

March 1, 2011

VIA HAND DELIVERY & ELECTRONIC MAIL

Rhode Island Office of Energy Resources
c/o Kenneth Payne, Administrator
One Capitol Hill
Providence, RI 02908

RE: Rhode Island Regional Greenhouse Gas Initiative Auction Proceeds Report

Dear Mr. Payne:

On behalf of National Grid¹ I have enclosed the Company's Rhode Island Regional Greenhouse Gas Initiative Auction Proceeds Report, which is submitted pursuant to paragraph 6.1 of the Rhode Island Office of Energy Resources ("OER") 2009 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds.

Thank you for your attention. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosure

cc: R.I. Department of Environmental Management
R.I. Energy Efficiency Resource Management Council

¹ The Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company").



**Rhode Island
Regional Greenhouse Gas Initiative, Inc. Auction Proceeds Report
Presented by National Grid
March 1, 2011**

Since 2008, Rhode Island (RI) has received \$12,340,208 from CO₂ Allowance Auctions through the Regional Greenhouse Gas initiative, Inc. (RGGI).¹ Under the RI Office of Energy Resource's (OER) 2009 Plan for the Allocation and Distribution of RGGI Proceeds ('2009 Plan'), approved September 2009, sixty percent of RGGI auction proceeds are allocated to utility energy efficiency programs ('60%') and forty percent are allocated to an Innovative Financing and Partnership Account at the utility ('40%'). Under these guidelines, National Grid incorporated RGGI funds into its 2010 Energy Efficiency Program Plan, approved by the Rhode Island Public Utilities Commission on March 17, 2010. In addition, National Grid proposed an innovative funding plan for the 40% proceeds, which was approved by the OER, EERMC, and DEM.

This report describes the results achieved from the auction proceeds, as required by the 2009 Plan.

2010 RGGI Results

The following table summarizes the status of RGGI proceeds received to date.

Auctions	Year	Net Proceeds	EE Funding	Status	EE Programs
1-5	2008 - 2009	\$6,581,188	\$3,950,152	60% Received March 2010	Funded all 2010 EE Programs
			\$2,633,434	40% Received December 2010	Will be used for Phase 1 of Approved 40% Proposal in 2011; Including C&I Loans for Small Business, DER, Heat Loan, Homes Tier III

In March 2010, the energy efficiency programs received 60% of RGGI proceeds from Auctions 1 – 5, totaling \$3,948,713. These funds were immediately used to implement energy efficiency programs for Residential, Commercial and Industrial (C&I) and Low Income customers. The RGGI proceeds represent 14.7% of all energy efficiency funding in 2010. Preliminary results attributed to the 60% RGGI proceeds include:

- 11,960 MWh of energy savings
- 135,540 MWh of lifetime energy savings
- 2,093 kW in annual capacity savings
- 25,042 kW in lifetime capacity savings

¹ Source: http://www.rggi.org/market/co2_auctions/results

- 22,098 participants in energy efficiency programs
- \$18,152,684 created in total benefits from avoided energy and capacity costs

Benefits from National Grid’s 2010 energy efficiency program were delivered at a preliminary benefit-cost ratio of 3.4; for every \$1 invested, the programs delivered \$3.40 in benefits. In 2010, the energy efficiency program charge for customers was \$0.0032 per kWh. Without RGGI 60% funds, the charge would have been \$0.0036 per kWh. Therefore, the RGGI proceeds saved the average residential customer, using 6,000 kWh a year, \$2.41 on their energy bills. Meanwhile, customers who installed energy efficiency measures through these programs will save up to \$300 per year on their electric bills, over the lifetime of their measures. Additional information about the programs and final savings and benefits results will be included in the 2010 Demand Side Management (DSM) Year-End Report, to be filed with the RI Public Utilities Commission (PUC) on May 30, 2011.

National Grid’s proposal for the RGGI 40% Innovative Energy Efficiency Programs and Partnerships was approved by the OER, EERMC, and DEM. The Company received a portion of these funds on December 9, 2010 and is implementing the first phase of the RGGI 40% Innovative programs in 2011. These programs include the C&I Revolving Loan Fund for Small Business customers, Deep Energy Retrofit, Homes Tier III pilot, and the HEAT Loan pilot.

2011 RGGI Activities

As noted above, funds expected to be received in 2010 from both the 60% and 40% allocations were not received. In addition, funding for National Grid’s 2011 Energy Efficiency Program Plan (approved by the RI PUC on December 23, 2010) assumes a certain amount of RGGI proceeds. The following table illustrates RGGI funds that are anticipated to deliver energy efficiency savings and innovation in 2011, but National Grid has not received.

Auctions	Year	Net Proceeds	EE Funding	Status	EE Programs
6-10 ¹	2009 - 2010	\$5,074,445	\$3,044,667	60% Not Received	Funds will be used to meet 2011 goals in all programs and defray ratepayer costs
			\$2,029,778	40% Not Received	Funds will be used for Phase 2 of Approved 40% Proposal in 2011; Including C&I Loans for Large Business, Low Income Pilot
11-14 ²	2011	\$2,794,805	\$2,235,844	Not Received Distribution Rules Unknown	Plan to use 80% to meet 2011 goals and defray ratepayer costs

Notes:

1) RGGI Proceeds for Auction 10 updated February 2011

2) Auctions 11-14 based on actuals from Auction 10

National Grid has not received the remaining \$2,029,778 of the RGGI 40% for approved innovative programs. When they are received, the Company will implement Phase 2 of the innovative programs including the C&I Loan Fund for Large Business customers, and the Low Income Pilot.

Additionally, National Grid has not received the \$3,044,667 in proceeds from the RGGI 60% collected in Auctions 6-10, held in 2010. When these funds are received, they will be used in the existing energy efficiency programs to defray the customer energy efficiency charge.

The distribution rules for Auctions 11-14 proceeds have not been developed yet. In the 2011 Energy Efficiency Plan, the Company planned on 80% of RGGI proceeds funding programs. Together, the proceeds from the RGGI 60% and the RGGI 80% represent 11% of total projected funding for 2011 energy efficiency programs. Without these funds, the customer energy efficiency charge will increase up to \$0.0008 per kWh, approximately \$4.73 per year for the average residential customer. National Grid along with the EERMC, OER, DEM must develop a reliable, efficient process for delivering RGGI funds to energy efficient programs in a timely manner in order to save energy and avoid unnecessary increases in customers' bills.