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December 14, 2007

VIA HAND DELIVERY & ELECTRONIC MAIL

Ms. Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

Re: DE 07-106; National Grid Revised 2008 Budget – Attachment D

Dear Ms. Howland:

Pursuant to the Secretarial Letter dated December 10, 2007 in the above-captioned docket, I am submitting for filing seven copies of Granite State Electric Company's d/b/a National Grid Revised Attachment D: National Grid Program Cost-Effectiveness, which includes an updated 2008 Budget. The revised Attachment D reflects the use of an updated fund balance calculation for 2007, allowing the addition of \$69,000 to the proposed 2008 program budgets for the Home Energy Assistance program (approximately \$40,000) and the ENERGY STAR Homes program (approximately \$29,000). The updated budget also reflects small increases to National Grid's Evaluation Cost and Shareholder Incentive, and includes some slight changes in other program budgets due to the reallocation.

Please note that PSNH will be filing a revised Attachment H to the 2008 Core filing which also reflects these revisions to National Grid's budget.

Thank you for your attention to this matter. If you have any questions, please do not hesitate to contact me at (508) 389-3243.

Very truly yours,

Alexandra E. Blackmore

Enclosures

cc: Service List (via electronic mail)

2008 TRC BENEFIT COST TEST

National Grid

Summary of Benefit, Expenses, Evaluation Costs (2008\$)

Sector	Program Name	TRC Benefit/ Cost	Total Benefits (\$000)	Total Costs (\$000)	Program Implementation Expenses ¹ (\$000)	Customer Contribution ² (\$000)	Evaluation Cost (\$000)	Shareholder Incentive (\$000)
Commercial & Industrial	New Construction	3.51	\$1,882.9	\$537.1	\$389.6	\$128.0	\$19.5	NA
	Large Business Energy Solutions	1.97	1345.90	684.55	331.32	336.65	16.57	NA
	Small Business Energy Solutions	2.14	927.11	432.57	305.35	106.95	20.27	NA
Commercial & Industrial Total		2.38	\$4,155.9	\$1,748.8	\$1,026.3	\$571.6	\$56.3	\$94.6
Residential	ENERGY STAR Homes	1.47	\$386.8	\$263.3	\$250.8	\$0.0	\$12.5	NA
	Home Energy Solutions	1.86	91.88	49.29	41.23	6.00	2.06	NA
	ENERGY STAR Lighting	3.29	231.05	70.30	47.33	20.60	2.37	NA
	ENERGY STAR Appliances	1.41	209.83	148.77	58.83	87.00	2.94	NA
	Home Energy Assistance	1.60	278.35	173.68	165.44	0.00	8.24	NA
Residential Total		1.59	\$1,197.9	\$752.7	\$563.6	\$113.6	\$28.2	\$47.3
Grand Total		2.14	\$5,353.8	\$2,501.5	\$1,589.9	\$685.2	\$84.5	\$141.9

Notes:

- 1) The Small Business Energy Solutions Implementation expenses are net of the projected customer co-pay for 2008 installations (\$99,758), which appears in the Customer Contribution column.
- 2) Includes co-pays by direct participants and spillover.

2008 TRC BENEFIT COST TEST

National Grid

Summary of Expenses, Benefit, kW, and kWh by Program (2008\$\$)

Sector	Program Name	Total Benefits (\$000)	Benefits (000's)								Non Electric Resource	Load Reduction in kW				MWh Saved	
			Capacity				Energy					Maximum Annual	Summer	Winter	Lifetime	Maximum Annual	Lifetime
			Generation		Trans	MDC	Winter		Summer								
			Summer	Winter			Peak	Off Peak	Peak	Off Peak							
Commercial & Industrial	New Construction	\$1,883	\$353	\$0	\$35	\$142	\$588	\$312	\$302	\$151	\$0	388	313	222	4,881	1,529	23,050
	Large Business Energy Solutions	\$1,346	\$178	\$0	\$18	\$74	\$433	\$284	\$221	\$137	\$0	178	178	130	2,409	1,306	17,929
	Small Business Energy Solutions	\$927	\$186	\$0	\$19	\$80	\$369	\$57	\$188	\$28	\$0	209	209	107	2,503	784	9,606
Commercial & Industrial Total		\$4,156	\$718	\$0	\$72	\$296	\$1,389	\$654	\$711	\$315	\$0	775	700	459	9,792	3,619	50,585
Residential	ENERGY STAR Homes	\$387	\$2	\$0	\$0	\$1	\$6	\$7	\$3	\$3	\$366	21	2	7	23	32	291
	Home Energy Solutions	\$92	\$9	\$0	\$1	\$4	\$25	\$27	\$12	\$13	\$1	35	10	35	118	112	1,324
	ENERGY STAR Lighting	\$231	\$13	\$0	\$2	\$7	\$65	\$75	\$35	\$35	\$0	337	26	96	201	419	3,290
	ENERGY STAR Appliances	\$210	\$26	\$0	\$3	\$11	\$25	\$28	\$17	\$14	\$86	29	27	16	348	106	1,468
	Home Energy Assistance	\$278	\$11	\$0	\$1	\$4	\$20	\$23	\$11	\$11	\$196	23	10	23	148	80	1,213
Residential Total		\$1,198	\$59	\$0	\$6	\$26	\$141	\$161	\$78	\$76	\$649	445	74	177	838	748	7,587
Grand Total		\$5,354	\$777	\$0	\$78	\$322	\$1,531	\$814	\$790	\$392	\$649	1,220	774	636	10,630	4,367	58,172

National Grid
Target Shareholder Incentive - 2008

Commercial/Industrial Incentive

1. Target Benefit/Cost Ratio	2.51
2. Threshold Benefit/Cost Ratio	1.00
3. Target lifetime MWh	50,585
4. Threshold MWh	32,880
5. Budget	\$1,182,346
6. CE Percentage	4.00%
7. Lifetime kWh Percentage	4.00%
8. Target C/I Incentive	\$94,588
9. Cap	\$141,882

Residential Incentive

10. Target Benefit/Cost Ratio	1.70
11. Threshold Benefit/Cost Ratio	1.00
12. Target lifetime MWh	7,587
13. Threshold MWh	4,931
14. Budget	\$591,774
15. CE Percentage	4.00%
16. Lifetime kWh Percentage	4.00%
17. Target Residential Incentive	\$47,342
18. Cap	\$71,013
19. TOTAL TARGET INCENTIVE	\$141,930

Line No. Notes:

- 1, 5, 10, and 14. See Attachment D, page 4 of 5.
- 2, 6, 7, 11, 15, and 16. Report to the New Hampshire Public Utilities Commission on Ratepayer-Funded Energy Efficiency Issues in New Hampshire, Docket No. DR 96-150, page 21.
- 3, 12. See Attachment D, page 5 of 5.
- 4. 65% of line 3.
- 8. 8% of line 5.
- 9. 12% of line 5.
- 13. 65% of line 12.
- 17. 8% of line 14.
- 18. 12% of line 14.
- 19. Line 8 plus line 17.

**Target Benefit-Cost Ratio by Sector
 National Grid - 2008**

	<u>Planned</u>
Commercial & Industrial:	
1. Benefits (Value) From Eligible Programs	\$4,155,872
2. Implementation Expenses	\$1,026,261
3. Customer Contribution	\$571,616
4. Evaluation Expense	\$56,327
5. Total Costs Excluding Shareholder Incentive	\$1,654,204
6. Benefit/Cost Ratio - C&I Sector	2.51
7. Implementation Plus Evaluation Expense - C&I Sector	\$1,082,588
Residential:	
8. Benefits (Value) From Eligible Programs	\$1,197,889
9. Implementation Expenses	\$563,619
10. Customer Contribution	\$113,603
11. Evaluation Expense	\$28,155
12. Total Costs Excluding Shareholder Incentive	\$705,377
13. Benefit/Cost Ratio - Residential Sector	1.70
14. Implementation Plus Evaluation Expense - Residential Sector	\$591,774

Line No. Notes:

- 1 - 4 and 8-11. See Attachment D, page 1 of 5.
5. Sum of lines 2-4.
6. Line 1 divided by line 5. The shareholder incentive mechanism described by the New Hampshire Energy Efficiency Working Group and approved by the Commission in Order No. 23,574 includes a circular calculation. A portion of the earned shareholder incentive is related to the benefit/cost ratio. However, the shareholder incentive is supposed to be included as a DSM cost in determining the benefit/cost ratio. For the purpose of calculating the shareholder incentive, the Company has recalculated the planned benefit/cost ratio excluding the shareholder incentive and will compare the actual benefit/cost ratio excluding the shareholder incentive to the planned benefit/cost ratio excluding shareholder incentives when determining the earned incentive.
7. Sum of lines 2 and 4. These are the C&I sector funds on which the Company may calculate its earned shareholder incentive.
12. Sum of lines 9 - 11.
13. Line 8 divided by line 12. The shareholder incentive mechanism described by the New Hampshire Energy Efficiency Working Group and approved by the Commission in Order No. 23,574 includes a circular calculation. A portion of the earned shareholder incentive is related to the benefit/cost ratio. However, the shareholder incentive is supposed to be included as a DSM cost in determining the benefit/cost ratio. For the purpose of calculating the shareholder incentive, the Company has recalculated the planned benefit/cost ratio excluding the shareholder incentive and will compare the actual benefit/cost ratio excluding the shareholder incentive to the planned benefit/cost ratio excluding shareholder incentives when determining the earned shareholder incentive.
14. Sum of lines 9 and 11. These are the Residential sector funds on which the Company may calculate its earned shareholder incentive.

Target Lifetime Energy Savings by Program
National Grid - 2008

<u>Program</u>	<u>Lifetime Savings (MWh)</u>
Commercial & Industrial:	
1. New Construction (Lost Opportunity)	23,050
2. Large Business Energy Solutions	17,929
3. Small Business Energy Solutions	9,606
4. Total Commercial & Industrial Included for Incentive Calculation	50,585
Residential:	
5. Energy Star Homes	291
6. Home Energy Solutions	1,324
7. Energy Star Products	1,468
8. Home Energy Assistance	1,213
9. Energy Star Lighting	3,290
10. Total Residential Included for Incentive Calculation	7,587

Line No. Notes:

- 1-3 and 5-9. See Attachment D, page 2 of 5.
- 4. Sum of lines 1-3.
- 10. Sum of lines 5-10.