

**National Grid / KeySpan Gas Energy Efficiency Interim Programs
Descriptions & Budget
October 24, 2007**

Part One – Program Descriptions

Low Income Sector Program

Low Income

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

Residential Sector Programs

Weatherization

The Residential Weatherization program provides a rebate of 20% of the cost of installing weatherization measures in a residential heating customer's home built prior to inception of the most recent building energy code. The maximum rebate available to a customer under this program is \$750. Measures eligible for a rebate under the program include: attic insulation, wall insulation, basement/crawl space insulation, rim joist insulation, duct insulation, heating system pipe insulation, attic ventilation (only in conjunction with attic insulation), ductwork leakage testing, ductwork leakage sealing, air infiltration testing, and air infiltration sealing. To be eligible for a rebate, a KeySpan pre-qualified contractor must be chosen to install program measures. Do-it-yourself work will not be allowed through the program.

High Efficiency Heating

Heating equipment is typically the largest energy user in the home. If a natural gas furnace or boiler is more than 20 years old, it is probably running very inefficiently compared to today's models. One way to help offset the rising cost of energy and significantly reduce heating costs is to replace an old furnace or boiler with new high-efficiency heating equipment. A cash REBATE of up to \$800 is available to KeySpan's residential heating customers, builders or homeowners who install high-efficiency natural gas heating equipment. To qualify, all equipment, where applicable, must meet the Energy Star guidelines for heating equipment.

High Efficiency Water Heating

Indirect water heaters use the home's boiler or furnace as the heat source. In boiler systems, hot water from the boiler is circulated through a heat exchanger in a separate insulated tank. In the

less common furnace-based systems, water in a heat exchanger coil circulates through the furnace to be heated, then through the water storage tank. Since hot water is stored in an insulated storage tank, the boiler or furnace does not have to turn on and off as frequently, improving its fuel economy. Indirect water heaters, when used in combination with new, high-efficiency boilers or furnaces, are an efficient way to provide hot water. KeySpan customers installing an indirect water heater are eligible for a \$300 rebate. On-demand tankless hot water systems are changing the way modern homes meet their hot water needs. Tankless systems use a high capacity gas burner and automatic controls to heat water on demand. Unlike standard water heaters that have a reservoir of water which is constantly reheated, tankless systems start the heating process only when the unit senses a demand for hot water. The Company will provide an incentive of \$300 for tankless water heaters with an Energy Factor of 0.82 or greater and an electronic ignition.

Energy Audit/Home Performance

There are two levels (tiers) of service provided by this program. Tier One screening offers referrals to educational web sites and information about DSM programs and captures requests for literature such as the DOE "Energy Savers" booklet. Technical assistance regarding installation of energy savings measures is also available by phone. The Company has adopted a customized version of the online audit tool to guide the customer through Tier One. The tool provides the customer service representative (CSR) with discussion points along the way that allows her/him to engage the customer in a dialog that may lead to a better understanding of that particular customer's needs. For example, a customer may call to request an in home assessment when all he/she really needs is the list of contractors who participate in the Company's Weatherization program because he/she knows the home needs air sealing and insulation and plans to install them. Ultimately, the combination of information collected by Tier One staff and customer requests may result in a referral to Tier Two services. Tier Two services consist of a Home Energy Assessment (HEA) and installation of high quality, low cost energy efficiency Instant Savings Measures (ISMs) that have an average total value of \$20 to \$30. Recommendations will be made to customers on which major measure installations should be undertaken in order to achieve cost effective energy savings. Referral to the Company's other energy efficiency programs will be provided at the time of audit. Customer follow-up will also occur post-audit in order to help drive implementation percentages higher.

ENERGY STAR[®] Products

The ENERGY STAR Products program provides home heating customers with a rebate for the purchase and installation of ENERGY STAR labeled programmable thermostats. Through this program, customers are eligible for a \$25 mail-in rebate for installation of up to two ENERGY STAR qualified programmable clock thermostats. Eligible thermostats may be installed by homeowners, heating contractors, or energy auditors. In addition to mail-in rebates, instant rebates in the form of point-of-sale discounts are available through heating contractors and energy auditors. The program will also provide customers who install boiler reset controls to their home heating system with a \$100 rebate. In addition, the Company will provide customers who install ENERGY STAR Replacement Windows with a \$10 mail-in rebate per window. Eligible participants must be residential heating customers who have installed ENERGY STAR

labeled windows with an U-factor of .35 or less.¹ When applying for the window rebate, customers are required to submit the rebate application with proof-of-purchase and a copy of the National Fenestration Rating Council (“NFRC”) label(s) from the window(s) which were purchased and installed. In order to ensure that prospective windows are installed as reported, the Company conducts inspections of the first two installations per new participating installation contractor, as well as random inspections of self-installations at 20% of the program’s participation rate.

ENERGY STAR® Homes

The ENERGY STAR Homes Program offers incentives to home buyers and home builders to promote the construction of homes which meet national ENERGY STAR Home’s energy efficiency standards. ENERGY STAR Homes are nationally recognized for lower operating costs and energy consumption, increased durability, comfort, safety and greater resale value. ENERGY STAR Homes feature some of the industry’s best building practices and technologies, including increased insulation levels, high-efficiency heating and air conditioning equipment, superior duct systems, and high performance windows. All segments of the housing market are eligible to participate in this program, including new as well as existing residential single family and multifamily dwellings, townhouses and condominium developments. Participants in the program receive design and technical support services, testing and inspection of energy efficiency measures, and an ENERGY STAR Homes certification following the passing of the ENERGY STAR Homes rating test.

Energy Analysis: Internet Audit

Residential customers will be directed to www.freeenergyanalysis.com/keyspan to log on and receive a quick assessment of their home’s energy use, how it compares to homes similar to theirs, and tips on how to save energy. Users can choose to continue on to complete a more comprehensive analysis and get more detailed recommendations. The tool will help customers identify more ways to save by answering questions about their heating and cooling equipment, weatherization, hot water, kitchen appliances, lighting, and more. Customers will receive energy saving tips, simple pay backs using the offset in their energy bills, and direction to take advantage of KeySpan’s energy saving rebates. The program will also be offered in Spanish as well at www.freeenergyanalysis.com/keyspanspanish

Building Practices and Demonstrations

The Building Practices and Demonstration Program for residential markets will explore and demonstrate new and/or underutilized energy efficient procedures and equipment, including renewable energy system processes. In the first year, the Building Practices and Demonstration Program will work to identify which technologies or building techniques would be well suited for use and installation. Eligible participants in this program will include home owners, landlords, as well as home builders. Each participant may be asked to allow monitoring of the installation and/or results, provide tours of the installation by potential users or other interested stakeholders, and publication of the results in case study format.

¹ U-Factor = Measurement of thermal conductivity. A lower U-factor indicates a higher level of window insulation.

Commercial and Multifamily Sector Programs

1. Commercial Energy Efficiency

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

This program provides no cost energy audits, engineering grant assistance and financial incentives to help fund qualifying energy saving measures. Under this program customers may be eligible to receive up to 50% of the installation costs up to \$100,000 per project.

Economic Redevelopment

This program targets commercial properties located in designated economic development areas. Working through Chambers of Commerce and other economic development organizations, KeySpan will fund qualifying energy savings measures that increase the energy efficiency of the building. These projects receive energy efficiency advising through an energy audit or engineering grant process. Projects also receive financial assistance to install qualifying energy saving measures, up to 50% of the installation cost up to a maximum of \$100,000. Participation is limited.

Commercial High-Efficiency Heating

The Commercial High-Efficiency Heating program offers rebates to commercial, industrial, governmental, institutional, non-profit and multifamily facilities that install high-efficiency heating equipment. The rebates are provided to reduce the incremental cost between standard and high-efficiency equipment. Eligible products include furnaces, boilers, infrared heaters and water heaters. Rebate amounts vary according to the size and type of the heating equipment installed with a range of \$150 to \$6000. The Commercial High-Efficiency Heating Rebate Program efficiency ratings for smaller heating equipment (up to 300,000 btuh input) are measured using AFUE ratings. Efficiency ratings for larger heating equipment, which exceeds the size ranges for AFUE, will be measured using a thermal efficiency or steady state rating. The Company reserves the right to negotiate a lower rebate amount per-unit for multiple installations at a single site. This practice ensures that rebate dollars are helping participants reduce the true incremental costs of installing high-efficiency heating equipment.

Multifamily

The Multifamily Housing Program offers energy audits and financial incentives for energy saving measures to multifamily facilities that are on a qualifying commercial rate. Examples of projects that qualify for funding through this program include redesign of space heating or water heating systems, steam system upgrades, building insulation, premium efficiency windows and doors. Programmable thermostats, heat recovery ventilation systems, digital energy management systems, or sophisticated burners and/or controls for boilers. Customers will be eligible to receive rebates up to 50% of the installation costs up to \$100,000 to assist with the installation of qualifying energy saving measures.

Building Practices and Demonstrations

KeySpan identifies a few special projects each year to participate in the Building Practices and Technology Demonstration Program. Projects either showcase a new or underutilized technology available to the marketplace or a customer's new and innovative building energy operating methodology. The program is designed to promote the installation of new, emerging or underutilized gas related energy efficiency technologies and operating practices. These projects become case study examples for incorporating new technologies or improving practices in the energy efficiency program portfolio. These projects may be eligible to receive up to 50% of project costs up to \$100,000. Participation is limited.

Energy Analysis: Internet Audit

Customer who log onto www.freeenergyanalysis.com/keyspanbusiness have the opportunity to learn about energy savings as it relates to both their facility and their industry, the flexibility of addressing energy concerns at their leisure, and the ability to return to the site and review the recommendations. The tool allows customers to input their utility data or use simulated data to generate results. The tool also provides customers a vehicle to identify which energy saving rebates they may be eligible for from KeySpan Energy Delivery. In addition to the energy saving recommendations, customers will receive simple pay backs using the projected offset in their energy bills and be directed to take advantage of the energy efficiency rebates for qualifying measures.

Part Two – Illustrative-Only Initial Budget Breakdown

	KEDNY	KEDLI
Low Income Total	\$2,941,177	\$1,470,588
Residential Total	\$1,944,706	\$1,525,588
Weatherization	\$291,706	\$228,838
High Efficiency Heating	\$680,647	\$533,956
High Efficiency Water Heating	\$116,682	\$91,535
Energy Audit/Home Performance	\$388,941	\$305,118
Energy Star Products	\$291,706	\$122,047
Energy Star Homes	\$97,235	\$183,071
Energy Analysis: Internet Audit	\$38,894	\$30,512
Building Practices & Demonstrations	\$38,894	\$30,512
Multifamily and C&I Total	\$5,114,118	\$2,003,824
Comm Energy Efficiency Program	\$645,562	\$466,224
Economic Redevelopment	\$464,835	\$240,650
Comm High Efficiency Heating	\$967,118	\$395,421
Multifamily	\$2,427,473	\$641,224
Building Practices & Demo	\$204,564	\$105,153
Energy Analysis: Internet Audit	\$404,564	\$155,153
Grand Total	\$10,000,000	\$5,000,000

Note: All budget figures shown include costs for administration and evaluation.