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February 10, 2010

*Via Electronic Mail and Hand-Delivery*

Debra A. Howland  
Executive Director and Secretary  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, NH 03301



**Re: DE 09-170; CORE Energy Efficiency Programs**

Dear Ms. Howland:

On February 5, 2010 in conjunction with the other electric utilities, Granite State Electric Company d/b/a National Grid filed its revised budget for its 2010 CORE Programs in light of SB 300. The purpose of this letter is to provide additional information to the Commission and parties regarding the budget changes proposed by National Grid.

As set forth in the February 5, 2010 filing, if National Grid solely reduced its CORE Energy Efficiency program budgets to the amount stipulated in Senate Bill 300, \$255,184 or 17% of the 2010 approved budget would have been reduced. These reductions would translate into 1,811 fewer customers served from the projected 10,653 that were approved as part of the 2010 CORE Settlement Agreement. In order to determine if it would be possible to lessen the significant funding reduction, National Grid updated all funding sources for the CORE programs so that its budget would reflect the most current information prior to determining the overall budget reductions caused by SB 300. These updates included using more recent forecasted sales of electricity (which causes a decrease in the original budget by \$66,365 for 2010), carrying forward a \$270,996 balance from the 2009 program year, and increasing the HEA budget from 14% to 14.5%. Some of the changes positively impacted the budget while others negatively impacted funding. National Grid then determined that it could achieve some of the budget reductions through reducing its expenses for internal and external implementation, marketing, and evaluation. After taking into account these changes, the net result was a deficit from the approved program implementation budget of \$44,577.

The Company then considered which programs and sectors would be able to operate effectively at a reduced level. The enclosed budget shows the Company's proposed reduced budget against the 2010 CORE budget approved by the Commission. In addition, the Company

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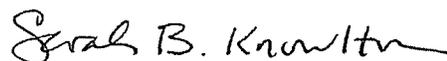
is providing an attachment which reflects the amount of customers projected to be impacted by the reductions as well as the change to program savings.

As reflected on that budget, the Company is recommending a reduction of \$73,734 to its residential sector programs. With this reduction, the Residential sector would operate at the funding level resulting from 1.5 mills funding. The low income sector will be funded at the agreed upon 14.5% level provided in the Settlement Agreement. The Company is not seeking replacement funds for Residential sector programs given that the Company believes that it can meet the existing demand at the reduced budget level. In addition, the Company anticipates that additional funds for residential energy efficiency programs will be available in 2010 through other funding sources such as RGGI, ARRA, and WAP should the demand for residential programs increase.

In considering how to apply the budget reductions, the Company determined that the Commercial and Industrial sector would be hard pressed to meet existing demand if the budget reductions were applied to this sector. The C&I programs experienced strong demand in 2009 with projections forecasted to continue through 2010. At the current rate of customer interest, the Company expects to fully commit its C&I program funds well before year end. Given this strong need, the Company is requesting that \$29,053 be allocated from the Residential sector to the C&I sector for use as C&I customer incentives. Additionally, National Grid is also proposing that C&I external administration costs and marketing costs be redirected to customer rebates to meet the high demand for the C&I program and services. Finally, the Company is proposing to concentrate customer rebates in the Large C&I Retrofit program, a change from the February 5, 2010 filing. This change is reflected in the attached budget. Upon further analysis, the Company has determined that the demand for the New Equipment & Construction program is not projected to be as robust as in the retrofit area where the demand is very high. The increased customer rebates for Large C&I Retrofit will help National Grid meet the demand in this area while serving as many customers as possible and will also generate higher energy savings. Additionally, the Company will also reduce incentives paid to the Small Business Energy Solutions Program from 70% to 50% in order to free up more funds for C&I programs.

While it is difficult to make reductions in funds available to programs that are established and successful, the Company's revised budget achieves those reductions while maximizing program savings. The Company's savings are, in fact, increasing quite substantially from the proposed changes. Customer Rebates for the Large C&I retrofit program are more than doubling with this revision and the savings for this very cost effective program are increasing in kind. The Company looks forward to discussing its proposal with the parties at the February technical session.

Very truly yours,



Sarah B. Knowlton

Enclosures  
cc: Service List