul style="list-style-type: none"> <li>• New Construction (new systems)</li> <li>• New Systems in Existing Homes (new systems)</li> <li>• Replacement Systems in Existing Homes (new equipment/old systems)</li> </ul> <p>The program also works with the following market actors:</p> <ul style="list-style-type: none"> <li>• Residential customers in the market to purchase HVAC equipment</li> <li>• HVAC technicians responsible for installing and servicing HVAC equipment</li> <li>• HVAC Contractors</li> <li>• Suppliers of HVAC equipment</li> <li>• Distributors of HVAC equipment</li> <li>• New home builders and remodeling contractors</li> </ul>
<p><b>Marketing Approach</b></p>	<p>Program marketing is designed to promote the purchase and proper installation of ENERGY STAR residential central air conditioning and heat pump systems at multiple levels and includes:</p> <ul style="list-style-type: none"> <li>• Full time circuit rider visits and calls to distributors and contractors. The Circuit rider also provides technical outreach services to follow-up on training events in the field and by phone with recently trained technicians.</li> </ul>

	<ul style="list-style-type: none"> <li>• Development of cooperative promotions with HVAC industry market actors.</li> <li>• Sponsor contractor competitions and awards programs for rebates and QIV services and an annual award recognition celebration for contractors in a venue which helps recruit more contractors</li> <li>• Periodic COOL Talk meetings with QIV listed HVAC contractors and distributors</li> <li>• Postcard and email mailings to HVAC distributors and contractors</li> <li>• Bill inserts to residential customers</li> <li>• COOL SMART website providing information for customers, distributors and contractors</li> <li>• Print and media advertising targeting consumers, contractors, and distributors</li> <li>• Participate at HVAC trade shows</li> <li>• Write or collaborate on HVAC trade publication articles when opportunities arise to promote quality installation approaches and the program</li> </ul> <p>In addition, program Sponsors work with the following industry partners to promote best installation practices, awareness, education, and training for HVAC contractors:</p> <ul style="list-style-type: none"> <li>• ENERGY STAR HVAC Partners and Best Practices Working Group</li> <li>• Consortium for Energy Efficiency (CEE)</li> <li>• North American Technician Excellence (NATE)</li> <li>• Air Conditioning Contractors of America (ACCA)</li> <li>• Northeast Energy Efficiency Partnerships (NEEP)</li> </ul>
<p><b>Target End Uses</b></p>	<p>Residential central cooling and heating equipment.</p>
<p><b>Recommended Technologies</b></p>	<p>The recommended cooling technologies are high efficiency residential central air conditioner compressors, including air source heat pump condensers, that meet or exceed the 2006 ENERGY STAR minimum standard SEER rating of 14, EER of 11.5, and HSPF of 8.2 (for heat pumps only).</p> <p>The recommended minimum heating technology is a natural gas furnace with an Annual Fuel Utilization Efficiency (AFUE) of 92% or greater equipped with an advanced electronically commutated permanent magnet (ECM) motor or equivalent energy saving furnace fan (blower) motor.</p> <p>The electric efficiency program does not address boilers.</p>

<p><b>Financial Incentives</b></p>	<p>COOL SMART Program Incentives (program incentives may be adjusted to respond to market conditions):</p> <ul style="list-style-type: none"> <li>• \$300 rebate for the purchase and installation of high-efficiency central air conditioning equipment and air source heat pump condensers that meet or exceed the ENERGY STAR minimum standard SEER rating of 14, EER of 11.5, and HSPF of 8.2 (for heat pumps only).</li> <li>• Right Sizing - \$150 per ½ ton of down sizing to the contractor and \$150 per ½ ton to the customer for replacement systems. The system must be sized to match ASHRAE manual J sizing or the measured system airflow of the existing ductwork.</li> <li>• A contractor incentive of \$1 per CFM of duct leakage reduction. Typically this is expected to average 100 CFM per home that receives this measure.</li> <li>• Customers receive a \$100 instant credit on their bill from the HVAC contractor for the digital check-up when it is part of work done associated with a tune-up or repair of an eligible unit from a participating contractor who must be QIV listed.</li> <li>• A contractor incentive of up to \$175 will be provided to cover the \$100 customer instant credit and \$75 to cover contractor cost associated with the digital check-up provided the unit passes or meets exception condition. (“Exception” refers to cases where at least charge with respect to airflow is within acceptable parameters.)</li> <li>• A contractor incentive of \$175 will be provided for a QIV commissioning on any new system installation, regardless of SEER or rebates, where charge is determined to be correct with respect to air flow.</li> </ul> <p>Heating System Incentives:</p> <ul style="list-style-type: none"> <li>• \$400 mail-in rebate natural gas furnace with an AFUE of 92% or greater and equipped with an ECM motor or equivalent energy saving furnace fan (blower) motor. (Through a partnership arrangement, the natural gas member company of GasNetworks funds \$200 of the rebate and the remaining \$200 is funded through the customer’s electric provider.)</li> </ul> <p>NATE Certification Incentive: Tuition reimbursement of up to \$250 for HVAC technicians who successfully pass the NATE certification examination in air conditioning or heat pump service and/or installation.</p>
<p><b>Delivery Mechanism</b></p>	<p>The Program is administered by each Program Administrator. Delivery is through a common vendor selected through a common RFP. Whenever possible there is coordination with related gas utility initiatives and energy-efficiency service providers. In 2007 the</p>

	<p>program will develop cooperative promotions with HVAC market actors. Program initiatives are piggybacked onto the Residential New Construction and MassSAVE programs.</p> <ul style="list-style-type: none"> <li>• Participating Residential New Construction program builders and their HVAC contractors are referred to the COOL SMART program for training and QIV</li> <li>• MassSAVE participants are referred to COOL SMART for HVAC measures using COOL SMART literature which is part of the standard MassSAVE information package.</li> </ul> <p>Quality control/follow-up inspections are performed by independent inspectors on approximately 10% of installations to verify equipment installation and performance.</p> <p>Continue to use equipment distributors to process rebates, sell high efficiency and QIV related technology and to provide indoor training labs for HVAC contractors.</p> <p>HVAC contractors will continue to promote high efficiency equipment, QIV services, duct sealing, and air flow improvements to customers.</p>
<p><b>Joint Program Administrator Enhancements Planned for 2007</b></p>	<p>The following program enhancements are planned for implementation in 2007.</p> <ul style="list-style-type: none"> <li>• Increasing promotions of the digital check-up component to customers</li> <li>• Increasing promotions of and expanded training for duct sealing to contractors</li> <li>• Proposing joint duct sealing promotions and training to gas utilities</li> <li>• Eliminating program specific paper work (a significant barrier) for contractors participating in the QIV component by enhancing electronic transfer of third-party verification data from contractors</li> <li>• Developing cooperative promotions with HVAC market actors</li> <li>• Including ductless mini-split AC and heat pump systems in the types of systems that are eligible for rebates</li> <li>• Developing coop advertising offering with contractors and or distributors which supports QIV services that uses media designed to reach customers at the point when they are considering buying AC related services such as yellow page ads</li> <li>• Increasing efforts to make contractors and consumers aware of the tax credits for higher efficiency CAC/HP</li> <li>• Increasing contractor recruitment and circuit rider hours</li> <li>• Increase value and appeal of contractor awards which promote production as well as timely contractor completion of data submittals, and to foster contractor recruitment</li> </ul>
<p><b>Sponsor Specific Elements</b></p>	<p>National Grid will coordinate this program with efforts to encourage the quality installation of high efficiency central air conditioning systems in retrofit and new construction.</p>

## 2. RETROFIT

### a. Residential Conservation Services/MassSAVE

<b>Primary Objective</b>	Educate residential customers about how to save energy in their homes, help residential customers who plan to invest in energy efficiency upgrades identify appropriate upgrades, and encourage customers to install recommended upgrades.
<b>Initially Offered</b>	1980
<b>Joint vs. Sponsor Specific Offering</b>	Joint
<b>Program Description</b>	<p>The MassSAVE Program is designed to provide a “one-stop shopping” service to help non-low income customers interested in making energy efficiency improvements to their homes identify and install cost effective improvements that will help them control their future energy costs. Low income customers are referred to appropriate low-income programs.</p> <p>Two tiers of service are available. All customers who call the MassSAVE toll-free number to learn about the program are asked several questions to determine their needs and general interest in making energy-efficient improvements. Customers who are not ready to invest in energy efficiency upgrades receive Tier One services. Customers who are ready to invest in energy efficiency upgrades are eligible for Tier Two services.</p> <ul style="list-style-type: none"> <li>• The Tier One service provides customers with general energy efficiency information and education. This service also attempts to identify customer’s specific needs and direct them to other energy efficiency programs and/or other Sponsor resources as appropriate.</li> <li>• Tier Two services include an on-site Home Energy Assessment (HEA) to identify and recommend appropriate energy efficiency upgrades. Auditors also explain the contractor services that will be needed to install recommended measures and describe the financial incentives available for installing recommended measures. The program offers an incentive of 50% of the installed cost of recommended measures, up to \$1,500, to encourage customers to install recommended measures. In addition, incentives for high-efficiency gas heating and water heating systems available through GasNetworks help leverage program resources. The HEA also includes a lighting component where,</li> </ul>

	<p>with the customer’s permission, CFL bulbs will be installed for free in all appropriate locations, and free installation of the following instant saving measures that can be easily installed at the time of the HEA: low-flow shower heads, faucet aerators and weather stripping.</p> <p>The 2006 MassSAVE program promoted and delivered the legislated statewide HEAT Loan program as a resource to help make energy saving improvements more affordable to program participants. The HEAT Loan program will be continued in 2007 until all funds are expended.</p> <ul style="list-style-type: none"> <li>• All customers who have an HEA and install qualified recommended measures are eligible to apply for participation in the statewide HEAT Loan Program. The HEAT Loan Program provides qualifying customers with no-interest or low-interest loans (up to 3%) for the installation of eligible energy-efficient improvements in their homes. Loans up to \$15,000 with terms up to seven years are available. Eligible energy-efficiency improvements include: <ul style="list-style-type: none"> <li>- Attic, Wall, and Basement Insulation</li> <li>- High Efficiency Heating Systems (contractors are required to submit appropriate sizing calculations in order for the customer to receive the incentive)</li> <li>- High Efficiency Domestic Hot Water Systems</li> <li>- Solar Hot Water System</li> <li>- ENERGY STAR® Windows</li> <li>- ENERGY STAR Thermostats</li> </ul> </li> </ul>
<b>Target Market</b>	All non-low income residential customers, regardless of heating fuel, interested in making their homes more energy efficient and living in single family homes or one to four unit multifamily facilities.
<b>Marketing Approach</b>	Statewide MassSAVE toll-free number, the MassSAVE website, annual bill inserts and media advertising (radio and/or print advertising). All marketing approaches include the statewide MassSAVE toll-free number for interested customers to call for more information. Individual Sponsors may conduct additional marketing and may ramp their marketing up or down as needed to meet participation and budget goals.
<b>Target End Uses</b>	The Program targets energy saving improvements in the house shell and hot water/heating systems, and energy-efficient lighting.
<b>Recommended Technologies</b>	Recommended technologies include air sealing, duct sealing, insulation, refrigerators, thermostats, ventilation, solar domestic hot water systems, and heating/cooling systems. The Program also provides general energy efficiency and solar domestic hot water information to consumers on request. The program refers customers with Central Air Conditioning to the Cool Smart program for digital check-ups and incentives and Quality Installation Verification for replacement systems.

<p><b>Financial Incentives</b></p>	<p>Recommended major building shell and renewable measures:</p> <ul style="list-style-type: none"> <li>• 50% of the cost of installing recommended measures up to a maximum of \$1,500</li> </ul> <p>The following are optional incentives that may be offered by the individual program sponsors at the agreed upon incentive levels.</p> <ul style="list-style-type: none"> <li>• ENERGY STAR® refrigerator replacement incentive (for eligible inefficient refrigerators, as determined through the energy assessment): \$150</li> </ul> <table border="1" data-bbox="479 556 1372 1516"> <thead> <tr> <th data-bbox="479 556 776 667">Measure</th> <th data-bbox="776 556 938 667">Gas Rebate</th> <th data-bbox="938 556 1187 667">Oil/Propane Rebate</th> <th data-bbox="1187 556 1372 667">A.F.U.E.</th> </tr> </thead> <tbody> <tr> <td data-bbox="479 667 776 741">High Efficiency Furnace</td> <td data-bbox="776 667 938 741">\$100</td> <td data-bbox="938 667 1187 741">\$300</td> <td data-bbox="1187 667 1372 741">Gas: 90% Oil: 83%</td> </tr> <tr> <td data-bbox="479 741 776 814">High Efficiency Furnace with ECM</td> <td data-bbox="776 741 938 814">\$400</td> <td data-bbox="938 741 1187 814">\$400</td> <td data-bbox="1187 741 1372 814">Gas: 92% Oil: 83%</td> </tr> <tr> <td data-bbox="479 814 776 888">High Efficiency Steam Boilers</td> <td data-bbox="776 814 938 888">\$200</td> <td data-bbox="938 814 1187 888">\$400</td> <td data-bbox="1187 814 1372 888">82%</td> </tr> <tr> <td data-bbox="479 888 776 961">High Efficiency Hot Water Boilers</td> <td data-bbox="776 888 938 961">\$500</td> <td data-bbox="938 888 1187 961">\$500</td> <td data-bbox="1187 888 1372 961">85%</td> </tr> <tr> <td data-bbox="479 961 776 1035">High Efficiency Hot Water Boilers</td> <td data-bbox="776 961 938 1035">\$800</td> <td data-bbox="938 961 1187 1035">-----</td> <td data-bbox="1187 961 1372 1035">90%</td> </tr> <tr> <td data-bbox="479 1035 776 1108">ENERGY STAR® Thermostats</td> <td data-bbox="776 1035 938 1108">\$25 (≤2)</td> <td data-bbox="938 1035 1187 1108">\$25 (≤2)</td> <td data-bbox="1187 1035 1372 1108">NA</td> </tr> <tr> <td data-bbox="479 1108 776 1224">ENERGY STAR® Windows (inc. Skylights)</td> <td data-bbox="776 1108 938 1224">\$10</td> <td data-bbox="938 1108 1187 1224">\$10</td> <td data-bbox="1187 1108 1372 1224">NA</td> </tr> <tr> <td data-bbox="479 1224 776 1297">ENERGY STAR® Sliders</td> <td data-bbox="776 1224 938 1297">\$30</td> <td data-bbox="938 1224 1187 1297">\$30</td> <td data-bbox="1187 1224 1372 1297">NA</td> </tr> <tr> <td data-bbox="479 1297 776 1516">Customers are eligible for all Cool Smart Incentives see Page 18</td> <td data-bbox="776 1297 938 1516"></td> <td data-bbox="938 1297 1187 1516"></td> <td data-bbox="1187 1297 1372 1516"></td> </tr> </tbody> </table>	Measure	Gas Rebate	Oil/Propane Rebate	A.F.U.E.	High Efficiency Furnace	\$100	\$300	Gas: 90% Oil: 83%	High Efficiency Furnace with ECM	\$400	\$400	Gas: 92% Oil: 83%	High Efficiency Steam Boilers	\$200	\$400	82%	High Efficiency Hot Water Boilers	\$500	\$500	85%	High Efficiency Hot Water Boilers	\$800	-----	90%	ENERGY STAR® Thermostats	\$25 (≤2)	\$25 (≤2)	NA	ENERGY STAR® Windows (inc. Skylights)	\$10	\$10	NA	ENERGY STAR® Sliders	\$30	\$30	NA	Customers are eligible for all Cool Smart Incentives see Page 18			
Measure	Gas Rebate	Oil/Propane Rebate	A.F.U.E.																																						
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High Efficiency Hot Water Boilers	\$800	-----	90%																																						
ENERGY STAR® Thermostats	\$25 (≤2)	\$25 (≤2)	NA																																						
ENERGY STAR® Windows (inc. Skylights)	\$10	\$10	NA																																						
ENERGY STAR® Sliders	\$30	\$30	NA																																						
Customers are eligible for all Cool Smart Incentives see Page 18																																									
<p><b>Delivery Mechanism</b></p>	<p>The Program is administered by each Program Administrator within its service territory and coordinated statewide through the RCS Network, a coalition of RCS/MassSAVE program administrators and program vendors working together with the Massachusetts Division of Energy Resources (MA DOER). The Program is delivered by independent contractors selected through a competitive bidding process.</p> <p>Work completed by MassSAVE energy service providers and their subcontractors must meet standards set by the Building</p>																																								

	<p>Performance Institute (BPI) or similar standards set by the individual Sponsors. These standards require a systematic approach to home improvement that addresses all aspects of the building systems.</p> <p>RCS Network members apply a “best practices” approach and work together to make quality control an integral part of the MassSAVE program.</p>
<b>Joint Program Administrator Enhancements Planned for 2007</b>	Better linkages and improved coordination will be implemented among the MassSAVE, myenergystar.com, and lighting purchasing websites.
<b>Sponsor Specific Elements (To be added by individual Sponsors)</b>	<p>National Grid proposes to pay 100% of the cost of duct sealing of central heating and cooling system ducts to encourage improved duct performance. The RCS program screens out newer homes for participation, so there are many fewer duct systems than in new construction for example. For 2006, National Grid found that about 1,100 of the homes it served had ducted systems or about 24% of the homes served. Our vendor has found that only about 50% of the homes served have accessible ductwork. Many homes have finished basements. For 2007, National Grid proposes to strongly recruit all homes with ducted systems for duct sealing, and proposes to serve 250 homes.</p> <p>National Grid will offer a pilot program of installation of ductless split heat pumps in electrically heated homes. The details of this program are included in the Residential Metrics.</p> <p>National Grid will work in cooperation with the NUP consultants and NTAR to develop an early retirement inefficient central air conditioning component for RCS. This may be utility specific.</p>

**b. EnergyWise Program**

<b>Primary Objective</b>	The purpose of the EnergyWise program is to educate multifamily customers both tenants and owners about how to save energy in their homes and facilities and to provide information and incentives to help customers replace inefficient equipment cost-effectively. The focus of the EnergyWise Program is to deliver energy efficient products and services directly to the apartments.
<b>Initially Offered</b>	1992 as the Multifamily Retrofit Program. In 1998 the Program was named EnergyWise and included single family. In 2003 EnergyWise again became Multifamily only.

<b>Joint vs. Sponsor Specific Offering</b>	Sponsor Specific
<b>Program Description</b>	Eligible customers and/or building managers or associations receive a comprehensive energy audit. Energy education and the installation of low cost efficiency measures (e.g., compact fluorescent light bulbs, hot water measures and air sealing for electrically heated buildings) are provided to customers at no direct cost. The contractors put major measures out to competitive bid in facilities that have greater than twenty units. Major measures include lighting fixture upgrades and replacement of inefficient refrigerators. For electrically heated facilities measures include heat pump testing and tune ups, duct sealing, air sealing, thermostats and insulation. Custom electric saving measures (e.g. motors, pumps, and other equipment) are evaluated and provided through the Company's Energy Initiative program.
<b>Target Market</b>	Multifamily facilities and condominium complexes with five or more dwelling units are eligible for this Program. All residential customers residing in these facilities/complexes regardless of heating fuel type, interested in making their homes more energy efficient are eligible.
<b>Marketing Approach</b>	The program is marketed through direct contact with interested customers and homeowners, property owner's associations, bill inserts, customer newsletters, National Grid's website, home shows and other methods. There is typically a waiting list for program services, though the program is usually able to serve customers within the year the participation request is made.
<b>Target End Uses</b>	The Program targets electric saving improvements in the facility shell, domestic hot water, electric heating, appliances and energy-efficient lighting.
<b>Recommended Technologies</b>	Recommended technologies include air sealing, duct sealing, insulation, refrigerator replacement, thermostats, ventilation, lighting upgrades, domestic hot water saving devices and heat pump tune up.
<b>Financial Incentives</b>	The customer or association pays \$10 per new lighting fixture in common areas, 25% of the cost of insulation in electrically heated buildings, \$50 per electric heat pump tune up. The Company pays \$300 of the cost of new refrigerators.
<b>Delivery Mechanism</b>	<p>The Program is administered by National Grid within its service territory. The Program is delivered by independent energy service providers selected through a competitive bidding process.</p> <p>Work completed by EnergyWise energy service providers and their subcontractors must meet standards set by the Building Performance Institute (BPI) or similar standards set by the individual Sponsor. At the initial site visit, an auditor comprehensively assesses all end-uses in an effort to identify all cost-effective efficiency upgrades. Where appropriate, this assessment includes an evaluation of</p>

	efficient lighting opportunities, diagnostic tests of air leakage (with a blower door, if appropriate), duct leakage (with duct blaster or equivalent), heat pump (focused on airflow and charge), insulation levels, water heating equipment, and refrigerator efficiency. All reasonable measures are screened for cost effectiveness, and major measures are put out to competitive bid in facilities with greater than twenty units. The Facility owner/manager/association signs a contract authorizing the work. Work is completed by competitively selected sub-contractors under the energy service provider's direction. The program went out to bid for vendors in the fall of 2004.
<b>Sponsor Specific Elements Planned for 2007</b>	No major program changes are planned for 2007.

### 3. PRODUCTS AND SERVICES

#### a. ENERGY STAR® Lighting

<b>Primary Objective</b>	Increase consumer awareness of the importance and benefits of purchasing ENERGY STAR® lighting products and expand the availability, consumer acceptance, and use of high quality energy-efficient hard-wired, screw-based, and portable lighting technologies.
<b>Initially Offered</b>	1998
<b>Joint vs. Sponsor Specific Offering</b>	Joint
<b>Program Design</b>	The Residential ENERGY STAR lighting program includes interaction with all the key market players in the residential lighting market, from manufacturers to retail sales staff, with the emphasis on involving upstream market players to leverage program resources. Ongoing market data collection covering overall lighting market conditions and product availability, market share and pricing helps ensure the program Sponsors are aware of changes occurring in the residential lighting market. Awareness of current and changing market conditions enables program Sponsors to adapt program offerings as needed to maintain momentum in increasing the market share of energy-efficient lighting products. The program also supports the Program for the Evaluation and Analysis of Residential Lighting (PEARL), which was created to

	<p>independently verify ENERGY STAR standards on randomly tested lighting products.</p> <p>The program includes several components designed to educate consumers about the benefits of ENERGY STAR lighting products and to make ENERGY STAR lighting products more affordable.</p> <ul style="list-style-type: none"> <li>• A variety of incentive approaches make products more affordable for consumers. These approaches include instant coupons and Negotiated Cooperative Promotions (NCP) that encompass manufacturer and retailer buy-down, markdown and creative coupon promotions. While the buy-down approach has become increasingly popular with manufacturer and retail partners, the program Sponsors are emphasizing the markdown and creative coupon promotions because product sales data and payments for these approaches are based on actual sales data; buy-down data and payments are based primarily on shipping and receiving documentation. NCPs now account for the large majority of products moved through the program—90% in 2006. Instant rebate coupons allow retail outlets that are not able or not willing to share sales data to participate in the program.</li> <li>• The Internet/Mail Order Sales Channel provides education on energy-efficient lighting, offers rebates on a wide selection of ENERGY STAR lighting products, introduces new products that may not be available at most retailers, and includes a variety of sometimes hard to find pin-based replacement bulbs for hardwired CFL fixtures. Internet sales account for nearly 40% of all this component’s sales. Recognizing the importance of internet sales, the Sponsors are striving to improve the internet/mail order website as an educational tool for consumers. One example of this is tying the internet/mail order web site (<a href="http://www.estarlights.com">www.estarlights.com</a>) more closely to the overall program web site. (<a href="http://www.myenergystar.com">www.myenergystar.com</a>). Also, Sponsors expect to devote more resources to enhance the overall online mechanism with the goals of increasing product variety, availability and sales.</li> <li>• The program provides consumer education through not only the Internet/Mail Order Sales Channel, but the <a href="http://www.myenergystar.com">www.myenergystar.com</a> website, by point of purchase displays in retail stores and by training retail sales staff to provide accurate information to customers and help them select products appropriate for their specific needs.</li> <li>• The utilities are committed to supporting mercury awareness efforts and educating consumers about proper CFL disposal. The utilities will inform manufacturers who participate in the Massachusetts program about the Mercury Reduction law and require proof of compliance with the law in order to be eligible to participate in Negotiated Cooperative Promotions.</li> </ul>
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<b>Target Market</b>	The target market is all residential customers.
<b>Marketing Approach</b>	<p>Multiple marketing approaches are employed to increase general consumer awareness of the benefits of using ENERGY STAR lighting products, make it easy for consumers to identify qualifying products when shopping in retail establishments, and provide access to new products. In addition to direct advertising targeting consumers, these approaches include supporting national ENERGY STAR marketing campaigns, such as the DOE and EPA’s Change a Light Pledge campaign, and working with industry partners at all levels of the retail supply chain.</p> <p>Specific marketing activities targeting consumers include:</p> <ul style="list-style-type: none"> <li>• Retail marketing and point-of-purchase displays</li> <li>• Media advertising—print and radio</li> <li>• School/educational fundraising outreach efforts</li> <li>• Internet/Mail Order Sales Channel</li> <li>• Web site (<a href="http://www.myenergystar.com">www.myenergystar.com</a>)</li> <li>• Public relations</li> </ul> <p>Work with industry partners at all levels of the retail supply chain includes:</p> <ul style="list-style-type: none"> <li>• Leveraging marketing budgets through cooperative promotions, including a co-op advertising program, with retailers, distributors, and manufacturers including marketing promotions, co-operative advertising, and via special events at retail stores and the community level.</li> <li>• Training and supporting retail sales staff to ensure they are able to tell consumers about the benefits of using ENERGY STAR lighting products and help them choose products that will best meet their particular needs, which will result in satisfied consumers likely to purchase additional ENERGY STAR lighting products.</li> </ul>
<b>Target End Uses</b>	Residential lighting.
<b>Recommended Technologies</b>	Recommended ENERGY STAR lighting products include compact fluorescent light (CFL) bulbs, fluorescent fixtures (exterior, interior, torchieres, ceiling fans with light kits and ventilation fans with light kits), and fluorescent torchiere, floor, and table lamps.
<b>Financial Incentives</b>	<p>Rebate and incentive amounts and structure may be adjusted if market conditions change.</p> <p>Rebates available as “instant rebates” in retail stores or through the mail order catalog include:</p> <ul style="list-style-type: none"> <li>• \$2 for compact fluorescent light bulbs (single bulbs to three packs)</li> <li>• \$10 for exterior fixtures</li> <li>• \$15 for interior fixtures (including ENERGY STAR ventilation and ceiling fans with light kits)</li> </ul>

	<ul style="list-style-type: none"> <li>• \$20 for ENERGY STAR torchieres</li> <li>• \$4 on multi-packs of 4 and 5 bulbs</li> <li>• \$6 on multi-packs of 6 or more bulb packs.</li> </ul> <p>Negotiated Cooperative Promotions (NCP) include manufacturer and retailer buy-down, markdown and creative coupon promotions. In buy-down and markdown promotions, products are discounted directly by the manufacturer or retailer. In creative coupon promotions, the coupons are processed similarly to instant coupons. Incentives vary by the wattage and type of bulb and are subject to negotiation. The Maximum incentive levels in a recent NCP RFP to manufacturers and retailers were \$1.00 - \$2.85 for CFL lightbulbs, depending on the type of promotion, single or multi packaging of the product, wattage, and technical features. Fixture rebates ranged from \$12 to \$15 per unit, again depending on the type of promotion. In 2007, the utilities will encourage NCP's that promote PNNL approved reflector CFLs.</p>
<p><b>Delivery Mechanism</b></p>	<p>Four contractors, each selected through a competitive bidding process, will be performing program services in 2007:</p> <ul style="list-style-type: none"> <li>• A manufacturer/retailer outreach contractor recruits and trains retailers to participate in the program; places point-of-purchase materials and instant rebate coupons in participating retail stores; collects in-store shelf space and pricing data, conducts product labeling and special promotions; oversees the NCP process; acts as a liaison between the program Sponsors, manufacturers, and retailers; and provides documentation to the Sponsors for program tracking and evaluation purposes.</li> <li>• A marketing contractor develops messaging and produces most of the educational material as well as all Point of Purchase material. Assists with public relations and coordinates regional messaging with national campaigns. This contractor also maintains and updates the <a href="http://www.myenergystar.com">www.myenergystar.com</a> website.</li> <li>• A rebate fulfillment contractor intakes data and payment requests from manufacturers, retailers, and consumers; processes instant rebate coupons and NCP promotions; and provides documentation to the Sponsors for program tracking and evaluation purposes.</li> <li>• An Internet/Mail Order Sales Channel contractor develops and distributes the catalog, purchases and stocks products offered through the catalog and <a href="http://www.estarlights.com">www.estarlights.com</a> website; staffs a toll-free line for customers requesting a catalog or purchasing products from the catalog or <a href="http://www.estarlights.com">www.estarlights.com</a> website; processes catalog and website purchases; and provides documentation to the Sponsors for program tracking and evaluation purposes.</li> </ul> <p>Customer incentives are delivered via rebate or discount pricing through one of four mechanisms:</p> <ul style="list-style-type: none"> <li>• Internet/Mail Order Sales Channel</li> </ul>

	<ul style="list-style-type: none"> <li>• Joint Sponsor instant rebates regularly available at retailers</li> <li>• Special promotions</li> <li>• Negotiated Cooperative Promotions (NCP) with lighting manufacturers, distributors and retailers</li> </ul>
<p><b>Joint Program Administrator Enhancements Planned for 2007</b></p>	<p>In 2007 there will be greater emphasis on sales-based NCP promotions (markdowns) and building a stronger link between the ENERGY STAR Lights catalog website (<a href="http://www.estarlights.com">www.estarlights.com</a>) and <a href="http://www.myenergystar.com">www.myenergystar.com</a> and <a href="http://www.masssave.com">www.masssave.com</a>.</p> <p>Encourage special and NCP promotions that have integrated and comprehensive marketing components.</p> <p>Support NCP promotions and other efforts to encourage the sales of PNNL approved reflector CFLs.</p> <p>The incentive for torchieres was increased from \$15 in 2006 to \$20 in 2007 to encourage higher sales.</p>
<p><b>Sponsor Specific Elements (To be filled in by individual Sponsors)</b></p>	<p>National Grid will continue to encourage sales through web, catalog, and other direct marketing approaches in 2007. In 2007, the Company is planning web/catalog promotions on a consistent basis throughout the year in order to give customers repeated messaging in a variety of different ways about the on-line interface and the catalog. A draft plan includes: a winter bill insert with possible free shipping offer on on-line purchases or reflector special promotion, spring mini catalog (targeting customers in home improvement market or themed such as kitchen/bath), Earth Day bill insert, mailing of spring catalogs, summer bill message, fall Change a Light Postcard and bill insert, and fall catalog mailing. With respect to the on-line option, the Company proposes to enhance the link between <a href="http://www.myenergystar.com">www.myenergystar.com</a> and <a href="http://www.estarlights.com">www.estarlights.com</a>; enhance the product offerings (not just what is in the catalog); build a database of customers who would like to opt in to an on-line newsletter and then follow up with a quarterly newsletter to these customers via email, and promote the catalog on-line for a specific period of time using advertising banners on targeted websites (such as home improvement, decorating).</p> <p>National Grid plans to spend about \$350,000 for this component, which on a stand alone basis shows a B/C ratio of 2.15. Sales are estimated to be about 22,500 products, of which about 89% would be CFLs. Incentives will average \$2 for lightbulbs (some will be higher cost, specialty products), \$20 for torchieres, \$15 for indoor fixtures, and \$10 for outdoor fixtures) \$80,000 of the budget would be for product rebates and the rest is for marketing, website updates, staff time, etc. National Grid will also explore leveraging efforts of the NCPs and website promotional activities.</p>

**b. ENERGY STAR® Appliances (ENERGY STAR Products)**

<b>Primary Objective</b>	Raise consumer awareness of the benefits of energy-efficient ENERGY STAR®-qualified appliances, encourage consumers to purchase ENERGY STAR-qualified appliances, and work with Consortium for Energy Efficiency (CEE) and others to encourage higher efficiency standards for qualifying ENERGY STAR appliances.
<b>Initially Offered</b>	1998
<b>Joint vs. Sponsor Specific Offering</b>	Joint National Grid, NSTAR and Cape Light Compact plan to offer rebates for very high efficiency clothes washers. Western Massachusetts Electric Company plans on supporting efforts to promote ENERGY STAR-qualified appliances, but will not offer rebates. Unitil will not participate in the joint 2007 program.
<b>Program Design</b>	<p>The ENERGY STAR Appliance Program educates consumers about the benefits of ENERGY STAR-qualified appliances to increase consumer acceptance of ENERGY STAR appliances and to encourage consumers to look for and purchase ENERGY STAR models when shopping for qualifying appliances.</p> <p>The program offers year-round rebates for very high-efficiency clothes washers with a Modified Energy Factor (MEF) of at least 2.0. Year-round rebates provide continuity for customers, manufacturers, and retailers. Consistent annual rebates make it easier for the program to capitalize on manufacturers’ marketing efforts and for manufacturers and retailers to schedule matching rebate offers anytime during the year.</p> <p>The Sponsors anticipate negotiating with interested manufacturers and retailers to leverage rebate and/or marketing funding. Federal tax credits available to domestic manufacturers increasing their production of high-efficiency models provide an excellent opportunity to work with manufacturers.</p> <p>The program promotes all high-efficiency ENERGY STAR-qualifying appliances at the point of sale by providing promotional literature and displays to retailers, working with sales staff to ensure they understand and can accurately market the benefits of ENERGY STAR appliances, and providing labels to identify models that meet ENERGY STAR standards.</p> <p>The program supports increasing federal appliance standards, and ENERGY STAR standards, by promoting ENERGY STAR appliances.</p>

	<p>As particular ENERGY STAR appliances achieve a high share of market sales the Sponsors, and other interested parties, are in a good position to advocate for raising both minimum federal and ENERGY STAR appliance energy-efficiency standards.</p> <p>The program also actively participates in national ENERGY STAR awareness campaigns developed by the Environmental Protection Agency (EPA).</p>
<b>Target Market</b>	The target market is all residential customers.
<b>Marketing Approach</b>	<p>Multiple marketing approaches are employed to increase general consumer awareness of the benefits of using ENERGY STAR appliances, establish ENERGY STAR as the value leader in appliances, and make it easy for consumers to identify qualifying products when shopping in retail establishments. In addition to direct advertising targeting consumers, these approaches include supporting national ENERGY STAR marketing campaigns and working with industry partners at all levels of the retail supply chain.</p> <p>Specific marketing activities targeting consumers include:</p> <ul style="list-style-type: none"> <li>• Retail marketing and point-of-purchase displays</li> <li>• Media advertising—print and radio</li> <li>• Web site (<a href="http://www.myenergystar.com">www.myenergystar.com</a>)</li> <li>• Public relations</li> </ul> <p>Work with industry partners at all levels of the retail supply chain includes:</p> <ul style="list-style-type: none"> <li>• Leveraging marketing budgets through cooperative promotions with retailers, distributors, and manufacturers including marketing promotions, co-operative advertising, and special events at retail stores and the community level.</li> <li>• Training and supporting retail sales staff to ensure they are able to tell consumers about the benefits of using ENERGY STAR appliances and help them choose products that will best meet their particular needs, which will result in satisfied consumers likely to purchase ENERGY STAR appliances in the future.</li> </ul>
<b>Target End Uses</b>	The program seeks to reduce the amount of water and electricity used in homes by clothes washers, room air conditioners, refrigerator and freezers, automatic dishwashers, dehumidifiers and consumer electronics.
<b>Recommended Technologies</b>	The recommended technologies are ENERGY STAR clothes washers, room air conditioners, refrigerators, freezers and dishwashers. Working with the national and regional campaigns, other appliances may be targeted for special efforts.

<b>Financial Incentives</b>	National Grid, NSTAR and Cape Light Compact will offer \$75 rebates for ENERGY STAR Clothes Washers with an MEF of at least 2.0.
<b>Delivery Mechanism</b>	<p>Three contractors, each selected through a competitive bidding process, will be performing program services in 2007. (The lighting and appliance programs issued joint requests for proposals, and the same contractors provide services for both programs.)</p> <ul style="list-style-type: none"> <li>• A manufacturer/retailer outreach contractor recruits and trains retailers to participate in the program; places point-of-purchase materials and rebate coupons in participating retail stores; conducts product labeling and special promotions; and acts as a liaison between the program Sponsors, manufacturers, and retailers.</li> <li>• A marketing contractor develops messaging, procures media for marketing campaigns, produces educational materials and point-of-purchase promotional materials; and maintains and updates the <a href="http://www.myenergystar.com">www.myenergystar.com</a> website.</li> <li>• A rebate fulfillment processes rebate applications and provides documentation to the Sponsors for program tracking and evaluation purposes.</li> </ul>
<b>Joint Program Administrator Enhancements Planned for 2007</b>	For 2007, the clothes washer rebate was decreased by 25% to \$75 and limited to very high efficiency washers (Up to 2.0 Modified Energy Factor from 1.8 in 2006)
<b>Sponsor Specific Elements</b>	<p>On a case by case basis with key partners, NSTAR and National Grid will review and consider special appliance promotional events and/or recycling of old, working appliances and implement promotions that are deemed cost effective.</p> <p>In 2007, National Grid and NSTAR will review possible program design options for influencing the residential room air conditioner market, including potential supplier stocking incentives, buy-downs, ENERGY STAR sales market penetration incentives, and the latest field information on ENERGY STAR Room Air Conditioner availability.</p> <p>Western Massachusetts Electric Company plans on supporting efforts promoting ENERGY STAR-qualified appliances, but will not offer rebates. Unitil will not participate in the joint 2007 program.</p>

#### 4. EDUCATION AND INFORMATION

<b>Primary Objective</b>	Raise consumer awareness of the benefits of energy efficiency activities and programs.
<b>Initially Offered</b>	1990
<b>Joint vs. Sponsor Specific Offering</b>	Sponsor specific
<b>Program Design</b>	<p>Educational and information activities and funding for those activities are included in all the Residential and Low Income programs. In addition, the Company has energy saving tips and information and links for all the Residential and Low Income programs on its website <a href="http://www.nationalgridus.com/masselectric">www.nationalgridus.com/masselectric</a>. The Company's educational brochure, the "Appliance Wise Guide", is available on the website and in hard copy as well.</p> <p>The program also funds the development and printing of energy efficiency educational material and energy efficiency classroom programs for elementary school students. The project also funds general educational advertising to residential customers about energy efficiency and energy efficiency programs.</p>
<b>Target Market</b>	The target market is all residential customers and students in elementary, secondary, and vocational schools.
<b>Marketing Approach</b>	Multiple marketing approaches are employed to increase general consumer awareness of the benefits of energy efficiency and the energy efficiency programs. Much of the material is print educational materials which are all downloadable from the Company's website.
<b>Target End Uses</b>	All residential energy uses.
<b>Recommended Technologies</b>	Both conservation activities and participation in the Company's energy efficiency programs are recommended.
<b>Financial Incentives</b>	Free information is provided by website, advertising, and other consumer outreach methods.
<b>Delivery Mechanism</b>	The information is provided by National Grid. At times, National Grid may hire a vendor to assist with marketing campaign activities.

## 5. RESEARCH AND DEVELOPMENT AND PILOTS

### a. HEAT Loan Pilot Program

<b>Primary Objective</b>	The goal of the program is to provide financial assistance to consumers for the purchase of certain cost effective energy efficient improvements for residential homes.
<b>Initially Offered</b>	2005
<b>Joint vs. Sponsor Specific Offering</b>	Joint The Heating , Energy and Tax Relief (HEAT) Act, Chapter 140 of the Acts of 2005, established the HEAT Loan program to be administered by the Massachusetts Division of Energy Resources.
<b>Program Design</b>	The program provides financial assistance in the form of subsidized loan payments for loans that are sufficient to fund the purchase of eligible improvements. The HEAT loan program will utilize up to \$5 million statewide in Systems Benefit Charges (SBCs) collected from electric utility rate payers as provided in section 19 of Chapter 25 of the Massachusetts General Laws. The SBC funds will be used to pay down the interest rate on loans issues by participating lending institutions to borrowers who purchase eligible energy efficiency improvements.
<b>Target Market</b>	Participation in the loan program is open to Massachusetts consumers whose electricity is provided by an electric utility that collects/administers System Benefit Charges under Section 19 of Chapter 25 of the General Laws. Participation as a lender is open to any qualified state or federally chartered banking institution or credit union doing business in the Commonwealth, subject to terms from the Division of Energy Resources.
<b>Marketing Approach</b>	The HEAT Loan program is publicized through the existing Residential Conservation Services program including recently audited consumers, and those seeking information through MassSAVE. Other marketing methods have included strategically placed billboards, bill inserts, and direct mail to customers.
<b>Target End Uses</b>	The program seeks to reduce the amount of energy used in residential homes.

<b>Recommended Technologies</b>	For the purposes of this pilot, energy efficient items include home insulation, new window installation, advanced programmable thermostats, fuel efficient furnaces, boiler, oil , gas, propane or electric heating systems, solar domestic or fuel efficient hot water systems, materials for insulation or sealing of a duct, attic, basement, rim joist or wall and pipe insulation for heating systems or other retail items for use in a residential dwelling that increase the energy efficiency of that dwelling.
<b>Financial Incentives</b>	The HEAT Loan Program will subsidize the interest rate by making a lump sum payment to the lending institution. Interest subsidy payments shall reduce the effective interest rate to the borrower by 0% for borrowers with an income of 80% or less of the state median income and by 3% for borrowers with an income of above 80% of the state median income. The payments shall be an amount equal to the net present value of the interest rate subsidy agreed upon in the borrower's loan agreement.
<b>Delivery Mechanism</b>	The HEAT Loan program will be administered by DOER using the existing Residential Conservation Services (RCS) program network as the primary delivery agent, in coordination with participating lending institutions operating in the Commonwealth.
<b>Joint Program Administrator Enhancements Planned for 2007</b>	The participating utilities will work with DOER to evaluate the effectiveness of the loan program and make recommendations for continuing customer services when the loan funds are exhausted.
<b>Sponsor Specific Elements</b>	NA

**b. Power Monitor Pilot**

<b>Primary Objective</b>	The goal of the program is to investigate the effectiveness of providing customers with a simple power cost monitor that provides customers with real time information on their home electricity use.
<b>Initially Offered</b>	2007
<b>Joint vs. Sponsor Specific Offering</b>	Joint with other interested utilities.

<b>Program Design</b>	The pilot will assess the costs and benefits of power cost monitors in residential households in Massachusetts. The pilot design will include a plan to support the installation of power cost monitors and gather information on customer satisfaction and behavior modification, as well as testing various marketing methods.
<b>Target Market</b>	Residential customers.
<b>Marketing Approach</b>	Marketing methods will include free installation through RCS, direct mail offers to consumers, and other methods.
<b>Target End Uses</b>	The program seeks to reduce the amount of electricity used in residential homes.
<b>Recommended Technologies</b>	The Blue Line PowerCost Monitor™ More information is available at <a href="http://www.bluelineinnovations.com">www.bluelineinnovations.com</a>
<b>Financial Incentives</b>	The pilot will test various financial incentives including free installation through RCS, and at least two price offerings. The equipment retails for \$150.
<b>Delivery Mechanism</b>	National Grid will work with Blue Line Innovations to deliver the product to our customers.
<b>Joint Program Administrator Enhancements Planned for 2007</b>	NA
<b>Sponsor Specific Elements</b>	National Grid plans to offer this pilot in conjunction with other interested utilities.

## **6. GENERAL SUPPORT**

### **a. NUP Collaborative**

The Company has agreed to fund residential energy efficiency experts to advise the Non-Utility Parties (NUPs) who work in collaboration with the Company about energy efficiency efforts.

### **b. DOER Support**

Section 54 of Chapter 149 of the Acts of 2004 authorized the Commissioner of the Division of Energy Resources to make an assessment against gas and electric utility companies doing business in Massachusetts. These assessments are to help underwrite activities of the DOER related to ratepayer supported energy efficiency programs pursuant to G.L. c.25A, section 11G for which the Division has oversight and coordination responsibility. This assessment is in addition to the RCS assessment.

### **c. Sponsorship and Subscriptions**

The Company continues to provide funding to organizations like the Northeast Energy Efficiency Partnerships (NEEP) and the Consortium for Energy Efficiency (CEE) that provide services consistent with the objectives of energy efficiency program objectives in Massachusetts.

### **d. Miscellaneous Market Research and Evaluation**

The Company has included funding in its energy efficiency program budgets for residential miscellaneous market research and evaluation projects. This funding is intended to support already identified projects that have not been scoped out in sufficient detail to allow for development of a specific project budget. This

funding is also intended to provide the Company with the opportunity to participate in valuable studies that support residential energy efficiency program efforts that may be identified during the year.

**e. Performance Incentive Tax Liability**

The Company’s proposed performance incentive allows for a “design level” incentive that is defined on an after-tax basis. In order to earn that incentive, the Company has also budgeted the tax liability associated with the proposed design level incentive.

**B. RESIDENTIAL LOW-INCOME PROGRAMS**

**1. LOST OPPORTUNITY**

**a. Low Income Residential New Construction**

<b>Primary Objective</b>	To capture lost opportunities and encourage the construction of energy efficient homes for low income populations.
<b>Initially Offered</b>	1998
<b>Joint vs. Sponsor Specific Offering</b>	Joint
<b>Program Design</b>	Builders can choose from three participation paths. All three paths include direct installation of ENERGY STAR CFL bulbs in all appropriate sockets, on-site training and a final verification inspection. The utilities continue their strong commitment to the comprehensive, whole house approach of the ENERGY STAR Homes program. At the same time, the ENERGY STAR Building Option Package (BOP) and the Codes Plus incentives provide a way to ensure that all new homes in Massachusetts have the opportunity to be built as efficiently as possible as the market enters a transition phase with the advent of the more stringent ENERGY STAR Homes performance path certification.

	<p>ENERGY STAR certification--Performance Path: Following this path requires:</p> <ul style="list-style-type: none"> <li>• A HERS index score of 85 or less</li> <li>• Meeting envelope leakage standards and duct leakage standards</li> <li>• Completing a thermal bypass inspection list</li> <li>• Installing certain ENERGY STAR products (as specified by the EPA)</li> </ul> <p>ENERGY STAR certification—Builder Option Package (BOP): Following this path requires:</p> <ul style="list-style-type: none"> <li>• Meeting a list of prescribed standards, all of which must be met, including: <ul style="list-style-type: none"> <li>- Meeting envelope leakage standards and duct leakage standards</li> <li>- Completing a thermal bypass inspection list</li> <li>- Installing certain ENERGY STAR products (as specified by EPA)</li> </ul> </li> </ul> <p>CODE Plus/Energy Efficiency Measure Upgrade path: This path offers a prescriptive package to builders, developers, architects, or homeowners interested in building energy-efficient housing, but not necessarily achieving ENERGY STAR certification. Following this path requires:</p> <ul style="list-style-type: none"> <li>• No plan review or energy modeling</li> <li>• Allows builder to choose from a list of energy-efficient or ENERGY STAR measures</li> <li>• A portion of the cost of installed energy-efficiency measures will be reimbursed</li> <li>• Installing certain ENERGY STAR products (as specified by EPA)</li> </ul>
<b>Target Market</b>	<p>Builders, architects, designers, trade allies and others involved in the construction of low income single family homes or three-story or fewer multi-family buildings, and home buyers. The target market is low-income dwelling units under construction or undergoing major renovation. In order to overcome market barriers and to promote the program, National Grid’s staff builds on relationships it has developed with Public Housing Authorities and Weatherization Assistance Program agencies, and develops relationships with contractors who work in low-income and affordable housing construction.</p>
<b>Marketing Approach</b>	<p>Direct builder outreach, website, and public relations activities including meeting presentations, home and trade show exhibits, participation in builder conferences. Energy efficiency outreach and training to educate builders, architects, and industry players will also be provided. Individual program Sponsors may provide target marketing as needed to meet program participation and spending goals.</p>

<b>Target End Uses</b>	Energy efficient building shell measures, proper duct and air sealing techniques, HVAC quality installation, and mechanical ventilation.
<b>Recommended Technologies</b>	<p>Recommended technologies include:</p> <ul style="list-style-type: none"> <li>• ENERGY STAR heating and cooling systems, lighting, appliances and windows</li> <li>• Increased levels of insulation</li> <li>• Improved construction techniques to minimize air leakage, infiltration, and heat loss</li> <li>• Improved construction techniques to minimize duct leakage</li> <li>• Improved HVAC installation techniques</li> <li>• In partnership with the Massachusetts Technology Collaborative, renewable technologies including solar water heating and photovoltaics where practical.</li> </ul>
<b>Financial Incentives</b>	<p><b>Incentive levels may be adjusted to respond to market conditions:</b></p> <p>ENERGY STAR Certification—Performance (HERS) Path Incentives:</p> <ul style="list-style-type: none"> <li>• 85 or less on the HERS Index \$2,000</li> <li>• Free CFL installations at final inspection</li> </ul> <p>ENERGY STAR Certification—Prescriptive (BOP) Path Incentives:</p> <ul style="list-style-type: none"> <li>• Pass BOP minimum requirements \$2,000</li> <li>• Free CFL installations at final inspection</li> </ul> <p>CODE Plus Incentives</p> <ul style="list-style-type: none"> <li>• Package One - \$1,000 <ul style="list-style-type: none"> <li>- Free CFL installations at final inspection</li> <li>- Air Seal to 8 ACH@ 50 Pascals)</li> <li>- Duct Seal to 10 CFM leakage to outdoors/100 square feet@ 25 Pascals</li> </ul> </li> <li>• Package Two - \$1,300: <ul style="list-style-type: none"> <li>- Free CFL installation at final inspection</li> <li>- Air Seal to 6 ACH@ 50 Pascals</li> <li>- Duct Seal to 8 CFM leakage to outdoors/100 square feet @ 25 Pascals</li> </ul> </li> </ul> <p>All homes are also eligible for the following GasNetworks program incentives:</p> <ul style="list-style-type: none"> <li>• GasNetworks Incentives: <ul style="list-style-type: none"> <li>- Warm Air Furnaces: \$100 for <math>\geq 90\%</math> AFUE</li> <li>- Warm Air Furnaces: \$400 for <math>\geq 92\%</math> AFUE w/ECM or equivalent furnace fan system</li> <li>- Hot Water Boilers: \$500 for <math>\geq 85\%</math> AFUE</li> <li>- How Water Boilers: \$800 for <math>\geq 90\%</math> AFUE</li> <li>- High-efficiency indirect fired gas water heater connected to natural gas heating system: \$300</li> <li>- Instantaneous Water Heaters: \$300 for Energy Factor of .82 or higher and electronic ignition</li> </ul> </li> <li>• ENERGY STAR Thermostat: \$25 per thermostat (limit 2 per residential account)</li> </ul>

<b>Delivery Mechanism</b>	The Program is administered by each Program Administrator within its service territory and coordinated regionally through the Joint Management Committee (JMC). All aspects of the 2007 program year were put out to bid in 2006 and a new vendor was selected for 2007.
<b>Joint Program Administrator Enhancements Planned for 2007</b>	<p>Introduce the CODE Plus/Energy Efficiency Measure Upgrade path for homes either not achieving, or not striving to achieve, ENERGY STAR certification.</p> <p>Begin transition to a market based network of trained contractors who offer energy efficiency and rating services to the homebuilder for a fee. In 2007, this function will still be overseen by the program vendor, with plans to transition to the market based model in 2008.</p> <p>Train and support new vendor in meeting program objectives.</p>
<b>Sponsor Specific Elements</b>	<p>National Grid will offer incentives to encourage the installation of efficient central air conditioning. These may be adjusted to respond to market conditions. These will include:</p> <ul style="list-style-type: none"> <li>• A \$300 incentive to the builder for the purchase and installation of high-efficiency central air conditioning equipment and air source heat pump condensers that meet or exceed the ENERGY STAR minimum standard SEER rating of 14, EER of 11.5, and HSPF of 8.2 (for heat pumps only) in new homes.</li> <li>• An additional incentive of at least \$300 to the builder for verification that the HVAC subcontractor has participated in the Cool Smart program and the manual J sizing and Quality Installation Verification component have been completed. The HVAC subcontractor and customer are entitled to any incentives earned through the Cool Smart program. Additional incentives may also be offered to other market actors.</li> </ul> <p>National Grid will continue to support energy efficiency building practices with its vocational school outreach program. This program exposes students and teachers to energy efficient and renewable energy building technologies.</p> <p>National Grid supports continued work to encourage energy efficiency in high-rise multifamily new construction, which is not covered by the national ENERGY STAR Homes program. In 2006, National Grid invested \$60,000 in efforts to study the potential for energy savings in residential buildings greater than three stories. Plans evaluations were completed on seven projects with a total of 457 units. The findings are that significant energy savings can be realized when residential and commercial energy savings programs are leveraged to serve this sector. In 2007, National Grid will develop a program to address this sector, likely combining residential and commercial expertise, program components, and funding.</p>

## 2. RETROFIT

### a. Appliance Management Program

<b>Primary Objective</b>	The purpose of the program is to deliver energy efficient products and services directly to the homes of eligible low-income customers, in order to help lower customer energy bills while contributing to other key energy efficiency market transformation objectives.
<b>Initially Offered</b>	The Appliance Management Program (AMP) was cooperatively developed in 1996 by National Grid and LEAN.
<b>Joint vs. Company Specific Offering</b>	Sponsor Specific
<b>Program Description</b>	The program provides a comprehensive home energy analysis of baseload appliance use, delivered by Community Action Program (CAP) agency staff.
<b>Target Market</b>	The target market is customers living in one to four unit dwellings who are at or below 60% of median income. Customers in dwellings with greater than five units will be served by the low income EnergyWise program. Five to twenty unit low income facilities will continue to be eligible for non electric weatherization funding through the AMP program. In special cases, where outside grant money can enhance program services, National Grid may approve participation for customers in specific communities for eligibility at 80% of median income.
<b>Marketing Approach</b>	Starting in 2003, the Company joined with other utilities and LEAN to sponsor the Energy Bucks marketing campaign. Energy Bucks is an integrated campaign combining grassroots outreach, community-based activities and advertising to build awareness of the low income energy efficiency programs, fuel assistance, and utility discount rates.
<b>Target End Uses</b>	The program seeks to reduce electricity used by residential appliances, lighting, and to reduce heating fuel use. Action may also leverage Massachusetts Technology Collaborative funds for enhanced energy efficiency related measures, home repairs such as repairing roofs, and a feasibility study to bring alternative energy to low income housing.
<b>Recommended Technologies</b>	Recommended technologies include weatherization measures (including health and safety components), lighting, appliances, and heating system replacement in conjunction with the Massachusetts Heating System Repair and Replacement program administered by LEAN agencies. Room air conditioners are replaced in specific circumstances.

<b>Financial Incentives</b>	All low –income products and services are delivered with no-co-payment from the customers and by means of direct installation.
<b>Delivery Mechanism</b>	The Program is administered by National Grid within its service territory. By statute, the low-income programs are implemented by the low-income weatherization and fuel assistance network. National Grid works closely with the Network on all aspects of program design and implementation. Action, Inc., is the lead vendor that subcontracts on a geographic basis to other members of the Network. The lead vendor serves as the project coordinator and the interface between the other agencies and utilities, subcontractors, and National Grid. National Grid oversees the use of AMPCALC™ software and provides software and technical training for the network staff. The Company also provides customer contact information and kWh consumption data for Network use for marketing, billing and data tracking purposes. Most of the program services, including audits and data entry, are delivered directly by the network. However, in some cases it is more efficient or economical for the network to subcontract some program components on a competitive basis (e.g. refrigerator replacement). National Grid works closely with LEAN and other utility companies to continuously improve and refine the program through the Best Practices working group.
<b>Sponsor Specific Elements Planned for 2007</b>	No major program changes are planned for 2007.

**b. LI Multifamily Program (LI EnergyWise)**

<b>Primary Objective</b>	The purpose of the EnergyWise program is to educate multifamily customers both tenants and owners about how to save energy in their homes and facilities and to provide information and incentives to help customers replace inefficient equipment cost-effectively. The focus of the low-income sector of the EnergyWise Program is to deliver energy efficient products and services directly to the apartments of existing low income customers.
<b>Initially Offered</b>	Services have been provided since 1992 to low income facilities through the Multifamily Retrofit Program. In 1998 the Program was named EnergyWise..
<b>Joint vs. Sponsor Specific Offering</b>	Sponsor Specific

<p><b>Program Description</b></p>	<p>Eligible customers and/or building managers or associations receive a comprehensive energy audit. Energy education and the installation of low cost efficiency measures (e.g., compact fluorescent light bulbs, hot water measures and air sealing for electrically heated buildings) are provided to customers at no direct cost. The contractors put major measures out to competitive bid in facilities that have greater than twenty units. Major measures include lighting fixture upgrades and replacement of inefficient refrigerators. For electrically heated facilities measures include heat pump testing and tune ups, duct sealing, air sealing, thermostats and insulation. Custom electric saving measures (e.g. motors, pumps, and other equipment) are evaluated and provided through the Company’s Energy Initiative program. LEAN is directly serving multifamily facilities with twenty-five units or less, and funding for that is included in the LI EnergyWise program budget. Weatherization services for non-electrically heated measures for facilities with five to twenty units are included in the AMP budget. In larger buildings, as required by statute, this program is coordinating with LEAN. This includes keeping LEAN and its member agencies informed of program activities, referring customers and facilities to this program, coordinating gas and electric low-income programs, and participating in meetings with building owners and site visits. The energy analysis, bidding, installation, and oversight services are provide by National Grid’s EnergyWise vendors. National Grid and LEAN continue to discuss opportunities for LEAN agencies to be increasingly involved in the direct delivery of services to larger multifamily facilities.</p>
<p><b>Target Market</b></p>	<p>Multifamily facilities and condominium complexes with five or more dwelling units that are populated by low-income customer who are eligible for housing assistance or have income at or below 60% of the median income are eligible for this Program. All low income residential customers residing in these facilities/complexes including public housing authorities regardless of heating fuel type, interested in making their homes more energy efficient are eligible. The low-income multifamily sector includes facilities that are populated by at least 50% low-income customers, who are eligible for housing assistance or have income at or below 60% of the median income.</p>
<p><b>Marketing Approach</b></p>	<p>The program is marketed through direct contact with interested customers and homeowners, referrals from LEAN and other low income agencies, property owner’s associations, bill inserts, customer newsletters, National Grid’s website, home shows and other methods. For low income facilities marketing efforts are integrated with those of the low income community action agencies within our service territory. A vital element of the marketing plan is an outreach effort to notify customers of the availability and value of energy efficiency services. National Grid uses its relationship with community action agencies, public housing authorities and other low-income property managers to</p>

	market the benefits of the program to low-income facilities. There is typically a waiting list for program services, though the program is usually able to serve customers within the year the participation request is made.
<b>Marketing Approach</b>	The program is marketed through direct contact with interested customers and homeowners, referrals from LEAN and other low income agencies, property owner's associations, bill inserts, customer newsletters, National Grid's website, home shows and other methods. For low income facilities marketing efforts are integrated with those of the low income community action agencies within our service territory. A vital element of the marketing plan is an outreach effort to notify customers of the availability and value of energy efficiency services. National Grid uses its relationship with community action agencies, public housing authorities and other low-income property managers to market the benefits of the program to low-income facilities. There is typically a waiting list for program services, though the program is usually able to serve customers within the year the participation request is made.
<b>Target End Uses</b>	The Program targets electric saving improvements in the facility shell, domestic hot water, electric heating, appliances and energy-efficient lighting.
<b>Recommended Technologies</b>	Recommended technologies include air sealing, duct sealing, insulation, refrigerator replacement, thermostats, ventilation, lighting upgrades, domestic hot water saving devices and heat pump tune up.
<b>Financial Incentives</b>	If at least 50% of the facility's occupants are low income, services are delivered by means of direct installation with no co-payment from the customers, with the exception of refrigerators. There are no co-payments required for public housing authorities including refrigerators. For privately owned, low-income multifamily buildings, property owners pay the difference of the full cost of the refrigerator and the \$300 National Grid incentive.
<b>Delivery Mechanism</b>	<p>The Program is administered by National Grid within its service territory. The Program is delivered by independent energy service providers selected through a competitive bidding process as well as local community action agencies.</p> <p>Work completed by <i>EnergyWise</i> energy service providers and their subcontractors must meet standards set by the Building Performance Institute (BPI) or similar standards set by the individual Sponsor. At the initial site visit, an auditor comprehensively assesses all end-uses in an effort to identify all cost-effective efficiency upgrades. Where appropriate, this assessment includes an evaluation of efficient lighting opportunities, diagnostic tests of air leakage (with a blower door, if appropriate), duct leakage (with duct blaster or equivalent), heat pump (focused on airflow and charge), insulation levels, water heating equipment, and refrigerator efficiency. All</p>

	reasonable measures are screened for cost effectiveness, and major measures are put out to competitive bid in facilities with greater than twenty units. The Facility owner/manager/association signs a contract authorizing the work. Work is completed by competitively selected sub-contractors under the energy service provider's direction. The program went out to bid for vendors in the fall of 2004.
<b>Sponsor Specific Elements Planned for 2007</b>	No major program changes are planned for 2007.

### **3. PRODUCTS AND SERVICES**

Low Income customers are eligible to participate in the Company's ENERGY STAR® programs. See the discussion about products and services in section IV.A.3 above.

### **4. EDUCATION AND INFORMATION**

Education and information are included in all programs. The Appliance Management Program in particular has a strong educational focus. Student educational activities as described in section IV.A.4 above will be available regardless of income.

### **5. RESEARCH AND DEVELOPMENT AND PILOTS**

The Company plans to continue to work with LEAN to identify new cost-effective energy efficiency services and measures that are appropriate to offer to low-income customers. The Company will continue research with LEAN on such issues as moisture control and indoor air quality through participation in the Best Practices Working Group.

**6. GENERAL SUPPORT**

**a. Low Income Energy Affordability Network (LEAN)**

The Company has agreed to fund the Low Income Energy Affordability Network (LEAN) that works in collaboration with the Company about low income energy efficiency efforts.

**b. Performance Incentive Tax Liability**

The Company’s proposed performance incentive allows for a “design level” incentive that is defined on an after-tax basis. In order to earn that incentive, the Company has also budgeted the tax liability associated with the proposed design level incentive.

**C. COMMERCIAL AND INDUSTRIAL ENERGY EFFICIENCY PROGRAMS AND INITIATIVES**

**1. LOST OPPORTUNITY**

**a. Commercial & Industrial Lost Opportunity (Design 2000*plus*)**

<b>Primary Objective</b>	The objective of this program, “Design2000 <i>plus</i> ” is to capture lost opportunities and encourage best practices in new construction, renovation and failed equipment replacement.
<b>Initially Offered</b>	1987
<b>Joint vs. Company Specific Offering</b>	Company specific
<b>Program Design</b>	Design 2000 <i>plus</i> , offers incentives for equipment and measures that are more energy efficient than standard practice, state codes or national or

	<p>state standards. Depending on the type of measure, the incentive can follow two different paths.</p> <p>Prescriptive for common measures that include: efficient lighting, motors and variable frequency drives, unitary HVAC and appurtenances, electric air conditioning chillers, and compressed air systems.</p> <p>Custom for all of the above measures as well as other non-typical measures analyzed for their site-specific application, industrial processes, comprehensive “whole building” incentives and any other measure not otherwise covered under prescriptive.</p> <p>Design 2000<i>plus</i> also offers technical assistance to building owners and their design teams through third party engineers and architects.</p> <p>Through Design 2000<i>plus</i>, the company offers advanced assistance for comprehensive new construction projects through Comprehensive Design Approach (CDA) for large buildings, Advanced Buildings (AB) for smaller buildings and the High Performance Schools Initiative, which is a version of CDA and AB, for new public school construction.</p> <p>Unique unitary HVAC, Motors, Advanced Buildings and High Performance Lighting are discussed elsewhere in this filing.</p>
<b>Target Market</b>	Architects, Engineers and owners of new buildings and distributors and other trade allies for new equipment
<b>Marketing Approach</b>	The Company markets the programs through extensive personal communication by the Company’s Key Account Managers and Energy Efficiency Consultants with customers, vendors, contractors, and design professionals and via seminars, training sessions and other direct marketing approaches.
<b>Target End Uses</b>	Targeted end uses include but are not limited to lighting equipment and controls, lighting design, motors, heating, ventilation and air conditioning systems (HVAC), envelope measures, compressed air and industry-specific industrial processes.
<b>Recommended Technologies</b>	More frequently recommended technologies include but are not limited to efficient lamp technologies, direct/indirect lighting fixtures, lighting controls, efficient motor drive systems and efficient chillers and controls.
<b>Delivery Mechanism</b>	Company services include financial incentives, technical assistance, training, and commissioning. Financial incentives reduce the cost barrier to investing in energy efficiency. Technical assistance provides information and education to participants in the use of energy efficient engineering practices to advance better design in buildings. Technical

	<p>assistance also provides the customer with criteria related to energy efficiency options that can be used when the customer specifies new equipment. Additional education opportunities for customers and trade allies are offered through the Company’s participation in the regional and national market transformation initiatives, such as Advanced Buildings “Benchmark”. Additionally, commissioning ensures that the designs and systems specified for efficient buildings operate as intended by the design professionals.</p> <p>The Company’s in-house staff performs sales, marketing, and program administration and implementation functions for Design 2000<i>plus</i>. The Company hires outside contractors through a competitive selection process for technical review and assistance of comprehensive projects, post-installations and commissioning services.</p>
<p><b>Financial Incentives</b></p>	<p>In general, In general, financial incentives are designed to cover 60% to 75% of the incremental cost difference between standard and premium efficiency equipment or systems to buy the cost of the equipment to the customer down to a one to one and a half year payback, whichever is less to the Company. For Comprehensive Design Approach and Comprehensive Chiller projects, rebates cover 90% of the incremental cost or buy the cost of the equipment and systems down to a one-year payback, whichever is less.</p> <p>The Company will also continue to offer the Accelerated Application Process. The program targets large commercial, municipal and industrial customers who can take advantage of pooling their DSM contributions through the energy efficiency charges on their bills to use towards energy efficiency projects. Participants may use up to 85% (without technical services) or 80% (with technical services) of their contributions calculated through the AAP factor at any time during a one or two year calendar cycle. Participants may aggregate some or all of their facilities’ contributions through the AAP factor in National Grid’s service territory and apply them to one or multiple facilities. Using their available AAP funds, customers can apply for enhanced rebates for all measures eligible under Design 2000<i>plus</i> except for prescriptive lighting. The enhanced rebates cover 100% of the incremental costs for measures installed under Design 2000<i>plus</i>. Customers may apply for prescriptive lighting rebates under the standard Design 2000<i>plus</i> program, but those rebate dollars will be deducted from the AAP funds available to the customers. Otherwise customers participating in AAP are prohibited from participating in Design 2000<i>plus</i>, Energy Initiative, or the Small Business program during their designated AAP calendar year period (one or two years).</p>

<b>Joint Program Administrator Enhancements Planned for 2007</b>	<p>The following are some of the efforts being coordinated across the state:</p> <ul style="list-style-type: none"> <li>• This year, the program administrators have decided to withdraw from the Northeast Energy Efficiency Partnerships Motor-Up and Cool Choice programs and instead deliver a similar program but consisting of only the Massachusetts and Rhode Island program administrators.</li> <li>• Advanced Buildings outreach will continue to be coordinated among the program administrators</li> <li>• The Program Administrators have more closely aligned eligibility requirements and incentives.</li> </ul>
<b>National Grid Specific Elements</b>	<p>Generally peaking, incentives have been reduced for select measures offered under Design 2000<i>plus</i>. Prescriptive incentives and policies were examined by working groups from each of the utilities and Cape Light Compact. Incentives were adjusted for lighting, HVAC, and compressed air systems to address any changes in pricing and to more closely align incentives across utilities. The Company will eliminate incentives for select lighting measures where codes will soon require a technology (pulse start metal halide) or have become standard practice (ceramic metal halide track lighting). New measures have been added to HVAC (demand control ventilation and electronically commutated motors).</p>

## 2. RETROFIT

### a. Large Commercial & Industrial Retrofit (Energy Initiative)

<b>Primary Objective</b>	<p>The objective of the large Commercial &amp; Industrial retrofit program – “Energy Initiative” – is to focus on energy efficiency opportunities associated with existing mechanical and electric systems in commercial, industrial, governmental and institutional buildings above 200 kW in demand.</p>
<b>Initially Offered</b>	<p>1988</p>
<b>Joint vs. Company Specific Offering</b>	<p>Company specific</p>

<b>Program Design</b>	Energy Initiative offers financial incentives and technical assistance to help customers analyze their operations in order to identify outdated and/or inefficient equipment and recommend and incent opportunities for equipment replacement.
<b>Target Market</b>	Customers and trade allies such as equipment vendors and energy services companies.
<b>Marketing Approach</b>	The Company markets the programs through extensive personal communication by the Company's Key Account Managers and Energy Efficiency Consultants with customers, vendors, contractors, and design professionals and via seminars, training sessions and other direct marketing approaches. The Company also co-markets the program through trade, industry and public interest or civic groups, which represent this target market and have extensive outreach capabilities. Such groups include the Associated Industries of Massachusetts, as well as the Massachusetts Climate Action Network and others.
<b>Target End Uses</b>	Targeted end uses include but are not limited to lighting and lighting controls, motors, heating, energy management systems, compressed air and industrial processes.
<b>Recommended Technologies</b>	More frequently recommended technologies include but are not limited to efficient lamp technologies, efficient lighting fixtures, lighting controls, efficient motor drive systems and compressed air systems.
<b>Financial Incentives</b>	<p>Incentives are designed to cover approximately 45% of the total installed costs, including labor and equipment, or buy the installed costs down to the equivalent of a two-year payback, whichever is less to the Company.</p> <p>The Company will continue to offer an on-bill finance option for select municipal and medium Commercial &amp; Industrial customers. Through this finance option, customers are able to pay their balance for the cost of their work for up to 24 month period in equal monthly installments on their bill.</p> <p>The Company will also continue to offer the Accelerated Application Process. The program targets large commercial, municipal and industrial customers who can take advantage of pooling their DSM contributions through the energy efficiency charges on their bills to use towards energy efficiency projects.</p> <p>Participants may use up to 85% (without technical services) or 80% (with technical services) of their contributions calculated through the AAP factor at any time during a one or two year calendar cycle. Participants may aggregate some or all of their facilities' contributions through the AAP factor in National Grid's service territory and apply them to one or multiple facilities.</p>

	<p>Using their available AAP funds, customers can apply for enhanced rebates for all measures eligible under Design 2000<i>plus</i> except for prescriptive lighting. The enhanced rebate cover 75% of the total installed costs for measures installed under Energy Initiative or buys the measures down to a 1 year payback, whichever is less. Prescriptive lighting will be rebated at the prescriptive amount.</p>
<b>Delivery Mechanism</b>	<p>Company services include financial incentives, technical assistance, training, and commissioning. Financial incentives reduce the cost barrier to investing in energy efficiency. Technical assistance provides information and education to participants in the use of energy efficient engineering practices to advance better design in buildings. Technical assistance also provides the customer with criteria related to energy efficiency options that can be used when the customer specifies new equipment. Additional education opportunities for customers and trade allies are offered through the Company’s participation in the regional and national market transformation initiatives. Additionally, commissioning ensures that the designs and systems specified for efficient buildings operate as intended by the design professionals. Retro-commissioning ensures that existing buildings can benefit from a ‘tune-up’ of operating systems and equipment.</p> <p>The Company’s in-house staff performs sales, marketing, and program administration and implementation functions for Energy Initiative. The Company hires outside contractors through a competitive selection process for technical review and assistance of comprehensive projects, post-installations and commissioning services.</p>
<b>Joint Program Administrator Enhancements Planned for 2007</b>	<p>The following are some of the efforts being coordinated across the state:</p> <ul style="list-style-type: none"> <li>• The Program Administrators have more closely aligned eligibility requirements and incentives. This collaboration influenced some changes discussed in the following section</li> </ul>
<b>National Grid Specific Elements</b>	<p>As described below, the company is offering two new initiatives:</p> <ul style="list-style-type: none"> <li>• Whole Building Assessment services will be enhanced to provide more assistance identifying operations and maintenance opportunities with the tools of Benchmarking and Energy Profiler on Line</li> <li>• A new Compressed Air Operations and Maintenance Improvement program will be offered.</li> <li>• Generally speaking, incentives have been reduced for select measures offered under Energy Initiative. Prescriptive incentives and policies were examined by working groups from each of the utilities and Cape Light Compact. Incentives were adjusted for lighting, HVAC, and compressed air systems to address any</li> </ul>

	<p>changes in pricing and to more closely align incentives across utilities. New measures have been added to HVAC (demand control ventilation and electronically commutated motors). The Company will drop its Energy Initiative prescriptive motor application and, instead, offer a custom option (which is what other utilities are currently doing). A policy was developed by the utilities which will be applied to the Energy Initiative lighting program that will no longer allow a re-lamp/re-ballast retrofit of an existing T-8 equipped fixture to with a “High Performance T-8” system. Instead, the Company will promote replacement of existing fixtures with an energy efficient fixture instead.</p>
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**b. Small Commercial & Industrial Retrofit (Small Business Services for Business Customers Under 200 kW)**

<b>Primary Objective</b>	The objective of Small Business Services is to provide direct installation of energy efficient lighting and other electric energy saving measures to small business customers who otherwise would not be served by traditional utility or ESCo energy services.
<b>Initially Offered</b>	1990
<b>Joint vs. Company Specific Offering</b>	Company specific
<b>Program Design</b>	Small Business Services offers a turnkey audit, installation, incentive, and financing service to small business (under 200kW average monthly demand) customers.
<b>Target Market</b>	Customers with an average monthly demand of less than 200 kW or annual energy usage of less than 483,600 kWh, are eligible for this program. Eligible customers include small offices, retail, light industrial and governmental facilities. These customers tend to have loads that are dominated by lighting (as a percentage of load) and a historical reluctance or inability to fund efficiency improvements. While their small size tends to exclude them from as potential beneficiaries of services from other energy services providers, their lighting dominance makes them excellent candidates for the direct installation approach.
<b>Marketing Approach</b>	Competitively-selected labor vendors market the program through direct mail and telemarketing. Since 2003, the Company’s website has allowed customers interested in the program to complete an on-line interest form which is then automatically sent to the installation vendor

	<p>serving the area. Customer service personnel in the Company's call center and Commercial Accounts group are trained annually so that customers with high bills or new customers seeking service in an existing building can be referred to the program.</p>
<b>Target End Uses</b>	<p>Targeted end uses include but are not limited to lighting and lighting controls, HVAC and refrigeration. Other energy savings opportunities can be served through a custom approach.</p>
<b>Recommended Technologies</b>	<p>Frequently recommended technologies include but are not limited to efficient fluorescent lamps, ballasts and fixtures; hard-wired and screw-in compact fluorescent systems; high intensity discharge systems; occupancy sensors; programmable thermostats; and fan and door heater control devices for walk-in coolers as well as night setbacks for novelty coolers as well as automatic door closers, no-loss condensate drains and electronically commutated motors (ECM). Since 2004, in an effort to increase the depth of the program offerings, the Company has been offering small business customers the opportunity to install energy efficiency measures through the custom approach.</p>
<b>Financial Incentives</b>	<p>The Company pays for up to 80% of the total project costs and customers may elect to finance the remaining costs for up to 24 months interest-free.</p>
<b>Delivery Mechanism</b>	<p>Several vendors are selected through a competitive bidding process implement the program. These vendors market the program, perform audits at customer's facilities, offer recommendations to customers, complete audit forms and questionnaires, purchase materials at reduced cost from a supplier selected through a competitive bid process by the Company, install measures, input data into a database, and prepare progress reports for the Company on a regular basis. The Company's program manager manages the vendors' activities and provides technical expertise. A separate vendor handles services for recycling ballasts and lamps for proper disposal. The Company went out to bid for this program in 2004 and entered into a two year contract with selected vendors.</p>
<b>Joint Program Administrator Enhancements Planned for 2007</b>	<p>None at this time.</p>
<b>National Grid Specific Elements</b>	<p>For 2007, the Company will make available to the Small Business Service vendors a technical assistance consultant to help with custom projects.</p>

**c. Demand Response Services**

<b>Primary Objective</b>	The objective of this effort is to help customers efficiently deploy existing and emerging efficiency technologies and strategies to reduce electrical load during peak hours (typically summer) throughout the Company's service territory.
<b>Initially Offered</b>	2002
<b>Joint vs. Company Specific Offering</b>	Company specific
<b>Program Design</b>	The centerpiece of the Company's Demand Response Services are demand response or load shed audits, which are aimed to identify various demand response measures that may be undertaken by customers depending on the level of need—a price response event, a high price response event, or an emergency demand response event. The audits also identify peak load management strategies that may help customers reduce demand charges, as well as potential energy efficiency opportunities.
<b>Enhancements Planned for 2007</b>	The Company will work closely with the ISO New England to ensure that the new rules governing the Forward Capacity Market are aligned with the products and services delivered under the Demand Response program.
<b>Target Market</b>	A number of market segments that are targeted with Demand Response services include: <ul style="list-style-type: none"> <li>• large customers on highly loaded distribution system components;</li> <li>• customers in northeastern and southeastern Massachusetts where past and anticipated load growth as the potential to outpace infrastructure improvements;</li> <li>• customers who have enrolled in ISO-New England's demand response programs, and thus may be receptive to participation in the local initiative. ISO-New England's demand response programs require a minimum load commitment of 100 kW.</li> </ul>
<b>Marketing Approach</b>	The Company's demand response program manager, in consultation with the Company's Key Account Managers, will market this initiative to customers on a one-on-one basis.
<b>Target End Uses</b>	The list of measures recommended for consideration by a customer may include some or all of the following: <ul style="list-style-type: none"> <li>• Temporary load shedding measures <ul style="list-style-type: none"> <li>- Building management system control changes, including temperature setbacks for HVAC systems;</li> <li>- Lighting controls, either manually or through an BEMS</li> <li>- Operation of emergency generation under reliability emergencies</li> <li>- Integration of services provided through the Retro-Commissioning Initiative with Demand Response services;</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Load shift measures <ul style="list-style-type: none"> <li>- Scheduling of industrial processes, such as rearranging shift operations;</li> </ul> </li> <li>• Implementation of efficiency measures that offer options to cost-effectively reduce demand <ul style="list-style-type: none"> <li>- Lighting retrofits, including dimmable electronic ballasts for lighting</li> <li>- Cooling system upgrades, including chiller efficiency improvements and CO<sub>2</sub> sensors to regulate air distribution;</li> <li>- Compressed air system modifications.</li> </ul> </li> </ul>
<b>Recommended Technologies</b>	More frequently recommended technologies that save electric energy include, but are not limited to, efficient lamp technologies, direct/indirect lighting fixtures, lighting controls, efficient motor drive systems, efficient chillers and controls and advance Building Energy Management Systems.
<b>Financial Incentives</b>	Systems identified through the audits that are cost effective and save electric energy will receive incentives through Energy Initiative and Design 2000 <i>plus</i> . Demand saving only measures are not incented.
<b>Delivery Mechanism</b>	Following the initial recruitment of customers by the Program Manager and Key Account Manager, several TA contractors are used to identify demand response options, prepare analyses and reports, and coordinate their implementation. Every effort is made to ensure that these demand-oriented studies are performed simultaneously with broader energy efficiency TA studies. Also, there may be an opportunity to couple demand response audits with retro-commissioning studies.
<b>Joint Program Administrator Enhancements Planned for 2007</b>	None
<b>National Grid Specific Elements</b>	Not Applicable

#### d. Retro-Commissioning

<b>Primary Objective</b>	The objective of this service is to develop marketplace recognition of the value of retro-commissioning, which is the process of testing, troubleshooting, and adjusting systems in existing buildings with the expectation of raising existing performance standards that can significantly reduce energy consumption with little financial investment. The ultimate objective is to build a private sector market, and service delivery capability, for these services.
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<b>Initially Offered</b>	2002
<b>Joint vs. Company Specific Offering</b>	Company specific
<b>Program Design</b>	<p>Retro-Commissioning Services consists of two elements:</p> <ul style="list-style-type: none"> <li>• The Large Commercial and Industrial Full RCX Program builds on the retro-commissioning work completed since 2004. It is the Company's intent in 2007 to include elements of the Demand Response Program in the Large Commercial and Industrial Full RCX Program as well. Also, our previous experience with retro-commissioning has indicated that retro-commissioning measures are normally ignored in a facility unless some level of financial incentive is offered by the utility. The Company will explore strategies and means to offer financial incentives to customers to implement the retro-commissioning measures that are cost effective and have a simple payback of less than 2 years.</li> <li>• The Fast Track Building Tune-Up Program, targets smaller and simpler buildings. The program is designed to have a streamlined approach focusing primarily on the retro-commissioning measures which are expected and yield the quickest return on investment. In particular, there is expected to be a focus on controls (scheduling and calibration) and the management of ventilation air into the building. Another aspect of this program is that it will facilitate the necessary changes needed to capture the savings, as opposed to simply identifying them.</li> </ul>
<b>Target Market</b>	Customers are targeted who want to reduce energy costs, have an energy management system incorporated into their building and can commit the necessary resources with full management support.
<b>Marketing Approach</b>	The Company's retro-commissioning program manager, in consultation with the Company's Key Account Managers, will market this initiative to customers on a one-on-one basis.
<b>Target End Uses</b>	Retro-Commissioning Services targets end uses that: (1) allow for peak load shaving scenarios that can be implemented during peak load periods, (2) reduce operating costs during peak and off peak periods, and (3) are capital projects (such as HVAC upgrades and retrofits, motor system upgrades and retrofits, and lighting control upgrades) that can lead to substantial energy savings. As part of the process, comprehensive and acceptable operation and maintenance and retro-commissioning plans are developed. Additionally, building personnel are educated on how to operate their buildings efficiently.

<b>Recommended Technologies</b>	The recommended technologies are specific to the customers participating and are identified on a project-to-project basis.
<b>Financial Incentives</b>	The financial incentives include the cost for the retro-commissioning studies. Customers who may undertake proposed capital projects may be eligible for incentives under Design 2000 <i>plus</i> and Energy Initiative. As stated previously, the Company will explore options to help fund O&M projects.
<b>Delivery Mechanism</b>	The customer is recruited by the Key Account Manager and the Retro-Commissioning program manager. A retro-commissioning vendor, who may also be a technical assistance vendor, will perform a building assessment, identify opportunities for no-cost/low cost measures and capital measures, and develop a retro-commissioning plan/training plan which is presented to the customer.
<b>Joint Program Administrator Enhancements Planned for 2007</b>	Not Applicable
<b>National Grid Specific Elements</b>	Not Applicable

### 3. PRODUCTS AND SERVICES

#### a. Massachusetts/Rhode Island Energy Efficient Motor Program

<b>Primary Objective</b>	The objective of the Energy Efficient Motor Program is to change the marketplace for motors so that the purchase of high efficiency motors and quality motor repairs for high efficiency are the motor management strategies adopted by motor users.
<b>Initially Offered</b>	2007 (Replaces the NEEP Motor Initiative known as MotorUp)
<b>Joint vs. Company Specific Offering</b>	Joint Offering
<b>Program Design</b>	The program provides instant incentives for motors purchased through participating motor distributors. Utilities in Massachusetts and Rhode Island have agreed to offer uniform incentives equipment meeting the

	<p>efficiency requirements for “NEMA Premium” motors. The utilities are coordinating efforts and will jointly hire a circuit rider to provide outreach to motor dealers, trade allies, vendors and distributors, and will offer a 1-800 number for technical assistance, and a central clearing house for application processing.</p> <p>Additionally, the Company is expanding a pilot effort that was initiated in 2006 for smaller businesses, through the vendors that provide Project Expeditor services, to transform their purchasing practices through motor management best practices, to include larger Commercial &amp; Industrial customers. The Company will work with the customer to facilitate audits of their motor inventory and to develop a motor management plan and purchasing policy to optimize energy efficiency by replacing new or failed motors with a NEMA Premium™ motor.</p>
<b>Target Market</b>	The Energy Efficient Motor program is promoted to manufacturers, distributors, and motor vendors in the region as well as directly to customers.
<b>Marketing Approach</b>	<p>The motor incentives are primarily marketed to motor distributors through a circuit rider. The Company’s Key Account Managers and Energy Efficiency Consultants will also market the availability of motor incentives to their customers.</p> <p>The effort to assist customers in the management of their motor systems will be marketed by the Company’s Key Account Managers, Energy Efficiency Consultants and Project Expeditors.</p>
<b>Target End Uses</b>	Targeted end use is motors for the commercial and industrial market.
<b>Recommended Technologies</b>	The program recommends energy efficient motors meeting the “NEMA Efficient” standard as well as best practices in motor management.
<b>Financial Incentives</b>	The Company pays an incentive that covers, on average, 75% of the incremental cost between a standard motor and a “NEMA Efficient” motor. Financial incentives range from \$45 to \$700 depending on the size of the motor (1 to 200 HP).
<b>Delivery Mechanism</b>	A regional circuit rider will be hired through a competitive bidding process to provide outreach to motor dealers, trade allies, vendors and distributors, including a 1-800 number for technical assistance, and a central clearing house for application processing.
<b>Joint Program Administrator Enhancements Planned for 2007</b>	As a feature of the Design 2000 <i>plus</i> Program, the Company has supported the MotorUp premium efficiency motor initiative since 1998, a regional market transformation initiative that promotes motor management of high efficiency motors and quality repair of motors to maintain high efficiency. In the past, the MotorUp program was delivered through a joint effort by participating utilities and energy efficiency agencies in New England, New York and New Jersey

	<p>through the Northeast Energy Efficiency Partnerships. This extended regional group has decided to end the joint delivery of MotorUp. In its place for 2007, a Motors program will be provided by a group that encompasses a smaller region consisting of Massachusetts and Rhode Island utilities. The program will resemble MotorUp in that the same program features will be offered including consistent equipment efficiency requirements for qualifying “NEMA Premium” motors. Uniform incentives and application forms will be adopted throughout the region. Massachusetts and Rhode Island utilities will coordinate efforts to hire a circuit rider to provide outreach to motor dealers, trade allies, vendors and distributors, including a 1-800 number for technical assistance, and a central clearing house for application processing. Since 2003, the regional initiative has provided instant rebates at motor dealer sites through participation in MotorUp. The Company expects to continue with this approach in 2007.</p>
<b>National Grid Specific Elements</b>	<p>The Company is expanding a pilot effort that was initiated in 2006 for smaller businesses, through the vendors that provide Project Expeditor services, to transform their purchasing practices through motor management best practices, to include larger Commercial &amp; Industrial customers. The Company will work with the customer to facilitate audits of their motor inventory and to develop a motor management plan and purchasing policy to optimize energy efficiency by replacing new or failed motors with a NEMA Premium™ motor.</p>

**b. Massachusetts/Rhode Island Unitary HVAC Initiative (Cool Choice)**

<b>Primary Objective</b>	The objective of the Unitary HVAC initiative (“Cool Choice”) is to promote the installation of energy efficient unitary HVAC equipment through <i>Design 200plus</i> .
<b>Initially Offered</b>	2007 (Replaces NEEP-sponsored regional Cool Choice program)
<b>Joint vs. Company Specific Offering</b>	Joint Offering
<b>Program Design</b>	The program provides incentives for Unitary HVAC units purchased. Utilities in Massachusetts and Rhode Island have agreed to offer uniform incentives and consistent equipment efficiency requirements as defined by the Consortium for Energy Efficiency (CEE). Currently, eligible units must meet CEE’s “Tier 2” efficiency level. A circuit rider will be hired to market the program to equipment suppliers and

	HVAC contractors via direct mail and advertising in trade journals and is also responsible for in-person contact with HVAC contractors, engineers and architects. Applications will be processed by each sponsoring utility.
<b>Enhancements Planned for 2007</b>	Utilities plan as a joint working group to evaluate the potential to work more closely with manufacturers of unitary equipment to consider strategies for promotion of higher performing HVAC units through upstream marketing and advertising with manufacturers of higher performance systems.
<b>Target Market</b>	The target market consists of HVAC equipment distributors, installers; mechanical design firms, architects and customers.
<b>Marketing Approach</b>	The unitary incentives are primarily marketed to HVAC equipment distributors, installers, architects, design engineers and through a circuit rider. The Company's Key Account Managers and Energy Efficiency Consultants will also market the availability of HVAC incentives to their customers.
<b>Target End Uses</b>	The targeted end use for the Unitary HVAC Initiative program is air conditioning equipment for the commercial and industrial market.
<b>Recommended Technologies</b>	The Unitary HVAC Initiative offers incentives for the purchase of packaged HVAC equipment (unitary and split systems, air-to-air heat pump systems, and water source heat pumps) with efficiencies meeting the CEE Tier 2 level. In addition, the initiative offers incentives for dual enthalpy controls for economizers on new HVAC units. Starting in 2007, incentives will also be provided for units equipped with demand control ventilation and electronically commutated motors (ECM).
<b>Financial Incentives</b>	The rebates for initiative range from \$50-\$125/ton depending on the size of the unit. Also, \$250/unit is provided for dual enthalpy economizer controls \$200/ unit for demand controlled ventilation and \$150 per motor for. Electronically commutated motors. These rebates were designed to cover, on average, 75% of the incremental cost. The incentives for the initiative are only available through the Design 2000 <i>plus</i> program.
<b>Delivery Mechanism</b>	A Massachusetts circuit rider will be hired jointly by the utilities to provide outreach to HVAC dealers, installers, mechanical design engineers and architects, and a common 1-800 number will be established for technical assistance. Applications will be sent to the respective sponsoring utility for processing.
<b>Joint Program Administrator Enhancements Planned for 2007</b>	The Company has participated in the NEEP-based Cool Choice since 1999, a regional program that focuses on promoting the installation of energy efficient unitary HVAC equipment through Design 2000 <i>plus</i> . For 2007, the Company (as well as other regional sponsors) decided to withdraw from regional Cool Choice. The Company will coordinate

	with utilities in Massachusetts and Rhode Island in their effort to operate a joint state-wide program, sharing a rebate worksheet form, a single circuit rider, and a 1-800 information line. Because of dealer name recognition, the Cool Choice name will be retained.
<b>National Grid Specific Elements</b>	None at this time.

**c. Whole Building Assessment Program**

<b>Primary Objective</b>	The Whole Building Assessment Program assists large Commercial & Industrial customers in setting priorities and promotes the installation of energy efficiency measures in their facilities.
<b>Initially Offered</b>	2005
<b>Joint vs. Company Specific Offering</b>	Company Specific
<b>Program Design</b>	<p>A vendor and the Company works with a participant to:</p> <ul style="list-style-type: none"> <li>• Benchmark their facility’s energy use and compare it to similar buildings through the tool “Commercial Benchmarking Services” developed by the US EPA</li> <li>• Through the use of the online tool, “Energy Profiler Online”, provide energy usage patterns that help identify potential changes in building practices that may lead to energy saving opportunities</li> <li>• Help the customer track energy use</li> <li>• Develop a written action plan identifying cost and savings opportunities</li> <li>• Assist the customer in implementation of no-cost/or low cost O&amp;M measures</li> <li>• Assist the customer with capital projects. (Project Expeditors may then be utilized to help implement projects.)</li> </ul>
<b>Target Market</b>	The program targets selected commercial and municipal customers. Industrial customers that use a significant portion of their energy for process operations are not good candidates for this program because the uniqueness of individual operations may mean that a baseline can not be developed to benchmark them against their peers.
<b>Marketing Approach</b>	The Company’s Key Account Managers and Energy Efficiency Consultants market the program to customers. The Company utilizes T/A Consultants and Project Expeditors to help qualify candidate facilities, and then performs audits and walkthroughs of facilities. Customers are provided with action plans and reports with estimated

	costs, savings, and where eligible, incentives for the programs. Customers who express interest in further exploration of potential energy efficiency services are provided with technical services and incentives to help build solutions for higher performing buildings.
<b>Target End Uses</b>	Better management of building energy systems and energy efficient upgrades to lighting systems, HVAC controls and motors and motor drive systems.
<b>Recommended Technologies</b>	Best practices in building operations are promoted through this program.
<b>Financial Incentives</b>	Currently, the Company pays for the cost of the assessment. Any capital projects for energy efficiency equipment retrofits follow the application path of an Energy Initiative project.
<b>Delivery Mechanism</b>	This program is delivered through a technical assistance vendor with expertise in whole building assessment as well as through Project Expeditors.
<b>Joint Program Administrator Enhancements Planned for 2007</b>	N/A
<b>National Grid Specific Elements</b>	N/A

**d. 80 Plus Power Supply Initiative**

<b>Primary Objective</b>	The objective of the national 80 Plus Initiative is to transform the market for computer power supplies by promoting more energy efficient power supplies for desktop computers through an upstream buy-down program that enlists utilities and computer manufacturers.
<b>Initially Offered</b>	2005
<b>Joint vs. Company Specific Offering</b>	This initiative is funded by system benefits program managers across the country.
<b>Program Design</b>	The strategy of the 80 Plus Initiative is to overcome the price barrier of premium power supplies while educating customers about the benefits of efficient power supplies to maintain market demand. A \$5 manufacturer buy-down is offered for each desktop computer

	<p>containing a qualifying power supply that is sold in the Company's service territory. The 80 Plus Initiative is administered nationally by ECOS Consulting who tracks the sales and destination of compliant computers and arranges for the payment of the incentive.</p> <p>The 80 Plus initiative is built around a very simple concept of recognizing and rewarding manufacturers for installing a power supply in any desktop computer that meets the following specification:</p> <ul style="list-style-type: none"> <li>• 80% or greater efficiency at 20%, 50% and 100% of rated load</li> <li>• True power factor of 0.9 or greater at 100% load.</li> </ul>
<b>Target Market</b>	80 Plus is targeted at the manufacturers of desktop computers to include Dell, Hewlett Packard, Gateway and other resellers of this equipment.
<b>Marketing Approach</b>	ECOS Consulting handles the outreach with and gathers data from participating personal computer manufacturers. ECOS identifies the destination of each computer with a compliant power supply and pays the manufacturer \$5 per computer which is charged to the participating utility.
<b>Target End Uses</b>	The target end uses are the power supplies that are installed in personal computers.
<b>Recommended Technologies</b>	<p>The program is based on promoting personal computers equipped with power supplies that meet the following specification:</p> <ul style="list-style-type: none"> <li>• 80% or greater efficiency at 20%, 50% and 100% of rated load</li> <li>• True power factor of 0.9 or greater at 100% load.</li> </ul>
<b>Financial Incentives</b>	The Company pays an incentive of \$5 per computer sold in our service territory that is equipped with a compliant power supply.
<b>Delivery Mechanism</b>	As stated previously, ECOS handles all the outreach, data analysis and payment of rebates to the computer manufacturers.
<b>Joint Program Administrator Enhancements Planned for 2007</b>	The 80 Plus Power Supply Initiative is supported by a large number of utilities and other energy efficiency program administrators across the country in addition to cooperation with the EPA's Energy Star specifications. Each of the largest Massachusetts Program Administrators – National Grid, NSTAR, and WMECo – has committed to this program.
<b>National Grid Specific Elements</b>	None at this time or anticipated.

#### 4. EDUCATION AND INFORMATION

##### a. Massachusetts Energy Code Support

<b>Primary Objective</b>	The objective of this initiative is to support the regular updating, advancement and enforcement of the Commonwealth's building energy codes.
<b>Initially Offered</b>	1998
<b>Joint vs. Company Specific Offering</b>	Joint Offering
<b>Program Design</b>	<p>The Company has been a member of the Energy Advisory Committee (EAC) which was formed by the Massachusetts Board of Building Regulations and Standards (BBRS). The purpose of the EAC is to provide BBRS with recommendations on revisions to the State Energy Code and interpretations on the current code.</p> <p>Since 2000, the Company has participated in EAC, which convenes regularly and is made up of a representative group of code practitioners, including engineers, architects and utility energy efficiency program staff. The Company anticipates that it will remain active in the EAC for the next several years.</p> <p>For 2007, through participation in the EAC, the Company will continue to assist the BBRS with the incorporation of ASHRAE 90.1 2004 requirements into a revision of the state building code. In addition, we intend to provide technical expertise to the committee to help them with their decisions with respect to upgrades with the new building codes.</p>
<b>Target Market</b>	As changes to the state building code are developed, the Company will continue to make architects, engineers and other code practitioners that participate in its programs aware of these impending changes, and will provide training and informational materials as new code requirements come into effect.
<b>Marketing Approach</b>	As described previously, the Company will consider funding code training if the Board of Building Regulations and Standards deems it appropriate.
<b>Target End Uses</b>	There are no directly targeted end uses, technologies or financial incentives. However, the Company will ensure that Design 2000 <i>plus</i>

	reflects the current energy code and will share its experiences on current practices with the EAC.
<b>Recommended Technologies</b>	There are no recommended technologies. However, the company will ensure that baseline practices used as a basis for Design 2000 <i>plus</i> remain current with the Massachusetts state building codes.
<b>Financial Incentives</b>	There are no financial incentives for this initiative. Costs incurred by this program include: funding labor to support the EAC for meetings and inquiry's and any training needs that might arise during the course of 2007.
<b>Delivery Mechanism</b>	BBRS assumes full responsibility for outreach, although the Company offers its support to the BBRS when requested to assist in the selection of vendors, and provide input into the outreach effort through its involvement in the EAC.
<b>Joint Program Administrator Enhancements Planned for 2007</b>	The Company will continue to coordinate funding and coordination of BBRS' needs with the other gas and electric utilities in the state as they arise.
<b>National Grid Specific Elements</b>	N/A

**b. Massachusetts Energy Efficiency Partnership (MAEEP)**

<b>Primary Objective</b>	This initiative supports a service of the University of Massachusetts College of Engineering in an effort to educate large business customers in best practices in energy efficient technologies and efficient energy management of equipment and systems.
<b>Initially Offered</b>	2004
<b>Joint vs. Company Specific Offering</b>	Joint Offering
<b>Program Design</b>	For 2007 the Company, along with other utilities in the commonwealth, will continue to partner with the University of Massachusetts in an effort to educate large business customers in best practices in energy efficient technologies and efficient energy management of equipment. This is a continuation of a successful effort started in 2004. Programs include partial or all day general awareness and technical training

	<p>sessions that provide information designed to lead to implementation of energy efficiency improvements. These training sessions educate, inform and equip end-users with tools to identify such implementation improvements. Programs typically include introduction to advanced technologies, tools for understanding the benefits of implementing improvements, and opportunities to make use of resources available through state and federal energy programs, awards, grants or incentives, such as utility rebate programs. The program format adopted by MAEEP allows for inclusion of a wide range of relevant programs and information to be delivered within the workshop. MAEEP training sessions often include introduction and direct facilitation of other reduced-cost or free programs, such as assessments provided by the U-Mass Industrial Assessment Center, Plant Wide Assessments and Energy Savings Assessments offered by US DOE, energy use practices, productivity, and environmental programs offered by third parties such as ISO New England, the Renewable Energy Trust, and the Executive Office of Environmental Affairs; and electric and gas utility energy efficiency programs. Additional information in the form of fact sheets, case studies, software tools, plant visits and follow-on programs may be included, and metrics. Where applicable, continuing education credits may be offered for professional licensure.</p>
<b>Target Market</b>	The seminars provided by this initiative are targeted at large commercial and industrial customers as well as municipal customers with large building systems and processes.
<b>Target End Uses</b>	The MAEEP will continue to offer targeted training sessions in the existing suite of DOE Best Practices tools on technologies such as: pumps, motors, heating, fans, compressed air, chilled water, process heating, and steam. In addition, some of the following training opportunities may be offered: facility benchmarking, energy management systems, load management and demand response, commissioning and retro-commissioning, and Qualified Specialists training on DOE Best Practices software tools.
<b>Recommended Technologies</b>	Many of the energy efficient technologies covered by the seminars may be eligible for incentives under Design 2000 <i>plus</i> or Energy Initiative.
<b>Financial Incentives</b>	There are no financial incentives for this initiative. Costs incurred by this program will be for the support of seminars.
<b>Delivery Mechanism</b>	MAEEP provides for advertising, registration, logistics and the content of the seminars. The Company will support MAEEP in all of these areas upon request.

<b>Joint Program Administrator Enhancements Planned for 2007</b>	The Company will continue to coordinate its efforts with MAEEP, the other gas and electric utilities in the state and state agencies.
<b>National Grid Specific Elements</b>	None at this time.

**c. Advanced Buildings**

<b>Primary Objective</b>	The objective of Advanced Buildings is to promote improved energy performance and holistic design in smaller commercial buildings.
<b>Initially Offered</b>	2006
<b>Joint vs. Company Specific Offering</b>	Joint Offering
<b>Program Design</b>	<p>The Company is supporting the Advanced Buildings (AB) program model developed by the New Buildings Institute (NBI) in cooperation with US EPA, ASHRAE, the US Green Buildings Council and the national Building Operators and Managers Association. A key element of the AB is “Benchmark,” an all-inclusive set of standards for building efficiency and sustainable design. The “Benchmark” design tool complements the Comprehensive Design Approach with a special emphasis on smaller buildings. AB also serves to promote better commercial design practices such that advancements in the Massachusetts building code can be implemented at an accelerated rate. The Company has played a lead role nationally in the development and refinement of Advance Buildings along with other stakeholders, including other gas and electric utilities. For 2007, the Company will continue to participate in the development of support materials targeted at practitioners and building owners. Also, the Company will continue to sponsor training in coordination with other system benefits administrators across the region.</p> <p>Like with Comprehensive Design Approach, construction projects that follow advanced buildings will be given an enhanced incentive of up to 90% of the incremental cost of measures.</p>

<b>Target Market</b>	The program is targeted at architects and commercial building owners that are constructing new commercial buildings, with a particular emphasis on smaller (less than 100,000 square foot) buildings.
<b>Marketing Approach</b>	The program is marketed to building owners and the architects they hire through the Company's Key Account Managers and Energy Efficiency Consultants. Also, architects who have attended training will likely contact the Company if they are hired to work on a building design suitable for the Advanced Buildings approach.
<b>Target End Uses</b>	The target end uses for most major building systems including: building envelope, HVAC (both cooling and heating), motors and motor drives and lighting systems.
<b>Recommended Technologies</b>	Recommended technologies include, but are not limited to: envelope improvements beyond what is required by code, efficient lighting systems and design, energy efficient air conditioning and heating systems and advanced HVAC controls, and advanced daylight harvesting techniques.
<b>Financial Incentives</b>	The Company will pay up to 90% of the incremental cost or buy the measure down to a one year payback to the customer, whichever is less for the Company.
<b>Delivery Mechanism</b>	Training to architects is provided jointly by Company and other sponsoring gas and electric utilities in the state. Technical Assistance services incentives for new buildings is provided as a part of Design 2000 <i>plus</i> .
<b>Joint Program Administrator Enhancements Planned for 2007</b>	The Company will continue to partner with the other gas and electric utilities in the state and with the Cape Light Compact to provide additional training sessions for 2007. The Company will also continue to coordinate technical assistance services for new construction projects with the local gas utility.
<b>National Grid Specific Elements</b>	None at this time

**d. High Performance Commercial Lighting Design Initiative  
(DesignLights™)**

<b>Primary Objective</b>	The purpose of this initiative is to promote high quality, high performance lighting system design practices.
<b>Initially Offered</b>	1998

<b>Joint vs. Company Specific Offering</b>	Joint Offering
<b>Program Design</b>	<p>The Company participates in a regional NEEP-facilitated working group that serves primarily as information exchange on variations in the design and administration of high performance lighting energy efficiency programs between the various energy efficiency program administrators across the region. The group meets at least quarterly.</p> <p>For 2007 the group is also coordinating a number of regional efforts that include:</p> <ul style="list-style-type: none"> <li>• An initiative to promote stocking of lighting fixtures equipped with lamps and ballasts that meet the Consortium for Energy High Performance Lamp and Ballast specification at lighting equipment distributors. ICF International has been hired to do outreach and education to area distributors and will work upstream with lighting fixture manufacturers representatives. The Company will also work with ICF to ensure that best practices in lighting design are promoted at lighting equipment distributors serving our Customer base. This program is partially funded through a Federal Energy Management Program (FEMP) grant received by the New York State Energy Research and Development Authority (NYSERDA), and thus is generally referred to as the “FEMP Initiative”.</li> <li>• An examination of potential upgrades to the DesignLights™ knowhow™ guides. These guides were originally developed by the DesignLights Consortium to help customers with their lighting design decisions, but many of their technology recommendations are now outdated. Currently, the New Buildings Institute (NBI) is conducting a study to determine some of the options for revisions, including the incorporation of revised knowhow™ guides into the suite of collateral and tools to support NBI’s Advanced Lighting Design Guide.</li> <li>• An effort to develop a regional daylighting capability to help architects design daylighting strategies into new buildings.</li> </ul>
<b>Target Market</b>	<p>The target market for the FEMP HP performance T8 fixture stocking program are lighting equipment distributors, lighting equipment installers, electricians, and building owners buying lighting fixtures. The target market for the knowhow™ guides are lighting specifiers including lighting distributors, design engineers, architects, lighting equipment installers and building owners specifying new lighting. The target market for a regional daylighting strategy is architects.</p>
<b>Target End Uses</b>	The target end uses are lighting systems.
<b>Recommended Technologies</b>	High performance, energy efficient lighting design practices and equipment are promoted through this initiative.

<b>Financial Incentives</b>	Under the initiative, there are no direct financial incentives for equipment. However, initiative activities augment Design 2000 <i>plus</i> and Energy Initiative, and thus many recommended measures are eligible for incentives. Costs incurred under this program include the Company's "non-federal share" of the FEMP grant, as well as a share of the study being conducted by NBI, as well as any incidental support for meetings.
<b>Delivery Mechanism</b>	The FEMP Initiative will be marketed by ICF International. Information on Design 2000 <i>plus</i> and Energy Initiative will be provided as part of this service with information on how to access these programs.
<b>Joint Program Administrator Enhancements Planned for 2007</b>	The FEMP Initiative is a continuation of activities started in 2006. Most field activity will occur in 2007. The NBI study began in 2006, and may result in recommended actions in 2007.
<b>National Grid Specific Elements</b>	None at this time.

**e. Building Operator Certification Training (BOC)**

<b>Primary Objective</b>	The objective of the BOC is to improve the technical competence and skills (particularly with regard to the operations and maintenance of energy-consuming equipment) of facility staff working in public and commercial buildings.
<b>Initially Offered</b>	2000
<b>Joint vs. Company Specific Offering</b>	Joint Offering
<b>Program Design</b>	BOC trains and certifies individuals in energy and resource efficient operation of building systems at two levels: Level I - Building System Maintenance and Level II - Equipment Troubleshooting and Maintenance. Participants attend classes, complete tests and in-facility projects, and receive Building Operator Certification. Students attend 8 days (60 hours) of training over 3 to 4 month period. Students must complete 5 project assignments in their facilities. An exam is administrated and the student is certified based on passing grade.

<b>Target Market</b>	The BOC training is targeted at building maintenance and facilities staff.
<b>Marketing Approach</b>	The Company's Key Account Managers and Energy Efficiency Consultants help market the program to customers with prospective candidates in conjunction with the Northeast Energy Efficiency Partnerships (NEEP), which currently administers the program and assumes most of the responsibility for marketing. In the event that NEEP elects not to administer the program in 2007 the utilities will evaluate the state of the market and may elect find another organization to fill this function.
<b>Target End Uses</b>	Training Sessions are conducted on the following topics: <ul style="list-style-type: none"> <li>• Building systems overview</li> <li>• Energy conservation techniques</li> <li>• HVAC systems and controls</li> <li>• Efficient lighting fundamentals</li> <li>• Environmental health and safety regulations</li> <li>• Indoor air quality</li> <li>• Facility electrical systems</li> </ul>
<b>Recommended Technologies</b>	Best practices in building operations and maintenance are promoted through this training.
<b>Financial Incentives</b>	Currently, the Company is funding a scholarship of \$300 per student. The total cost is \$1400.
<b>Delivery Mechanism</b>	The Northeast Energy Efficiency Partnerships provides instructors and venues for training.
<b>Joint Program Administrator Enhancements Planned for 2007</b>	None at this time.
<b>National Grid Specific Elements</b>	None at this time.

## 5. RESEARCH AND DEVELOPMENT AND PILOTS

### a. Inter-utility Technical Committee

The Program Administrators have established an ongoing Inter-Utility Technical Committee, consisting of technical staff from each company, to review technical

issues of statewide interest. This committee will provide documented technical interpretations and technology assessments to the program implementers and will be the authority for consistent program interpretation of technical matters for all of the participating utilities. The committee will need to construct a set of protocols for the content of their review and procedures for documenting and disseminating their conclusions and technical interpretations.

The utilities have agreed that a request for program consideration of a new or unfamiliar technology will be forwarded to the technical committee by the receiving utility. This group could undertake or direct such tasks as:

- Research and analysis of specific measures that are candidates for inclusion in the programs;
- When appropriate and agreed by the respective utilities, development of common program implementation materials or procedures including: technical specifications, technical study/commissioning protocols, equipment baseline reference sheets, inspection forms, and other technical and administrative support materials, for use by the respective utility program staff and contractors;
- When appropriate and agreed by the respective utilities, provide recommendations to program managers for new items or changes to existing items on prescriptive offering lists, adjustments to savings estimations, and additions or modifications to the list of acceptable measures on an annual basis, or on a cycle and through a procedure to be determined; and,
- As-needed assignments to collect data and/or to produce recommendations which would allow the administering utilities to address unanticipated program implementation issues.

The committee will consist of representatives of NSTAR, National Grid, WMECo, FG&E, and Cape Light Compact.

## **6. GENERAL SUPPORT**

### **a. NUP Collaborative**

The Company has agreed to fund commercial and industrial energy efficiency experts to advise the Non-Utility Parties (NUPs) who work in collaboration with the Company about energy efficiency efforts.

### **b. DOER Support**

Section 54 of Chapter 149 of the Acts of 2004 authorized the Commissioner of the Division of Energy Resources to make an assessment against gas and electric utility companies doing business in Massachusetts. These assessments are to help underwrite activities of the DOER related to ratepayer supported energy efficiency programs pursuant to G.L. c.25A, section 11G for which the Division has oversight and coordination responsibility. This assessment is in addition to the RCS assessment.

### **c. Sponsorship and Subscriptions**

The Company continues to provide funding to organizations like the Northeast Energy Efficiency Partnerships (NEEP), the Consortium for Energy Efficiency (CEE) and New Buildings Institute that provide services consistent with the objectives of energy efficiency program objectives in Massachusetts.

### **d. Miscellaneous Market Research and Evaluation**

The Company has included funding in its energy efficiency program budgets for commercial and industrial miscellaneous market research and evaluation projects. This funding is intended to support already identified projects that have not been

scoped out in sufficient detail to allow for development of a specific project budget. This funding is also intended to provide the Company with the opportunity to participate in valuable studies that support Commercial and Industrial energy efficiency program efforts that may be identified during the year.

**e. Performance Incentive Tax Liability**

The Company's proposed performance incentive allows for a "design level" incentive that is defined on an after-tax basis. In order to earn that incentive, the Company has also budgeted the tax liability associated with the proposed design level incentive.

**V. Evaluation and Reporting**

In planning evaluation activities for the coming year, the Company considers several factors including the length of time since a program or end-use was evaluated, the maturity of the program (particularly for process evaluation issues), the significance of expected savings for the end-use or project in the recently completed program year, the stability of prior evaluation results for the program aspect under consideration, and expected opportunities to participate in joint-utility studies, including market assessments, in the coming year. The Company seeks input from interested stakeholders about its evaluation plans as those plans are developed so that significant issues are addressed through the studies that the Company sponsors. In addition, New England Conference of Public Utility Commissioners (NECPUC) has issued a resolution that, "commits its staff energy policy group to the development of common protocols to measure, verify and report energy efficiency savings derived from the publicly funded energy efficiency programs operated by the various program implementation organizations operating within New England whose expenditures and accomplishments are subject to utility commission review." In response to this resolution, the Company

anticipates that some evaluation efforts in 2007 will be focused on regional projects designed to achieve this objective.

The Company anticipates either initiating or completing the following studies in 2007:

**Planned Evaluation Studies in 2007<sup>7</sup>**

<b>Program</b>	<b>Study</b>	<b>(J)oint or (C)ompany Specific<sup>8</sup></b>
RCS/MassSAVE	MassSAVE Impact Evaluation - Combined Billing Analysis and Measure Specific Analysis	J
ENERGY STAR Lighting	Market Progress and Evaluation Report (MPER): Estimate market penetration, product pricing assessment, consumer survey, retailer survey, and net-to-gross analysis.	J
Residential Retail Lighting and Direct Installation Lighting Programs	Cross-Program Lighting Persistence Study	J
ENERGY STAR Appliances	Market Progress and Evaluation Report (MPER): Studies for ENERGY STAR Appliances include a net-to-gross analysis for ENERGY STAR clothes washers and qualitative assessment of room air conditioner program implementation features.	J
Residential Construction/ENERGY STAR Homes	ENERGY STAR Homes (Focus to be determined by JMC Evaluation Group)	J
Residential HVAC	Residential HVAC – Ongoing Program Evaluation	J
Residential HVAC	Residential HVAC – Evaluation of Mini-Split HVAC Systems	J
Power Monitor Pilot	Power Monitor Pilot Evaluation	C
Energy Challenge Sweepstakes	Create a research work team; review options for program components; design program; and present program for 2008 at DTE technical session.	J
Multiple Residential Programs	Residential Peak Demand Values and Coincidence Factors	J
Low Income Programs	Energy Bucks Market Research	J

<sup>7</sup> Evaluation priorities may change during the year, affecting both the timing and focus of studies actually completed.

<sup>8</sup> Some of the studies identified as Company-specific may be completed with others, if feasible. Some of the studies identified as Joint may be completed as Company-specific if it is determined that a joint effort is not practical.

<b>Program</b>	<b>Study</b>	<b>(J)oint or (C)ompany Specific<sup>8</sup></b>
Energy Initiative and Design 2000 <i>plus</i>	Study of standard practice and market transformation for efficient HVAC for National Account customers	C
Energy Initiative and Design 2000 <i>plus</i>	Custom Process Impact Analysis-Completion of Evaluation of 2005 Installations and Start of 2006 Installations. Study will consist of site specific engineering analysis and end-use metering.	C
Energy Initiative and Design 2000 <i>plus</i>	Custom HVAC Impact Analysis- Completion of Evaluation of 2005 Installations <sup>9</sup> . Study will consist of site specific engineering analysis and end-use metering.	C
Energy Initiative and Design 2000 <i>plus</i>	Custom Lighting Impact Analysis-Evaluation of 2006 Installations. Study will consist of site specific engineering analysis and end-use metering.	C
Design 2000 <i>plus</i>	Custom CDA Impact Analysis-Begin evaluation of 2005 and 2006 Installations. Study will consist of site specific engineering analysis, whole building computer simulation and end-use metering.	C
Energy Initiative and Design 2000 <i>plus</i>	Custom Non-Energy Benefits (NEBS) Research	J
Design 2000 <i>plus</i>	Commercial & Industrial New Construction Market Characterization	J
Design 2000 <i>plus</i>	Commercial & Industrial Construction Baseline	J
Energy Initiative and Design 2000 <i>plus</i>	Review/Consistency in Impact Evaluation of Large and Custom Projects	J
Energy Initiative and Design 2000 <i>plus</i>	Incremental Cost Study for Efficient HVAC	J
Energy Initiative, Design 2000 <i>plus</i> , and Small Business Services	Commercial & Industrial Peak Demand Values and Coincidence Factors	J
Various Residential and Commercial & Industrial Programs	Regional Effort - Common Measure Lives	J
Various Residential and Commercial & Industrial Programs	Literature Review - Savings Persistence	J

<sup>9</sup> Although not currently planned, a Custom HVAC impact evaluation focusing on 2006 installations may be initiated in 2007.

<b>Program</b>	<b>Study</b>	<b>(J)oint or (C)ompany Specific<sup>8</sup></b>
Various Residential and Commercial & Industrial Programs	Primary Research - Savings Persistence	J
All Programs	Avoided Cost Study	J
All Programs	Miscellaneous Evaluation	C and J
All Programs	Program and Regulatory Support	C

The Company anticipates that additional, focused studies may be required to inform program design and implementation practices through the year. Massachusetts’ utilities may initiate additional studies addressing issues of particular interest to state regulators or studies required to meet agreed upon performance metrics. In addition, evaluation priorities may also change during the year. Changes in focus may affect the timing of studies completed during the year.

The Company will continue to file annual reports about the progress of its energy efficiency programs. The results reported in the annual report will reflect and incorporate the findings of completed evaluation studies.

## **VI. Performance Incentives Related to Energy Efficiency Activities in 2007**

Section 5 of the guidelines (“Final Guidelines”) issued by the Department in D.T.E. 98-100 provides distribution companies with direction about the Department’s preferred structure for performance incentive mechanisms and how to calculate performance incentives associated with distribution companies’ performance under their energy efficiency plans. The Final Guidelines include definitions of a “design” performance level, a “threshold” performance level, and an “exemplary” performance level. The design performance level is defined as achieving 100% of the goal included in the Company’s Energy Efficiency Plan. The threshold performance level is defined as

achieving 75% of the goal. And, the exemplary performance level is defined as achieving 125% of the goal.

Section 5.3 of the Final Guidelines also provides direction to the distribution companies about how to calculate performance incentives. The after-tax performance incentive related to accomplishing the design performance level is to be calculated as the product of: “(1) the average yield of the three-month United States Treasury bill, and (2) total program implementation costs as included in a distribution company’s Energy Efficiency Plan.” Performance at the threshold level results in a performance incentive that is equal to 75% of the design incentive level. A distribution company shall earn no incentive if its performance is below the threshold performance level. Performance at the exemplary level results in a performance incentive that is equal to 125% of the design incentive level, and a distribution company shall earn no more than its exemplary performance level.

Pursuant to Section 1(2) of the Final Guidelines, the Department allowed the Company to modify this calculation algorithm in 2003, 2004, and 2005. Instead of using Treasury bill rates to determine the incentive, the Department allowed the after-tax design level incentive rate to be set at 5%. See D.T.E. 03-2, D.T.E. 03-8, and D.T.E. 05-30. The Company’s proposal for a similar incentive rate for 2006 is pending before the Department in D.T.E. 06-34.

Pursuant to Section 1(2) of the Final Guidelines, the Company, with the support of the Parties, proposes that the after-tax design level incentive rate again be set at 5%, as it has been in 2003, 2004, 2005, and 2006 as well, should the Department so approve. The reasons for this proposal are the same as in previous years. The use of the three month Treasury bill mandated in D.T.E. 98-100 was supported by DOER in that docket as an approximation of the market valuation of an appropriate level of return on low-risk investments for the energy efficiency administrators. At the time of the proceeding, the DOER estimated that the three month Treasury Bill typically averaged between 4 and 6%, an adequate level of return to motivate the distribution companies to deliver high-

quality energy efficiency services. However, the rate dropped precipitously due to the volatility of the market in 2001 to 1.72%, was down to .91% by December of 2003, and stayed at or below that level through early 2004. During 2005 the rate began its turnaround, and is at 4.96%<sup>10</sup> now. This history has indicated that actual Treasury bill rates are uncertain, and that during their low may not provide an appropriate incentive to the Company and other distribution companies. On the other hand, the 5% incentive rate that the Company proposes will provide an appropriate incentive.

The proposed incentive mechanism supported by the Company and the Parties is as follows:

1. The Company's 2007 performance incentive will be calculated using a 5% after-tax rate at the design level of performance consistent with the design level performance incentive rate approved by the Department for 2005.
2. The threshold level of performance in 2007 will remain at 75% of design level performance.
3. The exemplary level of performance in 2007 will remain at 110% of design level performance. This is consistent with the incentive mechanism approved by the Department in 2005.
4. The total after-tax performance incentive for 2007 shall be equivalent to the product of (1) the actual 2007 energy efficiency program expenses, (2) the agreed-to 5% performance incentive percentage rate that the distribution companies and the Parties have agreed to, and (3) the percentage of the overall design performance level actually achieved, subject to the threshold and exemplary levels described above. This is consistent with the incentive mechanism approved by the Department in 2005.
5. The specific calculation of the total after-tax incentive will be the sum of three incentive components (the savings mechanism, the value mechanism, and performance metrics), with the threshold and exemplary performance levels

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<sup>10</sup> This is the yield on 3-month U.S. Treasury bills in December 2006 as published at [http://www.federalreserve.gov/releases/H15/data/Monthly/H15\\_TCMNOM\\_M3.txt](http://www.federalreserve.gov/releases/H15/data/Monthly/H15_TCMNOM_M3.txt).

applied for each of the three components. Details about each of the incentive mechanism components are provided in Appendix B.

6. The performance incentive will be funded by all sectors as shown in the following table.

**Allocation of Incentive by Component – 2007**

	<b>Savings Mechanism</b>	<b>Value Mechanism</b>	<b>Performance Metrics</b>
<b>Residential Non-Low Income</b>	45%	35%	20%
<b>Residential Low Income</b>	30%	10%	60%
<b>Commercial and Industrial</b>	50%	40%	10%

The Savings Mechanism provides a reward to the Company for achieving its energy savings, demand savings, and non-electric benefits goals as defined in the Energy Efficiency Plan. The Value Mechanism provides a reward to the Company for achieving positive net benefits through its program efforts. Performance Metrics focus on direct savings and outcomes or on supporting programs and other activities related to the distribution company’s role as program administrator.

For planning purposes, the Company has included an initial estimate of potential design, threshold, and exemplary incentive levels using an incentive rate of 5%, and assuming that 100% of the program implementation budget will be expended. The Company’s preliminary estimate of the after-tax incentive dollars (at the design level of performance) that it may earn through completing these activities or accomplishing the agreed-to results in 2007 is approximately \$2.7 million. When actual earnings are determined the total after-tax incentive will be based on actual performance, actual program implementation expenses (expenditures<sup>11</sup> made in 2007), and the agreed-to incentive rate.

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<sup>11</sup> These expenditures represent incurred payroll, advertising, vendor, customer rebates and other costs for work completed in the calendar year. The majority of costs are recorded to expense on a cash basis and charged only to the specific calendar year in which the activity took place or when the DSM job is completed. This includes vendor payments for Small Business materials (charged at the time the materials are purchased, not when the DSM job is completed) and a small number of Large Commercial and Industrial progress payments (partial customer rebate payments charged and paid on the percentage of the DSM job complete). All costs are charged to expense in only one calendar year. Commitments for carryover DSM applications are not recorded to expense. Similarly, project savings are claimed in the year in which the project gets paid and in which the expense for the project is charged.

Therefore, the final incentive levels may vary from estimated incentive dollar levels shown in Appendix B.

The total overall after-tax performance incentive for 2007 shall not exceed the product of (1) the actual 2007 program implementation expenses, (2) the agreed-to 5% after-tax incentive rate, and (3) 110% of the maximum design performance incentive level. Each of the three components of the overall performance incentive (savings mechanism, value mechanism, and performance metrics) shall be capped consistent with this approach.

Because actual expenses are used as the basis for calculation of the performance incentives, the Company can earn an incentive on a given dollar of funding only once, when it is actually spent.

# **APPENDIX A**

## **Benefit/Cost Analysis**

2007 TRC BENEFIT COST TEST  
National Grid

Summary of Benefit With DRIPE, Costs (2007\$)  
Total Resource Cost Test

BCR Activity	TRC Benefit/ Cost	TRC Net Benefits	Total Benefits (\$000)	Total Costs (\$000)	PA Costs (\$000)
<b>Residential</b>					
A02a Residential Lost Opportunity	2.80	\$3,242	\$5,047	\$1,805	\$1,310
A02b Residential HVAC	1.93	\$953	\$1,977	\$1,024	\$1,012
A03a Residential Retrofit 1-4	2.56	\$11,548	\$18,957	\$7,409	\$6,267
A03b Residential Retrofit Multifamily	1.36	\$1,440	\$5,428	\$3,988	\$3,972
A04a Residential Lighting	5.84	\$31,114	\$37,540	\$6,426	\$4,561
A04b Residential Appliances	2.45	\$4,618	\$7,800	\$3,181	\$1,460
A07x Performance Incentive Tax Liability					\$571
<b>Subtotal: Residential</b>	<b>3.22</b>	<b>\$52,915</b>	<b>\$76,748</b>	<b>\$23,833</b>	<b>\$19,152</b>
<b>Low Income</b>					
B02a Low-Income Lost Opportunity	2.02	\$391	\$774	\$383	\$376
B03a Low-Income Retrofit 1-4	3.87	\$15,774	\$21,271	\$5,498	\$5,498
B03b Low-Income Retrofit Multifamily	3.53	\$9,294	\$12,970	\$3,676	\$3,619
B07x Performance Incentive Tax Liability					\$292
<b>Subtotal: Low Income</b>	<b>3.66</b>	<b>\$25,458</b>	<b>\$35,015</b>	<b>\$9,557</b>	<b>\$9,784</b>
<b>Com/Ind (1)</b>					
C02a C&I Lost Opportunity	4.00	\$42,811	\$57,068	\$14,257	\$12,749
C03a Large C&I Retrofit	3.20	\$45,403	\$66,053	\$20,650	\$11,119
C03b Small C&I Retrofit	3.84	\$18,058	\$24,413	\$6,355	\$6,337
C07x Performance Incentive Tax Liability					\$888
<b>Subtotal: C&amp;I</b>	<b>3.58</b>	<b>\$106,271</b>	<b>\$147,534</b>	<b>\$41,262</b>	<b>\$31,093</b>
<b>Grand Total</b>	<b>3.47</b>	<b>\$184,644</b>	<b>\$259,297</b>	<b>\$74,653</b>	<b>\$60,030</b>

2007 TRC BENEFIT COST TEST  
National Grid

BCR Activity	Program/General Support	Cost Categories					Shareholder Incentive (\$000)
		Total TRC Costs (\$000)	Total PA Costs (\$000)	Program Implementation (\$000)	Customer (\$000)	Evaluation (\$000)	
<b>A - Residential</b>		<b>\$23,833</b>	<b>\$19,152</b>	<b>\$16,900</b>	<b>\$5,252</b>	<b>\$797</b>	<b>\$885</b>
A02a Residential Lost Opportunity		\$1,805	\$1,310	\$1,090	\$495	\$162	\$59
A02a Energy Star Homes		\$1,774	\$1,279	\$1,075	\$495	\$145	\$59
A05a Residential Education Program		\$5	\$5	\$5	\$0	\$0	\$0
A07a NUP Collaborative		\$6	\$6	\$6	\$0	\$0	\$0
A07b DOER Support		\$5	\$5	\$5	\$0	\$0	\$0
A07d Misc. Market Research and Evaluation		\$17	\$17	\$0	\$0	\$17	\$0
A02b Residential HVAC		\$1,024	\$1,012	\$894	\$12	\$95	\$23
A02b Energy Star HVAC		\$1,004	\$991	\$883	\$12	\$85	\$23
A05a Residential Education Program		\$3	\$3	\$3	\$0	\$0	\$0
A07a NUP Collaborative		\$4	\$4	\$4	\$0	\$0	\$0
A07b DOER Support		\$4	\$4	\$4	\$0	\$0	\$0
A07d Misc. Market Research and Evaluation		\$10	\$10	\$0	\$0	\$10	\$0
A03a Residential Retrofit 1-4		\$7,409	\$6,267	\$5,928	\$1,142	\$119	\$220
A03a Residential Conservation Service		\$5,319	\$4,177	\$3,857	\$1,142	\$100	\$220
A05a Residential Education Program		\$25	\$25	\$25	\$0	\$0	\$0
A06a Heat Loan Program		\$27	\$27	\$27	\$0	\$0	\$0
A06b Power Monitor Pilot		\$23	\$23	\$23	\$0	\$0	\$0
A07a NUP Collaborative		\$35	\$35	\$35	\$0	\$0	\$0
A07b DOER Support		\$19	\$19	\$0	\$0	\$19	\$0
A07c Sponsorship & Subscriptions		\$1,542	\$1,542	\$1,542	\$0	\$0	\$0
A07d Misc. Market Research and Evaluation		\$420	\$420	\$420	\$0	\$0	\$0
A03b Residential Retrofit Multifamily		\$3,988	\$3,972	\$3,814	\$16	\$94	\$63
A03b Energywise		\$3,839	\$3,823	\$3,760	\$16	\$0	\$63
A05a Residential Education Program		\$22	\$22	\$22	\$0	\$0	\$0
A07a NUP Collaborative		\$17	\$17	\$17	\$0	\$0	\$0
A07b DOER Support		\$14	\$14	\$14	\$0	\$0	\$0
A07d Misc. Market Research and Evaluation		\$94	\$94	\$0	\$0	\$94	\$0
A04a Residential Lighting		\$6,426	\$4,561	\$3,897	\$1,866	\$232	\$431
A04a Energy Star Lighting		\$6,365	\$4,499	\$3,857	\$1,866	\$210	\$431
A05a Residential Education Program		\$6	\$6	\$6	\$0	\$0	\$0
A07a NUP Collaborative		\$19	\$19	\$19	\$0	\$0	\$0
A07b DOER Support		\$16	\$16	\$16	\$0	\$0	\$0
A07d Misc. Market Research and Evaluation		\$22	\$22	\$0	\$0	\$22	\$0
A04b Residential Appliances		\$3,181	\$1,460	\$1,276	\$1,721	\$95	\$89
A04b Energy Star Products		\$3,159	\$1,438	\$1,263	\$1,721	\$87	\$89
A05a Residential Education Program		\$2	\$2	\$2	\$0	\$0	\$0
A07a NUP Collaborative		\$6	\$6	\$6	\$0	\$0	\$0
A07b DOER Support		\$5	\$5	\$5	\$0	\$0	\$0
A07d Misc. Market Research and Evaluation		\$8	\$8	\$0	\$0	\$8	\$0
NA - Tax Liability		\$0	\$571	\$0	\$0	\$0	\$571
A07x Performance Incentive Tax Liability		\$0	\$571	\$0	\$0	\$0	\$0
<b>B - Low Income</b>		<b>\$9,557</b>	<b>\$9,784</b>	<b>\$9,004</b>	<b>\$64</b>	<b>\$37</b>	<b>\$452</b>
B02a Low-Income Lost Opportunity		\$383	\$376	\$365	\$8	\$0	\$10
B02a Energy Star Homes LI		\$378	\$371	\$361	\$8	\$0	\$10
B07a LEAN Funding		\$5	\$5	\$5	\$0	\$0	\$0
B03a Low-Income Retrofit 1-4		\$5,498	\$5,498	\$5,187	\$0	\$37	\$274
B03a Single Family - Appliance Management		\$5,429	\$5,429	\$5,118	\$0	\$37	\$274
B07a LEAN Funding		\$69	\$69	\$69	\$0	\$0	\$0
B03b Low-Income Retrofit Multifamily		\$3,676	\$3,619	\$3,451	\$57	\$0	\$168
B03b Multifamily LI EnergyWise		\$3,630	\$3,573	\$3,406	\$57	\$0	\$168
B07a LEAN Funding		\$46	\$46	\$46	\$0	\$0	\$0
NA - Tax Liability		\$0	\$292	\$0	\$0	\$0	\$292
B07x Performance Incentive Tax Liability		\$0	\$292	\$0	\$0	\$0	\$0
<b>C - Commercial &amp; Industrial</b>		<b>\$41,262</b>	<b>\$31,093</b>	<b>\$27,662</b>	<b>\$11,057</b>	<b>\$1,166</b>	<b>\$1,376</b>
C02a C&I Lost Opportunity		\$14,257	\$12,749	\$11,528	\$1,508	\$688	\$533
C02a Design 2000plus		\$13,187	\$11,679	\$10,693	\$1,508	\$453	\$533
C04a Motors Initiative		\$37	\$37	\$37	\$0	\$0	\$0
C04b Unitary HVAC Initiative		\$123	\$123	\$123	\$0	\$0	\$0
C04h 80 Plus		\$190	\$190	\$190	\$0	\$0	\$0
C05a Massachusetts Energy Code Support		\$14	\$14	\$14	\$0	\$0	\$0
C05c New Building Institute Guidelines		\$165	\$165	\$165	\$0	\$0	\$0
C05d DesignLights		\$57	\$57	\$57	\$0	\$0	\$0
C05e Compressed Air Challenge		\$93	\$93	\$93	\$0	\$0	\$0
C07a NUP Collaborative		\$55	\$55	\$55	\$0	\$0	\$0
C07b DOER Support		\$45	\$45	\$45	\$0	\$0	\$0
C07c Sponsorship & Subscriptions		\$57	\$57	\$57	\$0	\$0	\$0
C07d Misc. Market Research and Evaluation		\$235	\$235	\$0	\$0	\$235	\$0
C03a Large C&I Retrofit		\$20,650	\$11,119	\$10,140	\$9,532	\$365	\$614
C03a Energy Initiative		\$19,659	\$10,127	\$9,341	\$9,532	\$172	\$614
C04e Energy Star Commercial Buildings		\$103	\$103	\$103	\$0	\$0	\$0
C05b Massachusetts Energy Efficiency Partnership		\$78	\$78	\$78	\$0	\$0	\$0
C06a Demand Response		\$317	\$317	\$317	\$0	\$0	\$0
C06b Retro-Commissioning		\$166	\$166	\$166	\$0	\$0	\$0
C07a NUP Collaborative		\$47	\$47	\$47	\$0	\$0	\$0
C07b DOER Support		\$39	\$39	\$39	\$0	\$0	\$0
C07c Sponsorship & Subscriptions		\$49	\$49	\$49	\$0	\$0	\$0
C07d Misc. Market Research and Evaluation		\$193	\$193	\$0	\$0	\$193	\$0
C03b Small C&I Retrofit		\$6,355	\$6,337	\$5,995	\$18	\$113	\$229
C03b Small Customers under 200kW		\$6,163	\$6,146	\$5,917	\$18	\$0	\$229
C07a NUP Collaborative		\$27	\$27	\$27	\$0	\$0	\$0
C07b DOER Support		\$22	\$22	\$22	\$0	\$0	\$0
C07c Sponsorship & Subscriptions		\$29	\$29	\$29	\$0	\$0	\$0
C07d Misc. Market Research and Evaluation		\$113	\$113	\$0	\$0	\$113	\$0
NA - Tax Liability		\$888	\$888	\$0	\$0	\$0	\$888
C07x Performance Incentive Tax Liability		\$0	\$888	\$0	\$0	\$0	\$0
<b>Grand Total</b>		<b>\$74,653</b>	<b>\$60,030</b>	<b>\$53,566</b>	<b>\$16,374</b>	<b>\$2,000</b>	<b>\$2,713</b>

(1) Implementation costs for Small Business Services include the customer co-pay (\$893,931) which was shown as a customer cost in prior years.

2007 TRC BENEFIT COST TEST  
National Grid

BCR Activity	Total Benefits (\$000)												Load Reduction in kW			MWh Saved	
	Total Benefits (\$000)	Capacity					Energy				Non Electric		Summer	Winter	Lifetime	Maximum Annual	Lifetime
		Generation		Trans	MDC	DRIPE	Winter		Summer		Resource	Non-Resource					
		Summer	Winter				Peak	Off Peak	Peak	Off Peak							
<b>RESIDENTIAL</b>	<b>\$76,748</b>	<b>\$4,976</b>	<b>\$0</b>	<b>\$1,672</b>	<b>\$3,779</b>	<b>\$18,241</b>	<b>\$9,300</b>	<b>\$10,667</b>	<b>\$4,537</b>	<b>\$4,573</b>	<b>\$15,449</b>	<b>\$3,554</b>	<b>6,232</b>	<b>17,922</b>	<b>66,866</b>	<b>73,185</b>	<b>543,624</b>
A02a Residential Lost Opportunity	\$5,047	\$439	\$0	\$140	\$317	\$1,375	\$174	\$204	\$79	\$86	\$2,197	\$37	280	193	6,299	906	11,137
A02b Residential HVAC	\$1,977	\$278	\$0	\$92	\$208	\$1,025	\$275	\$73	\$166	\$51	(\$191)	\$2	287	55	3,717	659	11,061
A03a Residential Retrofit 1-4	\$18,957	\$1,657	\$0	\$532	\$1,203	\$5,305	\$739	\$866	\$626	\$454	\$7,416	\$158	1,169	930	23,324	4,839	54,034
A03b Residential Retrofit Multifamily	\$5,428	\$448	\$0	\$145	\$327	\$1,543	\$873	\$1,027	\$398	\$436	\$177	\$55	344	933	5,987	3,267	58,295
A04a Residential Lighting	\$37,540	\$1,959	\$0	\$698	\$1,577	\$8,337	\$6,955	\$8,164	\$3,140	\$3,407	\$0	\$3,303	3,928	15,551	25,070	61,906	391,426
A04b Residential Appliances	\$7,800	\$196	\$0	\$65	\$147	\$656	\$285	\$333	\$128	\$139	\$5,851	\$0	224	260	2,469	1,607	17,672
<b>LOW INCOME</b>	<b>\$35,015</b>	<b>\$856</b>	<b>\$0</b>	<b>\$277</b>	<b>\$627</b>	<b>\$2,950</b>	<b>\$1,659</b>	<b>\$1,954</b>	<b>\$758</b>	<b>\$830</b>	<b>\$6,691</b>	<b>\$18,413</b>	<b>676</b>	<b>1,580</b>	<b>11,631</b>	<b>6,534</b>	<b>110,907</b>
B02a Low-Income Lost Opportunity	\$774	\$49	\$0	\$16	\$35	\$154	\$14	\$17	\$7	\$7	\$433	\$42	31	20	706	81	908
B03a Low-Income Retrofit 1-4	\$21,271	\$373	\$0	\$122	\$276	\$1,326	\$679	\$799	\$309	\$338	\$6,016	\$11,034	334	709	5,017	3,081	44,401
B03b Low-Income Retrofit Multifamily	\$12,970	\$434	\$0	\$140	\$316	\$1,470	\$966	\$1,138	\$442	\$485	\$242	\$7,337	310	852	5,908	3,373	65,598
<b>Commercial and Industrial</b>	<b>\$147,534</b>	<b>\$15,583</b>	<b>\$0</b>	<b>\$5,111</b>	<b>\$11,555</b>	<b>\$52,984</b>	<b>\$26,384</b>	<b>\$14,069</b>	<b>\$12,388</b>	<b>\$5,922</b>	<b>\$500</b>	<b>\$3,038</b>	<b>14,858</b>	<b>9,042</b>	<b>200,953</b>	<b>85,183</b>	<b>1,143,700</b>
C02a C&I Lost Opportunity	\$57,068	\$6,413	\$0	\$2,088	\$4,720	\$22,091	\$8,714	\$6,074	\$4,108	\$2,567	\$0	\$292	5,450	2,668	84,078	28,015	432,455
C03a Large C&I Retrofit	\$66,053	\$6,282	\$0	\$2,069	\$4,677	\$21,205	\$12,880	\$6,941	\$6,038	\$2,914	\$500	\$2,548	6,350	4,819	80,176	44,163	555,190
C03b Small C&I Retrofit	\$24,413	\$2,887	\$0	\$954	\$2,157	\$9,688	\$4,789	\$1,055	\$2,242	\$442	\$0	\$198	3,058	1,555	36,700	13,005	156,056
<b>GRAND TOTAL</b>	<b>\$259,297</b>	<b>\$21,415</b>	<b>\$0</b>	<b>\$7,060</b>	<b>\$15,960</b>	<b>\$74,175</b>	<b>\$37,343</b>	<b>\$26,690</b>	<b>\$17,683</b>	<b>\$11,325</b>	<b>\$22,640</b>	<b>\$25,004</b>	<b>21,765</b>	<b>28,544</b>	<b>279,450</b>	<b>164,902</b>	<b>1,798,232</b>

2007 TRC BENEFIT COST TEST  
National Grid

Summary of Benefit Without DRIPE, Costs (2007\$)  
Total Resource Cost Test

BCR Activity	TRC Benefit/ Cost	TRC Net Benefits	Total Benefits (\$000)	Total Costs (\$000)	PA Costs (\$000)
<b>Residential</b>					
A02a Residential Lost Opportunity	2.03	\$1,867	\$3,672	\$1,805	\$1,310
A02b Residential HVAC	0.93	(\$73)	\$951	\$1,024	\$1,012
A03a Residential Retrofit 1-4	1.84	\$6,243	\$13,652	\$7,409	\$6,267
A03b Residential Retrofit Multifamily	0.97	(\$102)	\$3,885	\$3,988	\$3,972
A04a Residential Lighting	4.54	\$22,776	\$29,203	\$6,426	\$4,561
A04b Residential Appliances	2.25	\$3,963	\$7,144	\$3,181	\$1,460
A07x Performance Incentive Tax Liability					\$571
<b>Subtotal: Residential</b>	<b>2.45</b>	<b>\$ 34,674</b>	<b>\$ 58,507</b>	<b>\$ 23,833</b>	<b>\$19,152</b>
<b>Low Income</b>					
B02a Low-Income Lost Opportunity	1.62	\$237	\$620	\$383	\$376
B03a Low-Income Retrofit 1-4	3.63	\$14,448	\$19,945	\$5,498	\$5,498
B03b Low-Income Retrofit Multifamily	3.13	\$7,824	\$11,499	\$3,676	\$3,619
B07x Performance Incentive Tax Liability					\$292
<b>Subtotal: Low Income</b>	<b>3.36</b>	<b>\$22,508</b>	<b>\$32,065</b>	<b>\$9,557</b>	<b>\$9,784</b>
<b>Com/Ind (1)</b>					
C02a C&I Lost Opportunity	2.45	\$20,720	\$34,977	\$14,257	\$12,749
C03a Large C&I Retrofit	2.17	\$24,197	\$44,848	\$20,650	\$11,119
C03b Small C&I Retrofit	2.32	\$8,370	\$14,725	\$6,355	\$6,337
C07x Performance Incentive Tax Liability					\$888
<b>Subtotal: C&amp;I</b>	<b>2.29</b>	<b>\$53,287</b>	<b>\$94,550</b>	<b>\$41,262</b>	<b>\$31,093</b>
<b>Grand Total</b>	<b>2.48</b>	<b>\$110,469</b>	<b>\$185,122</b>	<b>\$74,653</b>	<b>\$60,030</b>

# **APPENDIX B**

## **Performance Incentives**

**TABLE 1**  
**Available Performance Incentive Dollars**

1. Budgeted Energy Efficiency Expenses		\$54,265,571		
2. Performance Incentive Rate (%)		5.00%		
	<u>Threshold</u>	<u>Design</u>	<u>Exemplary</u>	
3. Incentive Range	75%	100%	110%	
4. Potential Available After-Tax Incentive	\$2,034,959	\$2,713,279	\$2,984,606	
<u>Available After-Tax Incentive by Component:</u>				
	<u>Threshold</u>	<u>Design</u>	<u>Exemplary</u>	
5. Component 1: Savings Mechanism	\$916,494	\$1,221,992	\$1,344,191	
6. Component 2: Value Mechanism	\$679,095	\$905,460	\$996,006	
7. Component 3: Performance Metrics	<u>\$439,370</u>	<u>\$585,827</u>	<u>\$644,409</u>	
8. Grand Total Available Incentive	\$2,034,959	\$2,713,279	\$2,984,606	

<u>Calculation of Available After-Tax Incentive by Component</u>		<u>Weights for Incentive Components</u>		
	<u>Budget</u>	<u>Savings</u>	<u>Value</u>	<u>Perf. Metrics</u>
9. Residential	\$17,696,284	45%	35%	20%
10. Low Income	\$9,040,699	30%	10%	60%
11. Commercial and Industrial	<u>\$27,528,588</u>	50%	40%	10%
12. Total	\$54,265,571			

Line Notes:

1. Includes all energy efficiency program expenses net of customer co-pays and shareholder incentives.
2. Performance Incentive Rate.
3. The incentive range is 75% (threshold performance level) to 110% (exemplary performance level) in 2007.
4. Total design level incentive = (Line 1 x Line 2), Threshold level incentive = 75% of design level incentive, and exemplary level incentive = 110% of design level incentive.
- 5, 6, 7. The design level incentives are calculated and allocated according to the weights in lines 9, 10, and 11.
8. Sum of Lines 5 through 7.
- 9, 10, 11. For each customer class and incentive component, the design incentive will be equal to the expenses times the incentive rate in Line 2 times the weight for the component. For Commercial and Industrial, the budget shown here is net
12. Total expenditures; sum of Lines 9 through 11.

**Appendix B**  
**Potential National Grid Shareholder Incentives**

**TABLE 2**  
**Component 1: Savings Mechanism**

1. Available Design Level Savings Incentive	\$1,221,992	
		<u>% of \$ Benefits</u>
2. Design (Targeted) Lifetime MWh	1,798,232	35.9%
3. Design (Targeted) Lifetime kW	279,450	45.7%
4. Design (Targeted) Lifetime Non-Electric Benefits	\$47,644,228	18.4%
5. \$/Lifetime MWh Savings Incentive Rate	\$0.2438	
6. \$/Lifetime kW Savings Incentive Rate	\$2.0003	
7. \$/Lifetime Non-Electric Benefits Incentive Rate	\$0.0047	
8. Exemplary Performance (Cap - Savings Mechanism)	\$1,344,191	

Line Notes:

1. Available Design Level Savings Incentive, from Table 1.
2. See Energy Efficiency Plan goals; % of Benefits (in \$) from Table 3.
3. See Energy Efficiency Plan goals; % of Benefits (in \$) from Table 3.
4. See Energy Efficiency Plan goals; % of Benefits (in \$) from Table 3.
5. (Line 1 times Line 2 %) / Line 2 MWh. At least 75% of the lifetime MWh shown on line 2 must be achieved before an incentive can be earned on energy savings.
6. (Line 1 times Line 3 %) / Line 3 kW. At least 75% of lifetime kW shown on line 3 must be achieved before an incentive can be earned on demand savings.
7. (Line 1 times Line 4 %) / Line 4 Non-Electric Benefits. At least 75% of the Lifetime Non-Electric Benefits shown on line 4 must be achieved before an incentive can be earned on non-electric benefits.
8. The sum of the the earned incentives related to lifetime energy savings, lifetime demand savings, and lifetime non-electric benefits cannot exceed 110% of the design level incentive for the savings

**Appendix B**  
**Potential National Grid Shareholder Incentives**

**TABLE 3**  
**Component 2: Value Mechanism**

		Value of Benefits (\$)		
		MWh	kW	Non-Electric
1. Available Design Level Value Incentive	\$905,460			
2. Design (Plan) Benefits	\$259,296,952	\$93,042,205	\$118,610,519	\$47,644,228
3. Design (Plan) Costs	\$71,939,432	36%	46%	18%
4. Design (Plan) Net Benefits	\$187,357,520			
5. Exemplary Performance (Cap - Value Mechanism)	\$996,006			

Line Notes:

1. Available Design Level Value Incentive, from Table 1.
2. Planned benefits, from benefit/cost analysis.
3. Planned costs from benefit/cost analysis. Includes TRC costs net of Performance Incentive costs.
4. Line 2 minus Line 3.
5. The actual earned value incentive will be equal to actual net benefits/line 4. At least 75% of the net benefits in line 4 must be achieved before a value incentive can be earned. The value incentive will be capped at 110% of the Design Level Incentive amount for the value mechanism.

Residential Program/Initiative	Performance Metric Description	Threshold		Design		Exemplary	
		Units	Dollars	Units	Dollars	Units	Dollars
<b>Residential Central Air Conditioning: Cooperative Promotions with Industry</b>	<b>Threshold:</b> Explore, negotiate and develop Cooperative Promotions with HVAC industry market actors (manufacturers, distributors, and/or contractors) in 2007. The promotions shall involve two or more types of market actors and shall include two or more of the following elements: "up-stream" equipment incentives (i.e., buydowns or markdowns), "up-stream" training and/or installations incentives, and cooperative (industry-driven) marketing initiatives. The promotions could be through the Cool Smart program or another program such as RCS.	See Description	\$33,181				
	<b>Design:</b> Implement Cooperative Promotions with HVAC industry market actors as described above in 2007.			See Description	\$44,241		
	<b>Exemplary:</b> Document and report on the implemented Cooperative Promotions, assessing the differences between this new approach and current PA rebate-based Cool Smart program approaches by March 31, 2008. Topics to be addressed in the report include : program sales volume, deemed program savings, program cost-effectiveness, contractor participation, and market actor outlook regarding the Cooperative Promotions.					See Description	\$48,665
Residential Program/Initiative	Performance Metric Description	Threshold		Design		Exemplary	
		Units	Dollars	Units	Dollars	Units	Dollars
<b>Lighting : Promotion of PNNL Tested Reflector CFLs</b>	<b>Threshold:</b> During 2007, develop and implement a recessed can light replacement promotion/education campaign featuring qualified Pacific Northwest National Lab (PNNL) tested (or equivalent) reflector compact fluorescent lamps (CFLs). New 2007 Retail Lighting negotiated cooperative promotions (NCPs), web/catalog mail order, and general customer information elements will promote the new class of products and educate consumers regarding the "new" opportunity (and the limitations such as inapplicability for dimming circuits).	See Description	\$33,181				
	<b>Design:</b> During 2007, develop and implement two Negotiated Cooperative Promotions with industry that promote PNNL qualified reflector CFLs.			See Description	\$44,241		
	<b>Exemplary:</b> During 2007, develop and implement a Negotiated Cooperative Promotion that supports promotion of PNNL qualified reflector CFLs through website/direct mail marketing channels.					See Description	\$48,665

Residential Program/Initiative	Performance Metric Description	Threshold		Design		Exemplary	
		Units	Dollars	Units	Dollars	Units	Dollars
<b>Residential High Use: Analysis and New Technology</b>	<b>Threshold:</b> In 2007, estimate the number of electric resistance heated homes with room air conditioning (each PA), and develop and provide a memo outlining an analysis of the potential opportunities regarding the installation of ductless mini-split systems in target homes.	See Description	\$33,181				
	<b>Design:</b> In 2007, develop and implement a pilot-scale program element (up to 50 statewide) to demonstrate the costs and savings associated with the installation of ductless split heat pumps in electrically heated homes.			See Description	\$44,241		
	<b>Exemplary:</b> Provide a memo that provides costs, deemed estimated savings, and anecdotal customer and contractor feedback on the equipment installations by March 31, 2008. By the same date, also provide a memo that summarizes the planned evaluation activities which will include information on the operational EER of the units, demand savings versus electric resistance heat and room air conditioning, and an assessment of consumer acceptance issues.					See Description	\$48,665
<b>Residential Program/Initiative</b>	<b>Performance Metric Description</b>	<b>Threshold</b>		<b>Design</b>		<b>Exemplary</b>	
		<b>Units</b>	<b>Dollars</b>	<b>Units</b>	<b>Dollars</b>	<b>Units</b>	<b>Dollars</b>
<b>Power Cost Monitor: Test Power Cost Monitors and Marketing strategies</b>	<b>Threshold:</b> In 2007, develop and provide a pilot design to assess the costs and benefits of power cost monitors in residential households in Massachusetts. The pilot design will include a plan to support the installation of power cost monitors and gather information on customer satisfaction and behavior modification, as well as testing various marketing methods including free installation through RCS, direct mail offers to consumers, and other methods.	See Description	\$33,181				
	<b>Design:</b> Implement the designed pilot in 2007, supporting the installation of at least 300 monitors through a number of marketing/distribution approaches as discussed in Threshold.			See Description	\$44,241		
	<b>Exemplary:</b> Document the costs and other aspects of the pilot installations, and assess consumer acceptance, behavior modification/savings, and the effectiveness of the various marketing/distribution approaches. Interim results will be provided as part of the 2007 Energy Efficiency Annual Report.					See Description	\$48,665
<b>Note:</b> If the selected product is available, this metric will be eliminated and the incentives allocated to the other residential metrics.							
<b>Subtotal - Residential</b>			<b>\$132,722</b>		<b>\$176,963</b>		<b>\$194,659</b>

Low Income:							
Low Income Program/Initiative	Performance Metric Description	Threshold		Design		Exemplary	
		Units	Dollars	Units	Dollars	Units	Dollars
Best Practices Working Group	<b>Threshold:</b> N/A						
	<b>Design:</b> In coordination with LEAN, implement best practices as agreed in 2006, continue at least quarterly discussions and technology analysis. This will include compiling written Best Practices protocols, reviewing the frequency of CFLs installed per home, providing written updates on meetings, analyses and additional best practices implemented, and continuing to assess possible new measures, including solar domestic hot water.			See Description	\$67,805		
	<b>Exemplary:</b> To achieve Exemplary, the Design level for Low Income Metrics 1, 2, and 3 must be attained.					See Description	\$74,586
Low Income Program/Initiative	Performance Metric Description	Threshold		Design		Exemplary	
		Units	Dollars	Units	Dollars	Units	Dollars
Best Practices Auditor Training	<b>Threshold:</b> N/A						
	<b>Design:</b> Contribute funding and logistical support of LEAN's efforts and those of the Massachusetts Department of Housing and Community Development (DHCD) for auditor training and explore common protocols in areas identified through the Best Practices Working Group. This will include funding and or delivering statewide auditor training related to installing compact florescent lighting and exploring common protocols for identifying sources of hard to find high electric use.			See Description	\$67,805		
	<b>Exemplary:</b> To achieve Exemplary, the Design level for Low Income Metrics 1, 2, and 3 must be attained.					See Description	\$74,586
Low Income Program/Initiative	Performance Metric Description	Threshold		Design		Exemplary	
		Units	Dollars	Units	Dollars	Units	Dollars
Best Practices Contractor Support	<b>Threshold:</b> N/A						
	<b>Design:</b> Contribute funding and logistical support of LEAN's efforts and those of the Massachusetts Department of Housing and Community Development (DHCD) to continue efforts to recruit Weatherization contractors and provide field training on dense blow insulation and advanced air sealing for contractors.			See Description	\$67,805		
	<b>Exemplary:</b> To achieve Exemplary, the Design level for Low Income Metrics 1, 2, and 3 must be attained.					See Description	\$74,586

Low Income Program/Initiative	Performance Metric Description	Threshold		Design		Exemplary	
		Units	Dollars	Units	Dollars	Units	Dollars
Outreach	<b>Threshold:</b> In coordination with LEAN, other Massachusetts utilities, and other stakeholders, continue Energy Bucks campaign through March 2007 and prepare a memorandum that describes campaign activities completed during winter 06/07.	See Description	\$50,854				
	<b>Design:</b> In coordination with LEAN, other MA utilities, and other stakeholders, provide a summary of the numbers of customers who contacted the call center and website. Collect information from CAP agency staff on their perceptions of the effectiveness of the Energy Bucks campaign. Summarize information in a memorandum that facilitates decision making for Exemplary level of this metric.			See Description	\$67,805		
	<b>Exemplary:</b> In coordination with LEAN, other MA utilities, all gas distribution companies in the Commonwealth, to the extent practical and other stakeholders, recommend appropriate statewide marketing/outreach activities for the winter of 07/08 in a memorandum informed by the data collected in the Design level of this metric.					See Description	\$74,586
<b>Subtotal - Low Income:</b>			<b>\$50,854</b>		<b>\$271,221</b>		<b>\$298,343</b>

Commercial & Industrial							
C&I Program/Initiative	Performance Metric Description	Threshold		Design		Exemplary	
		Units	Dollars	Units	Dollars	Units	Dollars
Performance Lighting	X percent of 2007 new construction projects that include lighting projects commit to achieve Tier 2 performance lighting. Projects that qualify under this program must be new construction projects or renovation projects that involve the installation of new fixtures throughout the building or renovated spaces. (Incentive results are scalable)	6%	\$34,411				
				8%	\$45,881		
						10%	\$50,469

C&I Program/Initiative	Performance Metric Description	Threshold		Design		Exemplary	
		Units	Dollars	Units	Dollars	Units	Dollars
<b>O&amp;M</b> <b>Whole building performance assessments</b>	Massachusetts utilities will engage in performance assessments of either building energy use or management practices as a tool to assist energy users in prioritizing efficiency actions. Assessments of buildings must be for all energy fuels. Each utility may elect to use benchmarking strategies or retro-commissioning services as appropriate. The utility must follow up the assessment activity with support to the customer in creating an action plan for measure implementation. One of the main program goals is to help customers identify energy efficiency opportunities which can be implemented cost effectively through our efficiency programs. As indicated in each column, the metric requires that managers of some of the facilities to take actions to save energy as a consequence of the assessments. The savings may come through an incentivized ECM or not.  Results of the assessments must be presented to the building manager or owner in 2007. The customer actions must be taken by May 30, 2008. Compliance with this metric shall be documented through submission of an executive summary of the action plan for each participant and documentation of customers action either through an incentive program or not. Completions and actions counted toward the 2004, 2005, or 2006 Benchmarking or Retrocommissioning metrics may not count toward this metric. (Incentive results are scalable in whole units)	Assessment of energy use in: NGrid 22 facilities with efficiency actions taken in at least NGrid 10 by May 30, 2008	\$34,411				
				Assessment of energy use in: NGrid 26 facilities with efficiency actions taken in at least NGrid 12 by May 30, 2008.	\$45,881		
						Assessment of energy use in: NGrid 30 facilities with efficiency actions taken in at least: NGrid 14 by May 30, 2008.	\$50,469

C&I Program/Initiative	Performance Metric Description	Threshold		Design		Exemplary	
		Units	Dollars	Units	Dollars	Units	Dollars
Advanced Buildings	<b>Threshold:</b> Following the Advanced Buildings Benchmark for High Performance Buildings, engage in the design of X new construction projects following the practices established in the Advanced Buildings Benchmark Guide for High Performance Buildings. The metric will be documented through submissions of a signed MOU identifying participation in the Advanced Buildings process and commitment to these design and construction standards.  (Incentive results are scalable)	NGrid = 4	\$34,411				
				NGrid = 5	\$45,881		
						NGrid = 7	\$50,469
<b>Subtotal - Commercial &amp; Industrial</b>			<b>\$103,232</b>		<b>\$137,643</b>		<b>\$151,407</b>
<b>Total Component 3 - Performance Metrics</b>			<b>\$286,808</b>		<b>\$585,827</b>		<b>\$644,409</b>