

DG 02-106 (Gas Energy Efficiency)

Exhibit E: KeySpan Energy Delivery - NH DSM/MT Program Year Two: Shareholder Incentive Calculation - September 8, 2005

Program	Expenditures (budget) for Program Year 1	Original Design Goal for Year 2	Projected Lifetime Therm Savings - from KED NH November 16, 2004 Filing <sup>1</sup>	Actual Lifetime Therm Savings <sup>2</sup>	Actual LTT/Projected LTT	Projected TRC from KED NH November 16, 2004 Filing	Actual TRC for Year 2	Actual TRC/Projected TRC	Lifetime savings Incentive	Cost effectiveness Incentive	Actual After Tax Design Incentive
<b>Residential</b>											
Low Income	\$425,400	122 Participants	618,540	1,546,996	2,501	1.05	2.51	2.39			
Residential High Efficiency Heating	\$257,568	850 Rebates	2,718,200	2,264,440	0.833	5.63	3.70	0.66			
Residential Conservation Services	\$80,616	375 Audits	NA	NA	NA	NA	NA	NA			
Energy Star Windows	\$36,300	160 Rebates	593,600	146,804	0.247	11.81	1.44	0.12			
Residential Weatherization	\$34,575	50 Rebates	240,000	1,545,600	6.440	1.99	5.14	2.58			
Energy Analysis: Internet Audit Guide	\$49,000	1,000 Web Site Hits	NA	NA	NA	NA	NA	NA			
Energy Star Thermostats	\$42,000	400 Participants	176,000	176,000	1.000	2.44	2.67	1.09			
Residential High Efficiency Water Heating	\$27,500	100 Rebates	140,000	45,820	0.327	2.13	1.46	0.69			
Energy Star Homes	\$28,000	50 Participants	146,125	340,000	2.327	1.68	4.25	2.53			
<b>Total</b>	<b>\$680,959</b>		<b>4,632,465</b>	<b>8,065,660</b>	<b>1.309</b>	<b>2.64</b>	<b>2.67</b>	<b>1.13</b>	<b>\$51,378</b>	<b>\$44,217</b>	<b>\$95,595</b>
<b>Multifamily and C&amp;I</b>											
Commercial Energy Efficiency Program	\$352,329	75 Participants	3,726,000	4,272,480	1.147	4.43	4.61	1.04			
Economic Redevelopment	\$115,674	2 Projects	425,610	425,610	1.000	2.09	1.48	0.71			
Commercial High Efficiency Heating	\$90,000	60 Rebates	354,672	375,860	1.060	2.47	1.33	0.54			
Trade Ally Education and Codes/Standards	\$30,000	150 Participants	0	0	NA	N/A	NA				
C&I Energy Analysis: Online Audit	\$15,000	200 New Users	0	0	NA						
<b>Total - Multi-Family and C/I</b>	<b>\$603,203</b>		<b>4,506,282</b>	<b>5,073,950</b>	<b>1.126</b>	<b>3.42</b>	<b>3.19</b>	<b>0.93</b>	<b>\$27,168</b>	<b>\$22,533</b>	<b>\$49,700</b>
<b>Total of Column<sup>4</sup></b>	<b>\$1,584,162</b>								<b>TOTAL</b>		<b>\$145,295</b>
											<b>9.17%</b>

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  
 For the energy savings component, KeySpan must achieve a minimum of 65% of projected lifetime therm savings 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 2 results - September 9, 2005.

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.