

nationalgrid

April 10, 2008

VIA OVERNIGHT DELIVERY

Honorable Jaclyn A. Brillling, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 07-M-0548 – Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard – Initial Brief of Niagara Mohawk Power Corporation d/b/a National Grid

Dear Secretary Brillling:

Enclosed please find for filing an original and five (5) copies of the Initial Brief of Niagara Mohawk Power Corporation d/b/a National Grid in the subject proceeding.

Kindly acknowledge receipt of this filing by date-stamping as received the enclosed duplicate copy of this letter and returning it in the enclosed, self-addressed envelope provided for your convenience. Thank you for your attention to this matter.

Respectfully submitted,



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Enc.

cc: ALJ Eleanor Stein, w/enclosure
ALJ Rudy Stegemoeller, w/enclosure
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Janet Gail Besser, w/enclosure
Timothy Stout, w/enclosure
Active Parties via listserv

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission)
Regarding an Energy Efficiency Portfolio)
Standard)

Case 07-M-0548

INITIAL BRIEF
OF
NIAGARA MOHAWK POWER CORPORATION
d/b/a NATIONAL GRID

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OF
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d/b/a NATIONAL GRID

I. Introduction

Niagara Mohawk Power Corporation d/b/a National Grid (“National Grid” or the “Company”) stands ready to implement an aggressive set of energy efficiency programs for its customers that will complement existing New York State Energy Research and Development Authority (“NYSERDA”) programs. Energy efficiency is sound public policy and it should be pursued aggressively. This Initial Brief of National Grid, in response to the March 20, 2008 Ruling in Case 07-M-0548 (the “March 20 Ruling” or the “Ruling”)¹ as amended by the April 3, 2008 Ruling extending the briefing schedule,² lays out a framework that would permit the Company to move forward now, in cooperation with NYSERDA, to contribute significantly to the attainment of the 15 x 15 policy objective.

¹ Case 07-M-0548, *Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard*, Ruling on Staff Motion for Reconsideration and Revising Schedule (issued March 20, 2008) (“March 20 Ruling”).

² Ruling Extending Briefing Schedule and Revising Filing Requirement (issued April 3, 2008).

The March 20 Ruling requested comments to be used to expedite Public Service Commission (“Commission”) consideration of overall program design policy for the creation of an Energy Efficiency Portfolio Standard (“EEPS”) in concert with bridge or Fast Track³ energy efficiency measures in the context of a determination regarding utility participation and with an estimate of overall program design cost relative to the size of Fast Track commitments. Specifically, the Ruling requested comments on the four limited issues as follows:

- (1) the updated Department of Public Service Staff (“Staff”) Fast Track proposal to be filed on March 25, 2008, Staff’s presentation at the March 5, 2008 Technical Conference, the NYSERDA Fast Track proposal, and any other Fast Track proposals previously submitted in this proceeding;
- (2) the policy rationale for authorizing utility administration of energy efficiency programs in the broader context of the EEPS proceeding, including the reasons identified in the February 11, 2008 Straw Proposal (the “Straw Proposal”)⁴ that stated “[u]tilities can bring access to end-use customers, especially mass market customers, an ability to leverage outside funding through on-bill financing, and the potential to integrate energy efficiency with overall energy resource planning”⁵ as well as the advisability of the Commission establishing periodic energy efficiency targets for each utility;

³ “Fast Track” has been defined in the context of the EEPS as a set of measures intended to augment existing energy efficiency programs with new or expanded initiatives to facilitate the State’s ultimate success in reaching the 15% energy reduction goal by 2015.

⁴ Ruling Presenting Straw Proposal (issued February 11, 2008) and subsequently replaced by Corrected Ruling Presenting Straw Proposal (issued February 13, 2008) (“Straw Proposal”).

⁵ *Id.* at p. 2.

- (3) whether the program cost and bill impact figures presented in the Technical Appendix to the Straw Proposal represent a reasonable estimate of the overall costs of those elements of the 15 x 15 initiative to be achieved through utility customer-funded programs and on-bill financing; and
- (4) the advisability of allocating in advance energy efficiency targets and funding among NYSERDA and each utility, as per the Straw Proposal.

II. Background

The Straw Proposal provided baseline information and target benchmarks for NYSERDA and each utility relative to electric energy efficiency programs based on a hybrid model where NYSERDA would continue to be the principal provider of new construction energy efficiency programs through the early years of the EEPS and utilities' roles in delivering energy efficiency programs would effectively be phased in over time. The Straw Proposal further nominated NYSERDA to be the exclusive provider of statewide market transformation programs, and to assume the lead role in providing R&D and funding support for emerging technologies, and developing green workforce programs including training and certification, as well as to assist in the development, training, implementation and enforcement related to new codes and standards. The Straw Proposal also nominated NYSERDA, in conjunction with the New York Independent System Operator ("NYISO"), as having primary responsibility for the development of an integrated statewide energy usage database and efficiency forecasts suitable for use in system reliability planning. The utilities' role as set forth in the Straw Proposal would be as the initial point of contact with small business and residential

customers for NYSERDA and other program administrators. Moreover, if a proposed utility energy efficiency program overlapped with measures offered by NYSERDA, the Commission would be the ultimate arbiter of whether the utility could proceed with the proposed program and the effect, if any, on related NYSERDA programs. Utilities would be responsible for developing on-bill financing mechanisms (a/k/a conservation “Tariffed Installation Program” or “TIP”) in support of the proposal made by the Dormitory Authority of the State of New York (“DASNY”) that would allow eligible customers to install energy efficiency improvements without upfront costs. The TIP would be phased in by the utilities. The Straw Proposal would set energy efficiency goals for NYSERDA and the utilities through a top-down target-setting process by broadly allocating resources and load reduction targets to program administrators.

Staff’s Fast Track proposal presented a variation in the approach to energy efficiency program development and resource allocation. As Staff has proposed to build the EEPS from a base of existing and proven NYSERDA programs while paving the way for an increased role for the utilities in planning and delivery of future energy efficiency programs, it characterizes its proposal as a type of bottom-up approach in contrast to the top-down approach taken in the Straw Proposal. Yet Staff’s Fast Track proposal to essentially limit fast track or “bridging” programs to predominantly NYSERDA programs also postpones the entry of the utilities into the mainstream for delivery of energy efficiency programs. Staff states it “believes that utilities can and should play a major role in an expanded energy efficiency system” but that “utilities need to demonstrate that they are able to manage programs effectively and coordinate their

efforts within a statewide structure.”⁶ Staff encourages utilities to develop energy efficiency programs that meet its defined key criteria for success and that can be readily integrated with existing programs upon Commission approval.

In recognition of Staff’s December 3, 2007 Fast Track proposal, and in particular Staff’s requested reconsideration of the process and schedule previously adopted in the January 24 Ruling (“Staff’s Reconsideration Motion”)⁷, the March 20 Ruling modified the process and schedule established in the January 24 Ruling.⁸ While granting in part and denying in part Staff’s Reconsideration Motion, the March 20 Ruling established a process for expedited Commission consideration of an overall EEPS program design policy in concert with approval of Fast Track or bridging programs.

III. General Statement of Position

A. The Company stands ready to begin implementation of energy efficiency programs as soon as possible to meet the 15 x 15 goal and the needs of its customers.

In National Grid’s view, the objectives of the Commission to expand the deployment of energy efficiency programs in New York can be advanced consistent with elements of both the Straw Proposal and Staff’s Fast Track proposal by permitting National Grid and other utilities with the capability to implement their own programs for customers to do so in concert with an enhanced NYSERDA program portfolio. While NYSERDA has provided well-designed and effective energy efficiency programs for utility customers, the Company believes that it can and should play a much more

⁶ See March 2008 DPS Staff Report on Recommendations for the EEPS Proceeding, dated March 25, 2008 (“Staff’s March 25 Report”), at p. 4.

⁷ Ruling on the Status of the Record and on Schedule (issued January 24, 2008).

⁸ See March 20 Ruling, at p. 12.

substantial role in the delivery of energy efficiency programs to its customers going forward. There is a role for those utilities that are poised and ready to implement energy efficiency programs within their service territories to make a meaningful contribution to the achievement of near-term energy use savings concurrent with the enhancement of established NYSERDA programs. Moreover, the Commission should give due consideration and approval to National Grid to proceed with complementary program offerings that it deems will fit within the overall objectives of the EEPS.⁹ Therefore, the Commission should allow National Grid and other utilities who can demonstrate they are capable of implementing energy efficiency programs for their customers to implement such programs as part of both the fast track program initiative as well as the longer term EEPS program.

B. The Company is ready and uniquely positioned to deliver energy efficiency programs to its customers as part of the Fast Track initiative.

Staff's March 25 Report suggests that the Company could be "an invaluable resource" in program development in New York State.¹⁰ Building on its experiences in Massachusetts, Rhode Island and New Hampshire, National Grid is willing and able to deliver energy efficiency programs on a fast-track schedule in New York that complement other bridging programs approved by the Commission. Moreover, National Grid has a longstanding and proven record for successfully implementing programs in the other states it serves. The Company was most recently the recipient of national recognition by the U.S. Environmental Protection Agency ("EPA") and U.S. Department

⁹ National Grid plans to file with the Commission shortly a comprehensive set of electric and gas efficiency programs modeled on its existing programs in Massachusetts, Rhode Island and New Hampshire and tailored to complement existing NYSERDA programs.

¹⁰ See Staff's March 25 Report, at p. 4.

of Energy (“DOE”) for its leadership and outstanding contribution to energy savings and the mitigation of climate change impacts through its energy efficiency programs. The Company received the EPA’s Partner of the Year Award for its outreach, education and marketing program resulting in increased customer participation in the Home Performance with ENERGY STAR® program in Massachusetts. National Grid was also recognized for its work with the Joint Management Committee, representing Massachusetts New Home with ENERGY STAR®, for offering incentives and technical support in the building of new ENERGY STAR® homes. As a member of the Northeast Energy Efficiency Partnerships (“NEEP”), National Grid was the recipient of a 2008 ENERGY STAR® Sustained Excellence Award given to the Northeast ENERGY STAR® Products Initiative, a NEEP regional effort, in recognition of the Company’s Lighting and Appliance Program. National Grid makes energy-efficient lighting and appliances available to its customers in Massachusetts and Rhode Island under the Initiative.

National Grid is committed to making the expansion of cost-effective energy efficiency programs part of its core business in all the states it serves for the purposes of encouraging and assisting its customers in realizing economic reductions in energy usage and safeguarding the environment for future generations.

C. The Company is poised to play a leadership role in both the Fast Track initiative and the broader EEPS program.

The State’s objective of achieving a 15% reduction in electric consumption from forecasted levels by the year 2015 is an aggressive goal that will only be achieved if National Grid and other qualified entities are engaged in program delivery. In the near-term, the 15 x 15 goal is best and perhaps only achievable by allowing utilities to make a

contribution through program administration at the retail customer level as soon as possible. The fast track role for utilities includes the deployment of new utility programs, such as those targeted at small commercial and industrial customers that fill gaps and complement existing NYSERDA programs as well as the enhanced marketing of existing NYSERDA programs to improve market penetration and effectiveness.

To maximize the possibility of realizing New York State's ambitious energy savings goals, the Commission should give expedited consideration to all energy efficiency proposals on their respective merits that are complementary to the existing NYSERDA program portfolio in order to jump start the achievement of the 15 x 15 objective. New York will not achieve its energy savings goals without the involvement of all players in the energy efficiency arena.

IV. Responses to Those Issues Set Forth in the March 20 Ruling

The March 20 Ruling requested responses to four specific issues to assist in expediting Commission consideration of overall program design policy for the creation of an EEPS in concert with bridge or Fast Track energy efficiency measures. National Grid's comments on each of those issues are set forth below.

1(a) The updated Staff Fast Track proposal filed on March 25, 2008 and Staff's presentation at the March 5, 2008 Technical Conference.

Staff submitted a Preliminary Proposal on August 28, 2007 that identified certain fast-track programs that it viewed as lending themselves to ready expansion or quick implementation for the purpose of achieving some near-term results while a longer-term

EEPS planning process ensued.¹¹ On November 26, 2007, Staff filed a Revised Proposal that amended its initial fast track program proposal.¹² On December 3, 2007, Staff submitted a supplemental filing for its proposed bridging programs.¹³ In response to the March 20 Ruling, Staff was directed to file any revised material pertinent to its Fast Track proposal by March 25, 2008.¹⁴ The basic premise and tenets of Staff's Fast Track proposal have not changed throughout these various iterations. Staff is advocating the near-term implementation of "tested programs, with proven track records that can be put in place quickly and form a solid basis for reaching the aggressive energy savings goals of the EEPS Proceeding."¹⁵ Staff's Fast Track proposal builds upon existing NYSERDA programs. National Grid believes that its energy efficiency programs meet Staff's definition of "tested programs, with proven track records."

Staff has recommended that program implementation proceed expeditiously and National Grid stands ready to do just that. The Company can and will contribute to near-term progress towards achieving the State's energy efficiency goals through participation in both the fast track programs proposed by Staff as well as in individual utility-designed energy efficiency program offerings. Those utilities with the inclination and resources should be granted approval by the Commission to begin implementation of proven programs in their respective service territories as quickly as possible. Commission approval of Staff's Fast Track proposal should not be at the exclusion of utility-

¹¹ New York Department of Public Service Staff Preliminary Proposal for Energy Efficiency Program Design and Delivery, dated August 28, 2007.

¹² Revised Proposal for Energy Efficiency Design and Delivery and Reply Comments of the Staff of the Department of Public Service, dated November 26, 2007.

¹³ Staff Revised Proposal for Energy Efficiency Design and Delivery and Reply Comments, dated December 3, 2007.

¹⁴ See March 2008 DPS Staff Report on Recommendations for the EEPS Proceeding, dated March 25, 2008.

¹⁵ *Id.* at p. 3.

administered programs that can enhance and complement existing energy efficiency programs.

Utilities should be allowed to recover costs associated with fast track programs through an energy efficiency surcharge mechanism. Both Staff's Fast Track proposal and the Straw Proposal support the utilization of the System Benefits Charge ("SBC") model. National Grid supports using the SBC model to recover all fast track program costs incurred by utilities, including shareholder incentives. Further, utilities should be allowed to recover lost base revenues until such time as revenue decoupling mechanisms are approved by the Commission and can be implemented as part of individual utility rate proceedings.

Staff's Fast Track proposal recommends that collections from customer energy efficiency program expenditures be trued-up annually.¹⁶ National Grid suggests that any under spending or over spending in any given program year roll into the succeeding program year as opposed to refunding surplus funds or increasing the surcharge in the event there is overspending in a given program year. Such an approach fosters continuity in program delivery, facilitates the commitment of funds for large projects that often span more than one calendar year from approval to implementation due to customer budget cycles and/or approval processes, equipment lead times, etc., and eliminates the administrative costs associated with processing refunds.

¹⁶ *Id.* at p. 16.

1(b) The NYSERDA Fast Track proposal.

The NYSERDA Fast Track proposal¹⁷ offers only a limited role and a few discrete ways for utilities to support those NYSERDA programs proposed for expansion and fast track implementation. To achieve the 15 x 15 goal, the Company believes that the NYSERDA Fast Track proposal should be supplemented to include a role for National Grid and other utilities that are ready, willing and able to deliver energy efficiency programs in the near-term. The Company reiterates its comments in regard to Staff's Fast Track proposal, in that Staff's proposal is built extensively upon the NYSERDA program. Such comments apply equally to the NYSERDA Fast Track proposal. Such a staged approach to achieving tangible and sustainable savings in energy usage statewide is not in the best interest of consumers or the State of New York and it is unlikely to lead to attainment of the 15 x 15 goal. The Commission should allow for concurrent implementation of utility fast track programs that enhance and complement expanded NYSERDA programs, taking full advantage of National Grid's capabilities in the near-term and not relegating the utilities' role to only longer term EEPS initiatives. Without early and more substantial utility involvement, the 15 x 15 goal will likely not be achieved.

National Grid believes that any energy efficiency programs administered by utilities must be designed to supplement, enhance and complement programs and/or services offered by NYSERDA so as to avoid duplication of effort and resources and minimize customer confusion. There is a need to coordinate the role of NYSERDA with individual utility capabilities and specific utility program offerings. National Grid has

¹⁷ NYSERDA Response to Administrative Law Judges' Letter dated October 1, 2007, *Identification of Fast-Track Energy Efficiency Programs and Additional Funding and Savings Opportunities*, dated November 1, 2007.

significant experience collaborating with complementary program administrators of electric and gas energy efficiency programs in the other states it serves. Most recently, the Company has been working with NYSERDA to coordinate the delivery of its natural gas energy efficiency programs in New York City and Long Island with the electric energy efficiency programs administered by NYSERDA. This collaborative effort has resulted in the identification of increased program energy savings potential.

The need for consistent monitoring and evaluation (“M&E”) of the quantitative and qualitative performance of program offerings, whether they are delivered by NYSERDA or the utilities, is as important as coordination among the various parties offering energy efficiency programs. National Grid supports the recommendation of Working Group III that “[t]here should be a single set of statewide protocols that are applicable to all program administrators (including program administrators that may not be subject to the Commission’s jurisdiction) and all programs.”¹⁸

The Commission should not prohibit National Grid and other utilities who can demonstrate they are poised and ready to implement energy efficiency programs for their customers from proceeding with complementary fast track program initiatives. Utility delivery of fast track programs would be entirely consistent with the Commission’s goals when it initiated the EEPS where it contemplated there could be certain energy efficiency programs best administered centrally while others could be delivered by the utilities.¹⁹

The Company believes that a multi-pronged approach to both fast track and longer term EEPS initiatives should be approved by the Commission.

¹⁸ See Working Group III Final Report, dated December 5, 2007 (“Working Group III Final Report”), at p. 25.

¹⁹ Case 07-M-0548, *Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard*, Order Instituting Proceeding (issued and effective May 16, 2007), at p. 7.

2(a) The policy rationale for authorizing utility administration of energy efficiency programs in the broader context of the EEPS proceeding, including the reasons identified in the Straw Proposal.

The Straw Proposal acknowledged the desire expressed by the utilities to develop energy efficiency programs for their customers. The Straw Proposal also acknowledged that “[u]tilities can bring access to end-use customers, especially mass market customers, an ability to leverage outside funding through on-bill financing, and the potential to integrate energy efficiency with overall energy resource planning.”²⁰ As a result, the Straw Proposal cautiously recommended a “cooperative hybrid model.” Such a model would effectively phase-in utility participation over the longer term EEPS, but provide for a more limited role for utilities in the near-term.

In support of its hybrid model, the Straw Proposal stated that “the Commission’s first priority will remain the welfare of utility customers and efficacy of meeting the 15 x 15 target in a timely and cost-effective manner, by ensuring that programs are presented to customers in a manner that engenders confidence and market acceptance.”²¹ The Company believes that this priority can best be achieved by taking advantage of the capabilities of National Grid and other utilities that are ready, willing and able to deliver fast track programs now. The Straw Proposal appears to be taking a cautious approach in determining when would be the right time in the process to allow utilities to offer complementary energy efficiency programs to customers. However, the Straw Proposal fails to consider that National Grid has the capabilities to begin delivering energy efficiency programs and benefits to customers in the near-term.

²⁰ See Straw Proposal, at p.2.

²¹ *Id.*, at p. 6.

National Grid has a long history of continuously providing energy efficiency programs to customers in New England. It has been providing such programs, both electric and natural gas, for some twenty and eighteen years, respectively. Its success is in part based on ready access to customer usage data that is essential in identifying and targeting marketing to those customers most in need of assistance and who could realize the largest benefits. The Company's success is also based on extensive program design, marketing, administration and delivery, measurement and evaluation, and reporting experience. National Grid is poised and ready to bring this experience to New York.

As stated earlier, the 15 x 15 objective is aggressive and will need broad participation by many different types of qualified program administrators in order to achieve success. There is clearly a valuable role that National Grid can play in the EEPS in both the short-term and longer term. The Company should not be precluded from participating in the short-term and providing tangible, near-term benefits to customers.

2(b) The advisability of the Commission establishing periodic energy efficiency targets for each utility.

National Grid agrees that the Commission should establish energy efficiency targets for each utility. Such targets should be based on thorough bottom-up studies undertaken by the respective utilities taking into account specific customer mix and service territory attributes, in the manner generally described in the consensus recommendations issued by Working Group III.²² Such a bottom-up approach to target-setting is "most likely to result in the establishment of achievable goals."²³ Further, such an approach will allow for the tailored consideration of "diverse demographics and

²² See Working Group III Final Report, at pp. 13-16.

²³ *Id.* at p. 14.

economies within the state to assess program design and how best to achieve efficiency savings.”²⁴ The Company supports the approach recommended by Working Group III.

National Grid believes that a top-down approach as suggested by the Straw Proposal would not be good policy as it could lead to unrealistic and therefore unachievable goals. Further, top-down Commission-imposed targets may not allow a given utility to satisfactorily address changing market factors or other unique attributes that impact energy savings potential. Each electric and gas utility within New York State should be allowed to develop energy efficiency programs and corresponding targets to meet its specific customer mix and service territory attributes. While such an approach may require the Commission to reconcile individual utility goals and those of other program administrators, such as NYSERDA, with the overall statewide goal and determine the need for program enhancements and adjustments over time, it will lead to program delivery goals informed by those most knowledgeable about the customers who will be served and enhance the likelihood of realizing the 15 x 15 goal.

3 Whether the program cost and bill impact figures presented in the Technical Appendix to the Straw Proposal represent a reasonable estimate of the overall costs of those elements of the 15 x 15 initiative to be achieved through utility customer-funded programs and on-bill financing.

The funding levels proposed for the utilities in the Technical Appendix to the Straw Proposal appear to be too modest to support achievement of the corresponding desired results. National Grid’s experiences in Massachusetts, as documented in its 2006 Energy Efficiency Annual Report filed with the Massachusetts Department of Public Utilities, shows that the average cost of annual electric savings was \$0.274 per kWh in

²⁴ *Id.* at p. 15.

2006 as compared to \$0.267/kWh in the Straw Proposal.²⁵ (The table identifying National Grid's 2006 cost of acquired energy savings in Massachusetts is annexed hereto as Exhibit "A.") However, when the savings from the residential lighting program, with a cost of \$0.052/kWh saved, are excluded from the aforementioned 2006 Energy Efficiency Annual Report, the average cost of annual electricity saved increases to \$0.418/kWh in 2006. When compared to \$0.267/kWh in the Straw Proposal,²⁶ this represents an approximate 56% increase. The comparison to the cost of \$0.418/kWh saved is more appropriate as the upstream products-based programs, which include residential lighting in both the Straw Proposal and Staff's Fast Track proposal, are proposed to be implemented by NYSERDA. As such, these low-cost savings opportunities would not be available to the utilities and the resulting average utility portfolio cost would be higher than that shown in the Straw Proposal's Technical Appendix. Clearly, the Company's recent experiences in Massachusetts would indicate that the program costs in the Technical Appendix to the Straw Proposal are understated. In setting the appropriate expectations for customers, it is imperative that the Commission have reasonable confidence that forecasted program costs are as accurate as possible given that any understatement will ultimately have a resulting impact on customer bills.

In regard to TIP, National Grid is willing to further explore the process that will be required to initiate on-bill financing for those customers in its service territory who avail themselves of qualifying energy efficiency program offerings. However, before

²⁵ Derived by taking the average annual funding proposed for Niagara Mohawk in the Technical Appendix spreadsheets and dividing same by the average annual energy savings goal so stated therein for Niagara Mohawk.

²⁶ *Id.*

such an investigation can be effectively conducted, there is a need for the Commission to establish a clear policy for such an energy efficiency financing program along with the specific rules and implementation guidelines that will ensure uniform business practices. Additionally, the Commission needs to adopt realistic timeframes to implement TIP as a one-size-fits-all approach may not be workable given utility-specific needs due to variations in customer billing systems and differing IT complexities that such a process may present.

4. The advisability of allocating in advance energy efficiency targets and funding among NYSERDA and each utility, as per the Straw Proposal.

As discussed above, National Grid supports a bottom-up approach to target-setting. Consistent with the recommendations of Working Group III, goal-setting through bottom-up studies is not limited to the utilities but applies equally to all entities functioning in the role of program administrators including, but not limited to, NYSERDA, NYPA, LIPA and municipalities. As advanced in the Working Group III report, each program administrator should be responsible for proposing program delivery goals informed by its unique knowledge of the constituents it serves.

V. Conclusion

National Grid stands ready to implement integrated energy efficiency programs to achieve the aggressive goal of reducing New York's electricity usage 15% from expected levels by 2015. The more comprehensive the approach and the greater the Company's involvement, beginning with fast-track initiatives, the more likely are the chances of achieving greater market penetration and higher savings from the start for its customers.

By relying nearly exclusively on existing NYSEERDA programs to jump start efforts towards achieving the 15 x 15 goal, and by initially limiting utilities' roles to only a few select programs, the Commission would be foregoing the opportunity for near-term EEPS goal achievements. The Company urges the Commission to give consideration to the valuable role that National Grid and other utilities can play in the near-term as well as in the longer term EEPS. National Grid appreciates the opportunity to comment in this proceeding and looks forward to working with the Commission in the continued development of an EEPS in New York that will result in the delivery of energy efficiency benefits to its customers.

Respectfully submitted,

**NIAGARA MOHAWK POWER CORPORATION
d/b/a NATIONAL GRID**

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Dated: April 10, 2008

EXHIBIT A

National Grid (MA) Electric Energy Efficiency
 Cost of Acquired Energy Savings
 Source: National Grid's 2006 Energy Efficiency Annual Report, Appendix 3

BCR Activity	Programs	Utility Cost Including Performance Incentives/Annual kWh Saved (\$/kWh)	Utility Cost Excluding Performance Incentives/Annual kWh Saved (\$/kWh)
Residential			
A02a Residential Lost Opportunity	A02a Energy Star Homes	\$1.235	\$1.109
A02b Residential HVAC	A02b Energy Star HVAC	\$1.283	\$1.238
A03a Residential Retrofit 1-4	A03a Residential Conservation Service	\$1.065	\$1.037
A03b Residential Retrofit Multifamily	A03b Energywise	\$0.834	\$0.814
A04a Residential Lighting	A04a Energy Star Lighting	\$0.057	\$0.052
A04b Residential Appliances	A04b Energy Star Products	\$1.312	\$1.278
A07x Performance Incentive Tax Liability		N/A	
Subtotal: Residential		\$0.207	\$0.191
Low Income			
B02a Low-Income Lost Opportunity	B02a Energy Star Homes LI	\$3.128	\$2.492
B03a Low-Income Retrofit 1-4	B03a Single Family - Appliance Management	\$1.608	\$1.521
B03b Low-Income Retrofit Multifamily	B03b Multifamily LI EnergyWise	\$0.899	\$0.851
B07x Performance Incentive Tax Liability		N/A	
Subtotal: Low Income		\$1.292	\$1.166
Commercial & Industrial			
C02a C&I Lost Opportunity	C02a Design 2000plus	\$0.487	\$0.468
C03a Large C&I Retrofit	C03a Energy Initiative	\$0.221	\$0.207
C03b Small C&I Retrofit	C03b Small Business	\$0.435	\$0.414
C07x Performance Incentive Tax Liability		N/A	
Subtotal: Commercial & Industrial		\$0.307	\$0.281
TOTAL		\$0.299	\$0.274
TOTAL EXCLUDING RESIDENTIAL LIGHTING (\$/kWh)			\$0.418
Cost of Savings Per ALJ Straw Proposal* and DPS Fast Track Proposal* (\$/kWh)(6)			\$0.267

Notes:

(1) The information provided in this table comes from National Grid's 2006 Energy Efficiency Annual Report that was filed with the MA Department of Public Utilities. It reflects actual costs and evaluated savings for 2006 energy efficiency program efforts.

(2) Retrofit programs are shaded in yellow:

These are the types of programs that would be the responsibility of the utilities under the ALJ Straw Proposal*.

(3) New construction/lost opportunity programs are shaded in green:

These are the types of programs that would be the responsibility of NYSEERDA under the ALJ Straw Proposal*.

(4) A program similar to the HVAC Program that DPS Staff recommends to be implemented by the utilities per their Fast Track Proposal* is shaded in blue:

(5) The upstream products-based programs proposed to be implemented by NYSEERDA in both the ALJ Straw Proposal* and Staff Fast Track Proposal* are shaded in purple:

(6) This cost of savings is equal to the proposed annual funding for NIMO divided by the average annual MWh savings for NIMO as included in the ALJ Straw Proposal*.

* Refers to Case 07-M-0548 - Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard and proposals to implement energy efficiency programs in the State of New York.