

**Exhibit-C: KeySpan Energy Delivery - NH DSM/MT Program Year Two (2007-2008): Shareholder Incentive Calculation - August 27, 2008**

Program	Expenditures (Budget) for Program Year 2	Design Goal for PY 1	Projected Lifetime Therms Savings <sup>1</sup>	Actual Lifetime Therm Savings <sup>2</sup>	Actual LTT/Projected LTT	Projected TRC <sup>3</sup>	Actual TRC <sup>4</sup>	Actual TRC/Projected TRC	Lifetime Savings Incentive	Cost-effectiveness Incentive	Actual Pre Tax Design Incentive
<b>Residential</b>											
Low Income	\$ 402,144	140 Participants	971,208	1,463,749	1.507	2.04	2.59	1.27			
Residential Weatherization	\$ 53,041	60 Rebates	529,920	600,576	1.133	4.38	4.94	1.13			
Residential High Efficiency Heating	\$ 237,765	500 Rebates	1,650,000	1,766,820	1.071	5.23	5.47	1.05			
Residential High Efficiency Water Heating	\$ 45,550	105 Rebates	160,650	256,580	1.597	2.57	2.62	1.02			
Energy Star Windows	\$ 49,519	3,000 Rebates	235,515	183,620	0.780	3.08	3.44	1.12			
Energy Star Thermostats	\$ 29,470	460 Rebates	345,000	216,040	0.626	9.41	10.93	1.16			
Energy Star Homes	\$ 48,154	75 Participants	510,000	340,000	0.667	4.41	2.98	0.67			
Energy Analysis: Internet Audit Guide	\$ 27,301	600 New Users									
Residential Technology Demonstration	\$ 44,087	2 Projects									
Residential Conservation Services	\$ 40,311	200 Participants									
<b>Total</b>	<b>\$ 977,340</b>	<b>5,142</b>	<b>4,402,293</b>	<b>4,827,385</b>	<b>1.097</b>	<b>3.01</b>	<b>3.29</b>	<b>1.0913</b>	<b>\$ 42,869</b>	<b>\$ 43,928</b>	<b>1/ \$ 86,797</b>
<b>C&amp;I and Multifamily</b>											
Commercial Energy Efficiency Program	\$ 310,109	84 Participants	3,421,958	11,895,379	3.476	5.51	7.41	1.34			
Multifamily Housing	\$ 71,289	21 Participants	1,205,228	5,567,005	4.619	11.36	20.55	1.81			
Commercial High Efficiency Heating	\$ 82,696	116 Rebates	874,380	638,900	0.731	8.03	7.33	0.91			
Economic Redevelopment	\$ 124,044	3 Projects	523,500	174,500	0.333	2.57	4.31	1.68			
Commercial Building Practices & Technology Demonstration	\$ 41,348	2 Projects	690,464	345,232	0.500	8.92	12.97	1.45			
C&I Energy Analysis Internet Audit	\$ 20,674	210 New Users									
<b>Total - C&amp;I and Multifamily</b>	<b>\$ 650,160</b>	<b>436</b>	<b>6,715,530</b>	<b>18,621,016</b>	<b>2.773</b>	<b>4.33</b>	<b>5.96</b>	<b>1.38</b>	<b>\$ 72,111</b>	<b>\$ 5,908</b>	<b>1/ \$ 78,019</b>
<b>Total of Column</b>	<b>\$1,627,500</b>								<b>TOTAL Incentive</b>		<b>\$ 164,816</b>

1/ Per Jim Cunningham's September 25, 2008 email.

**Notes:**

This shareholder incentive calculation is based on the methodology described in NH PUC Order 24,109 of December 31, 2002.

Threshold: KeySpan must achieve a minimum "threshold" performance before being eligible to earn an incentive

For the cost-effectiveness component, KeySpan must achieve an actual year-end TRC of 1.0 before any incentive can be earned

Once the threshold is achieved, the earned incentive will be on a sliding scale from 0% to 12%

**Assumptions:**

Design Target Incentive = 8%

Incentive Calculation Formula:  $Incentive_{res} = Expenditures_{RES} \times \{ [4\% \times (TRC_{Actual} / TRC_{Projected})] + [4\% \times Lifetime\ Therm\ Savings_{Actual} / Lifetime\ Therm\ Savings_{Projected}] \}$

Plus

$Incentive_{c\&i} = Expenditures_{C\&I} \times \{ [4\% \times (TRC_{Actual} / TRC_{Projected})] + [4\% \times Lifetime\ Therm\ Savings_{Actual} / Lifetime\ Therm\ Savings_{Projected}] \}$

<sup>1</sup>Per a September 9, 2005 E-mail from Jim Cunningham of the NH PUC to Subid Wagley of KED, the source of the projected lifetime therm savings for each KED New Hampshire natural gas energy efficiency program and the source of the projected benefit/cost ratios by program is KeySpan's response to NH PUC Staff Data Request 2-31, Pages 3 to 6, Docket DG 04-152, filed by attorney Steven V. Camerino on November 22, 2004).

<sup>2</sup>From the updated Exhibit G showing actual Program Year 1 results.

<sup>3,4,5</sup>Per a September 20, 2005 E-mail from Jim Cunningham of the NH PUC to Subid Wagley of KED, the source of the Lifetime savings and Cost Effectiveness incentive calculations are derived from the updated and streamlined version of the template used by the PUC called "Computation of Actual Performance Incentive-Program Year Two" of DG 02-106 and DG 05-141. In the Commission approved Settlement Agreement that is part of Order 24,109, the Settling Parties and Staff agree to adopt the simplified Staff template of November 2002 ("Staff Template") attached to the Settlement Agreement as Exhibit G. This template shall be used only for purposes of establishing a benchmark for the Gas Utilities' incentive sharing mechanism described in Section II(H) of the Settlement Agreement. The Staff Template allows for an evaluation of the Programs on a year-by-year basis.

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