



Orange & Rockland  
a conEdison, inc. company

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August 21, 2008

*Via Overnight Mail*

Hon. Jaclyn A. Brilling,  
Secretary  
State of New York Public  
Service Commission  
Three Empire Plaza  
Albany, New York 12223

Re: Case 08-\_\_ - \_\_ Orange and Rockland's Filing of Expedited Programs in Accordance with the Commission's Order Establishing Energy Efficiency Portfolio Standard and Approving Programs in Case 07-M-548

Dear Secretary Brilling:

Please find enclosed for filing an original and twenty-five copies of the filing of Orange and Rockland Utilities, Inc. ("O&R" or "Company") that contains the first set of energy efficiency programs that the Company was authorized to file pursuant to the Commission's order in the Energy Efficiency Portfolio Standard ("EEPS") Proceeding. In accordance with the discussion that took place at the procedural conference on July 29, 2008, the Company is filing these programs under a new case number with a draft notice for publication under the State Administrative Procedure Act.<sup>1</sup> The Company requests expedited consideration so that it may commence delivery of these beneficial programs as soon as possible.

On June 23rd 2008, the Commission issued a landmark order that adopted the goal of reducing electricity usage by 15% statewide by 2015.<sup>2</sup> O&R supports this State goal and is pleased to submit its first set of programs contemplated by Ordering Clauses 9

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<sup>1</sup> No active party list has been established for the case number that would be applicable to O&R (the Company has provided a courtesy copy through the ListServer). The Company will serve its filing as directed by the Commission, but requests that it be permitted to use electronic service.

<sup>2</sup> Case 07-M-0548 - Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard, Order Establishing Energy Efficiency Portfolio Standard and Approving Programs (June 23, 2008) ("June 23<sup>rd</sup> Order").

and 11 of the June 23<sup>rd</sup> Order, *i.e.*, this filing contains the Company's program plan for implementation of the two electric programs (the "Expedited Programs") and one natural gas efficiency program:

- Small Business Direct Installation program for O&R electric customers;
- Residential ENERGY STAR electric heating, ventilation and air conditioning program for O&R's electric customers; and
- Residential gas equipment program for O&R's natural gas customers.

The plan set forth herein provides in detail all of the information required by the June 23<sup>rd</sup> Order (p. 58), including: (1) benefit/cost estimates using the Total Resource Cost test methodology; (2) description of the collaborative discussions the Company has held with other utilities, NYSEDA and other interested parties to accomplish statewide uniformity to the extent practicable; and (3) measurement, verification and evaluation plans that conform with the guidelines distributed by Department of Public Service Staff on August 7, 2008.

The June 23<sup>rd</sup> Order required the utilities to file the gas programs but made the two expedited electric programs optional. O&R decided to file all of the programs permitted by the June 23<sup>rd</sup> Order. As recognized by the Commission in its June 23<sup>rd</sup> Order (at 49), there are many reasons for establishing investor-owned utilities as program administrators, among them that utilities "have direct access to customers and customer usage information. They offer a diversity of approaches that may lead to a wider offering of programs than would occur under a centralized administrator." O&R agrees that it is well positioned to deliver customized energy efficiency programs to meet the needs of its customers. The Company has an ongoing relationship and regularly communicates with its customers. The Company understands the unique characteristics and needs of various customer segments and demand profiles and can match these with its own system planning requirements. This institutional knowledge, combined with the engineering and technical understanding of its electric and gas systems, will enable O&R to design effective and comprehensive solutions that will maximize participation and energy savings.

As described in more detail in the filing, the Direct Install Program achieves 62% of O&R's assigned megawatt-hour ("MWh") goal of 33,878 MWh for the program at the funded level. But the Program is cost effective with a benefit cost ratio at 2.5. The Direct Install Program can achieve O&R's assigned MWh goal of 33,878 MWh with a program budget of \$16.7million, an increase from the current funded level of \$9.1 million, with a benefit cost ratio at 2.5. In addition, the Residential HVAC Program achieves 34% of O&R's assigned MWh goal for the program of 1,461 MWh at the funded level. Although as proposed the program will not achieve the prescribed goal, it is cost effective with a benefit cost ratio at 1.5. The factors limiting O&R's achievement of the MWh goal assigned to the Program are the incremental costs of more efficient equipment and the time required to get the program up and running. O&R will be analyzing this program in

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its 90-day filing, as the program may be able to achieve higher levels of energy savings beyond the current three year horizon.

O&R could come closer to the goal for its Residential HVAC Program and could meet the goal for its Direct Install Program if its funding levels are increased by \$535,000 and \$7,640,000, respectively, over the three-year course of the programs. Both programs would still meet the required TRC benefit cost ratios at the increased funding levels. O&R requests that the Commission authorize the Company to expend the incremental funds as discussed further herein, to be recovered through its existing Systems Benefits Charge ("SBC")<sup>3</sup> contribution to the New York State Energy Research and Development Authority ("NYSERDA") in order to maximize the energy efficiency benefits to its customers, its system and the State under the Expedited Programs.

O&R respectfully requests that the Commission approve the Company's program filing, including the request for increased funding from existing available funds, so that the Company can start bringing cost-effective energy efficiency benefits to its customers.

Respectfully submitted,

A handwritten signature in black ink that reads "Richard B. Miller" followed by a stylized flourish or date "1/2008".

Richard B. Miller

Enc.

cc: Case 07-M-0548 ListServer

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<sup>3</sup> As O&R has previously pointed out, it has not received its equitable share of the existing SBC funding. Case 07-M-0548, Initial Brief of Consolidated Edison Company of New York, Inc., and O&R, at 18-19 (April 10, 2008).

**PUBLIC SERVICE COMMISSION OF THE STATE  
OF NEW YORK**

**ORANGE AND ROCKLAND UTILITIES, INC.**

**SMALL BUSINESS  
AND RESIDENTIAL HVAC PROGRAMS FILED  
PURSUANT TO THE COMMISSION'S JUNE 23<sup>RD</sup>  
ORDER IN CASE 07-M-0548**

August 21, 2008

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## 1. INTRODUCTION

Orange and Rockland Utilities, Inc. (O&R) hereby submits its Energy Efficiency Portfolio Standard (EEPS) Program Proposal pursuant to the New York Public Service Commission's (Commission) June 23, 2008 Order in Case 07-M-0548 (June 23 Order). This filing contains O&R's program plan for implementation of the following two expedited electric and one natural gas efficiency programs outlined in the June 23 Order (the "Expedited Programs"):

- Residential ENERGY STAR HVAC Program (Residential HVAC Program) for O&R's electric customers;
- Small Commercial and Industrial Direct Install Program (Direct Install Program) for O&R's electric customers; and
- Residential Efficient Gas Equipment Program (Residential Gas Program) for O&R's natural gas customers.

The plan set forth herein provides the detailed information required by the June 23 Order (p.58) including benefit/cost estimates using the Total Resource Cost (TRC) Test methodology and measurement, verification and evaluation plans (MV&E) customized to each program. O&R has held collaborative discussions with the New York State Energy Research and Development Authority (NYSERDA) and other interested parties and those discussions are described in Section 1.2 herein.

The proposed Expedited Programs presented here, together with the second filing contemplated by the June 23 Order, will play a significant role in supporting the State's 15X15 program. O&R will continually review its programs and may revise qualifying equipment measures, eligibility and incentive levels or structure in the future to manage program participation or as market conditions and equipment standards change. If O&R makes any changes it will notify Department of Public Service Staff (DPS) and other interested parties of the changes and TRC impacts.

As described in more detail herein, although the electric Expedited Programs detailed in this submission are developed at or below the cumulative

funding levels authorized in the Commission's June 23 Order; the energy savings are short of the assigned MWh goals for O&R. O&R could come closer to the goal for its Residential HVAC Program and could meet the goal for its Direct Install Program if its funding levels are increased by \$535,000 and \$7,640,000, respectively, over the three-year course of the Programs. Both Programs would still meet the required TRC benefit cost ratios at the increased funding levels. O&R requests that the Commission authorize the Company to expend the incremental funds as discussed further herein, to be recovered through the Systems Benefits Charge (SBC), in order to maximize the energy efficiency benefits to its customers, its system and the State under the Expedited Programs.

## **1.1 Expedited Program Summary**

### **1.1.1 Residential HVAC Program**

The Residential HVAC Program achieves 34% of O&R's assigned MWh goal for the Program of 1,461 MWh at the funded level. Although as proposed the Program will not achieve the prescribed goal, it is cost effective with a benefit cost ratio at 1.5.

The factors limiting O&R's achievement of the MWh goal assigned to the Program are the incremental costs of more efficient equipment and the time required to get the program up and running. Higher efficiency residential central air conditioning units are relatively expensive because the incremental cost for a more efficient unit is relatively high for the limited energy (in kWh) savings achievable by such unit. Achieving the savings target requires high participation rates and the O&R service territory has a central air conditioner saturation below 40%. O&R is targeting air conditioners that are in need of replacement. Based on the measure life of central air conditioning units, it is estimated that only 7% of the air conditioners are in need of replacement annually. Reaching these specific customers requires market awareness and resources. As a result, O&R projects that customer participation and market penetration will increase during the later years of this Program.

O&R will be analyzing this Program in its 90-day filing, as the Program may be able to achieve higher levels of energy savings beyond the current three year horizon. Although the energy savings per unit start out modestly, as customers migrate to higher SEER Tiers, as the penetration of Quality

Installations increases and as Duct Sealing improves due to HVAC contractor training, the energy savings will increase during the life of the Program.

O&R could increase the energy savings derived from the Residential HVAC Program from 493 MWh to 949 MWh (still short of the 1,461 MWh goal), with a total funded budget of \$1.86 million, an increase in funding of \$535,000. The additional \$535,000 would allow O&R to maximize customer participation at 2,540 customers compared with the proposed, at budget, participation level of 1,200 customers. At this increased level of funding and increased participation level, O&R's Residential HVAC Program would still have a TRC benefit cost ratio of 2.1. O&R requests that the Commission approve the additional funding for the Residential HVAC Program so that the Company has an opportunity to reach the full potential of this Expedited Program even in the early years.

### **1.1.2 Small Commercial and Industrial Direct Install Program**

The Direct Install Program achieves 62% of O&R's assigned MWh goal of 33,878 MWh for the Program at the funded level. Despite not reaching the goal at the funded levels, the Program is cost effective with a benefit cost ratio at 2.5.

Best practice direct install programs include measures beyond lighting, such as HVAC and refrigeration measures. While these are expensive as compared to lighting, they are still cost-effective. Best practice programs include these measures because they provide greater per-customer savings. As efficiency targets increase, it is more efficient to capture additional savings from customers with whom the program administrator is already engaged. That is, greater savings from fewer customers, rather than smaller savings from more customers. A more comprehensive set of measures will maximize the net benefits and program savings from a direct install program, while minimizing the transaction costs of acquiring customers. The vast majority of program costs are customer incentives. Therefore, the obvious way to reduce program costs significantly is to reduce the incentives paid. This is what O&R has done in its Direct Install Program proposal in order to stay within the funded levels. Reducing the incentives, however, would reduce program participation, MWh savings, and the benefits of the program.

In an attempt to make the Direct Install Program in line with the approved funding level, O&R removed energy efficiency measures from the Program and reduced the level of penetration for the Small C&I customers with demand less than 100 kW. The efficiency measures removed from the Program included:

demand control vents, high efficiency heat pumps in tiers II and III, high efficiency window air conditioners and high efficiency air conditioning for tier II and III. Restoring these measures to the Direct Install Program will enable the Direct Install Contractor to have more efficiency measures available for installation during the audit. Because it is more cost effective to maximize the results of all potential energy efficiency measures in all of the audits, O&R is requesting an increase in its funding level for its Direct Install Program.

To efficiently and effectively administer the Direct Install Program in the O&R Service Territory, the approval of additional funding in the amount of \$7.6 million is required. The Direct Install Program can achieve O&R's assigned MWh goal of 33,878 MWh with this increase, which will result in a program budget of \$16.7 million, compared to the current Commission-approved budget of \$9.1 million.

The energy savings for the Direct Install Program were developed through an approach based upon the amount of energy used by the eligible customer set in the Program and by end-use. Individual measure penetrations targeted specific end-use consumptions to develop the savings. The penetration rate used to obtain the energy savings goal of 33,878 MWh was reduced by approximately 38% to adhere to the funded budget level. By increasing the funding from \$9.1 million to \$16.7 million, O&R can restore the eliminated measures and the penetration levels to achieve the savings goal while maintaining the 2.5 TRC benefit cost ratio. Consequently, O&R requests an adjustment of the funding level for its Direct Install Program in order to achieve the assigned target while maintaining a 2.5 TRC benefit cost ratio.

### **1.1.3 Residential Efficient Gas Equipment Program**

The natural gas Expedited Program detailed in the submission is developed at the funding levels authorized in the Commission's June 23 Order and can achieve savings of 16,238 MCF, with a benefit cost ratio at 1.2.

## 1.2 Coordination with other Program Administrators and Stakeholders

Pursuant to the Commission's directives in the June 23 Order, O&R collaborated with interested parties and participated in joint meetings with other New York utilities, NYSERDA, NYPA and other stakeholders including:

- On July 28, 2008, O&R and the other New York utilities held a web-cast meeting with other interested parties on their proposed 60-day filings. This meeting included discussions on uniformity and balance among programs, eligible equipment and rebates, incentive strategies, consumer protection issues, and market challenges. The meeting also provided an opportunity for other interested parties to ask questions and to provide inputs and comments.
- On August 1, 2008, O&R participated along with the other New York utilities in a meeting with NYSERDA to establish a collaborative process to coordinate EEPS program development and filings.
- Throughout the period of preparing for the EEPS filings, O&R met individually on numerous occasions to discuss coordination with other stakeholders such as Central Hudson, Con Edison, National Grid and NYSERDA as well as energy services companies, vendors and other key stakeholders.
- O&R has been meeting with the other New York utilities and discussing whether to use one evaluation contractor for some or all of the Expedited Programs. The use of a single contractor for evaluating all of the New York natural gas efficiency programs could reduce customer costs and provide for accurate comparison of results across programs.
- O&R has been actively participating in the EEPS Proceeding Working Groups with other utilities and interested parties, has implemented within its Expedited Programs certain recommendations resulting from the meetings of the Evaluation

Advisory Group and will continue to collaborate as part of the On-Bill Financing Working Group VI as it evaluates the potential of adding an on-bill financing option to its Direct Install Program as discussed herein.

## **2. EXPEDITED PROGRAM DESCRIPTIONS**

### **2.1 RESIDENTIAL HVAC PROGRAM**

#### **2.1.1 Program Description**

The Residential HVAC Program will support the quality installation of efficient Energy Star central air conditioners and heat pumps. According to O&R's Market Potential Study, approximately 30% of residential energy savings potential is attributable to inefficient HVAC equipment. Incentives will be offered directly to consumers and during the life of the program O&R will investigate the feasibility of upstream incentives to manufacturers and contractors. In addition, the Residential HVAC Program will train HVAC contractors in Quality Installation (QI) of new cooling systems. The Program will work closely with contractors, distributors, and manufacturers to jointly promote these products and services to O&R's customers.

#### **2.1.2 Program Administration and Delivery**

The application and rebate process of the Residential HVAC Program will be administered by O&R staff (i.e., an O&R Residential Program Administrator). O&R will select a single HVAC Program Contractor through a competitive bid process to perform functions associated with outreach and training of HVAC contractors for the Program, as outlined below. O&R's Residential Program Administrator will be responsible for the application and rebate process, will oversee the HVAC Program Contractor's activities and will establish annual program goals and performance metrics for the contractor. The HVAC Program Contractor will be responsible for:

- Development of a HVAC contractor participation agreement;
- HVAC contractor recruitment and maintenance of a participating contractor list;
- HVAC contractor training on QI and other program requirements;
- Outreach to HVAC distributors;
- Consultation with O&R on the development of product rebate forms, amounts and eligibility criteria;

- Appropriate distribution of rebate application forms;
- Development and implementation of a quality assurance plan, including random checks of participating contractor installation and service jobs;
- Development and implementation of a co-op advertising offering with retailers, distributors and manufacturers in coordination with O&R;
- Manufacturer outreach, including tracking of new product introductions;
- Tracking of national and state efficiency standards and ENERGY STAR specification developments; and
- Tracking of, and coordination with, national and regional trade association efforts to promote the installation of efficient central air conditioners and heat pump systems, e.g., Air Conditioner Contractors of America's (ACCA) QI specification.

The Residential HVAC Program efforts will be coordinated internally with the Residential Gas Program so that a consistent message on efficient HVAC systems is conveyed to both consumers and trade allies. Contractor training will be coordinated, as well as rebate eligibility requirement and amounts. O&R will consider using the same contractor to deliver both programs.

### **2.1.3 Market Barriers**

The primary market barriers to participation in the Program are:

- Higher initial costs for efficient products and services;
- For many HVAC measures, the benefits to homeowners – lower operating costs - do not reflect other potential benefits such as the value of avoided capacity that results from operating more efficient units on peak day;
- Poor contractor installation practices and failure to understand the benefits of Quality Installation and Verification (QIV);
- Lack of a local duct sealing contractors;
- Reluctance of contractors to adequately train their technicians and purchase necessary diagnostic equipment;
- Inadequate code enforcement on system sizing;

- Failure of homeowners to understand the benefits from proper HVAC installation, i.e., QIV, and duct sealing;
- Distributor reluctance to stock more efficient equipment absent demand for it; and
- Lack of contractor sales skills to “upsell” homeowners on the benefits of efficient equipment and QI.

This Program employs several key strategies to overcome these barriers:

- Direct incentives to customers to encourage QI and the stocking of efficient cooling equipment and heat pump systems as a result of customer demand;
- Marketing assistance to contractors, distributors and manufacturers to promote to customers the energy and environmental benefits of high efficiency HVAC efficiency measures;
- Direct O&R marketing and outreach efforts designed to increase customer demand for Program services;
- Technical and sales assistance and training of contractors on energy efficient HVAC specification and installation practices; and
- Verification (inspections and testing) of Program installations, including verifying QI where applicable.

#### **2.1.4 Target Market and Marketing Approach**

All residential customers installing new or replacing central air conditioning units in existing homes are the target audience. Marketing efforts for this program will be combined with the Residential Efficient Gas Equipment Program. The Programs will consider a variety of marketing approaches to encourage both consumer and trade ally participation, including, but not limited to:

- Co-op advertising with contractors, distributors and manufacturers;
- O&R’s website;
- Mass media outreach, including direct mail and newspaper inserts, if appropriate and cost-effective;
- Quarterly trade ally newsletter, which may be web-based;
- Contractor and distributor breakfast meetings;

- Attendance at local and regional trade association meetings, e.g., ACCA and ASHRAE; and
- Bill inserts.

Where possible, the Program will leverage and coordinate with federal promotions such as the ENERGY STAR "Start with ENERGY STAR, Change the World" Campaign.

In areas where O&R delivers electricity and NYSEG delivers natural gas, O&R intends to work with NYSEG to integrate all energy efficiency programs to offer customers the same features and benefits provided elsewhere. O&R will engage in discussions with NYSEG regarding a similar integration strategy for a small portion of their service territories that overlap in Orange County.

### **2.1.5 Target End Uses, Recommended Technologies, Financial Incentives**

The targeted end uses of the Residential HVAC Program will be cooling and heating with the principal focus on cooling. O&R will provide direct incentives to customers through a mail-in rebate form. O&R will explore other program features to overcome barriers to participation as the program progresses. More specifically, the following products and services will be promoted and rebated:

#### *Starting in 2009*

- ENERGY STAR central air conditioners and air source heat pumps (HP) equipment incentives with quality installations encouraged but not required;
- Efficient fans as part of a new oil or gas furnace; and
- Duct sealing of new HVAC distribution systems.

#### *Starting in 2011*

- All system installations will be as per the ACCA installation specification. It is anticipated that by 2011 there will be an ENERGY STAR installation specification based on the ACCA specification.

Initially, rebates will be paid directly to the customer to offset a portion of the incremental cost of installing more efficient HVAC equipment and services. The table below sets forth the proposed rebate levels and the anticipated annual participants.

Residential Electric HVAC Program Measure Detail

Measure Name	Customer Rebate (\$)	Measure Life	Participants/year			
			2008	2009	2010	2011
CAC SEER 15 install with QI	500	15	0	25	68	124
CAC SEER 16 install with QI	575	15	0	10	34	67
CAC SEER 15 install without QI	300	15	12	58	29	0
CAC SEER 16 install without QI	400	15	5	23	15	0
Duct Sealing for new w/avg SEER 15 & QI	200	10	0	3	20	76
ECM furnace fan	200	20	6	65	91	145
QI - no EE equipment	75	15	0	84	101	142
Total Participants			23	267	357	552

O&R may increase or decrease rebates as markets or conditions change, and to support local, regional and national efforts. Over time, efforts will be made to move incentives upstream to distributors and manufacturers to better leverage ratepayer funding and trade ally interest. Such efforts may be coordinated through participation in NEEPs' on-going upstream engagement with the HVAC industry through their Negotiated Cooperative Promotion (NCP) process.

Residential ENERGY STAR HVAC Program Costs and Energy Summary

	4Q2008	2009	2010	2011	Total
Energy Savings (MWh)	8	101	149	235	493
Demand Reduction (MW)	0.0	0.2	0.3	0.4	0.9
Total Resource Costs (\$)	75,699	376,355	426,663	515,822	1,394,540
Participant (Net of Incentives) (\$)	2,763	20,994	22,035	196,227	242,018
Utility Costs (\$)	72,936	355,361	404,628	486,276	1,319,201

	2008	2009	2010	2011	Total
Customer Incentives	6,676	65,993	102,478	166,680	341,827
Program Planning & Admin	16,364	102,475	108,566	117,595	344,999
Program Marketing & Trade Ally	15,000	51,250	52,531	53,845	172,626
Program Implementation	31,250	117,875	120,822	123,842	393,789
Evaluation & Market Research	3,647	17,768	20,231	24,314	65,960
Total Utility Costs	72,936	355,361	404,628	486,276	1,319,201
Non-Incentives Costs	66,260	289,368	302,150	319,596	977,375

	Total Resource Cost (TRC) Test	TRC w/ Carbon	Utility Cost Test
NPV Benefits (\$1,000s)	1,782	1,805	1,782
NPV Costs (\$1,000s)	1,197	1,197	1,132
BCR	1.5	1.5	1.6

## 2.2 SMALL COMMERCIAL & INDUSTRIAL DIRECT INSTALL PROGRAM

### 2.2.1 Program Description

The objective of this resource acquisition program is to rapidly acquire durable savings in energy and peak demand usage among small and medium Commercial & Industrial (C&I) customers with peak demands of 100 kW or less. These customers are traditionally hard to reach with traditional rebate and incentive programs. The program will focus on overcoming the numerous barriers existing among this customer group to target cost-effective retrofit (early retirement) efficiency opportunities.

### 2.2.2 Program Administration and Delivery

The Program will be implemented by one or more contractors selected through a competitive bidding process. The O&R C&I Program Administrator will oversee the contractor's activities and will establish annual program goals and performance metrics for the contractor. The contractor(s) will provide O&R and its customers with "turn-key" services that will include:

- marketing and program enrollment;
- provision of on-site customer audits;
- identification and recommendations for efficiency improvements; and

- direct installation of all customer-accepted cost-effective recommended efficiency improvements in the customer's facility.

### 2.2.3 Market Barriers

Numerous market barriers exist that inhibit the selection and purchase of energy efficiency technologies by small and medium C&I customers, and some are unique to this smaller class of customers. These barriers include:

- High information or search costs: Small customers are especially prone to this barrier. They have little spare time to educate themselves about efficient equipment choices and often work with smaller contractors who themselves face this same barrier. Many customers do not hire someone to address energy issues for their facility. This poses significant challenges for distinguishing energy-efficient products or services from those that are not.
- Transaction time and costs: Small businesses do not want to invest the time required to research and evaluate multiple options. Because their focus is on running their own business, many simply ignore efficiency opportunities and only address electrical and mechanical systems when equipment failures occur. At that point, they generally simply rely on contractors to provide the most expedient and lowest cost solution to repair or replace equipment.
- Performance Uncertainties/Perceived Risk/Hidden Costs: C&I customers have high implicit cost when introducing new technologies in production facilities, as "down time" has significant impacts on profitability and performance. Additionally, design professionals and contractors may be unwilling to change standard practice due to concerns about supporting new equipment after installation.
- Split Incentives: When landlords pay for energy-consuming equipment but tenants pay the energy bills, there is little incentive for either party to invest in improvements.
- Access to capital: Concerns about debt burdens push businesses to focus on first costs, rather than life-cycle costs, as do the practices of lending institutions that fail to account for the unique features of energy-saving products. Smaller customers often have difficulty obtaining credit in general.
- Lack of availability: Energy-efficient equipment may not be stocked by distributors or vendors, and longer lead times might prevent

companies from selecting this equipment to minimize downtime. This barrier is particularly acute in this market segment, where most investments are made on an emergency basis or with little planning time.

- Organization Practices or Customs: Businesses may establish procurement policies requiring purchase of least-first-cost equipment, rather than lowest life-cycle cost.
- Competition for resources: Businesses are inundated with salespeople offering equipment and services. Energy efficiency must compete in this environment.

This Direct Install Program employs several key strategies to overcome these barriers:

- Turnkey service combines project analysis, financial incentives, and installation into a unified package to reduce the time and effort required on the part of the customer. This service is designed to make efficiency adoption as simple as signing a commitment letter, removing many of the transaction costs these customers face;
- Identification of opportunities and selection of efficiency measures accomplished by a trained, experienced contractor;
- Installed measures will be mature, well-tested technologies from reliable vendors;
- Participation should only require two site visits, one to identify opportunities and one to install selected measures;
- Incentive payments to reduce first cost barrier and financing arrangements to provide access to capital; and
- Information and education to inform businesses of the economic benefits of efficiency investments.

#### **2.2.4 Target Market and Marketing Approach**

The Direct Install Program will target C&I customers with annual peak demands of less than 100 kW. According to O&R's Market Potential Study, approximately 90% of the electric economic potential identified in the commercial market segment is attributable to lighting, cooling, ventilation, and refrigeration upgrades. This program will target each of these end uses and focus on the most cost effective measures.

The initiative will require marketing by both O&R and the Direct Install (DI) contractor. O&R's efforts will focus on making local small businesses aware of this Direct Install Program through consumer outreach efforts such as bill inserts and select mass media efforts and press releases. O&R may also consider direct telemarketing for the initial facility audit. All inquiries received by O&R will be referred to the DI contractor. Once the initial audit occurs, the DI contractor will be responsible for marketing its products and services directly to customers. The DI contractor will have contractual goals for number of leads generated or projects initiated.

The DI contractor should use a combination of telemarketing, direct mail, and neighborhood outreach to market the Direct Install Program. Neighborhood outreach may include "blitzing" specific commercial districts or areas of the service territory. This can generate substantial press coverage and result in higher acceptance rates when customers see that their neighboring businesses are participating. The DI contractor will market by geographic area and do ad hoc personal contact marketing to other customers in the neighborhood while on-site for an installation. This strategy works well to increase interest and minimize contractor travel costs.

The DI contractor will also inform customers of the incentives and assistance available from other current and future C&I energy efficiency programs. For example, an audit might identify a piece of equipment that, while not cost-effective to replace immediately, is nearing the end of its useful life. In such a case, the DI contractor will notify the customer of any incentives available when new equipment is purchased.

The DI contractor compensation will be based on fixed costs for installation of standard measures, as well as agreed upon pricing mechanisms for "custom" measures. These costs will cover all contractor overhead, including administration, marketing, auditing, installation, and equipment disposal. As a result, the contractor will be motivated to efficiently market its services and obtain projects. Also, the contractor will be highly motivated to capture all comprehensive savings opportunities within each facility and obtain customer acceptance for recommended measures, as any audits that do not translate into installations would represent wasted contractor investment.

#### **2.2.5 Target End Uses, Recommended Technologies, and Financial Incentives**

As with virtually all existing small C&I direct install programs, the majority of program savings are expected to come from interior lighting improvements.

However, O&R intends to address all cost-effective efficiency opportunities in a comprehensive manner. In addition to an array of lighting measures, other "standardized" measures will include a package of refrigeration system improvements for convenience stores, restaurants and other customers with small to medium-sized refrigeration systems. The program will also include a standard HVAC tune-up service. This will focus on diagnostics and improvements to existing air conditioning systems to optimize efficiency, including correcting refrigerant charge, air flow across coils, economizer repair and adjustment, and duct sealing. Through the diagnostic procedures, O&R's DI contractor will also be able to flag those AC units that are so inefficient that it is cost-effective to replace the whole unit with a high efficiency one. Some additional standard measures will be offered, where applicable, such as water heater tank wraps and pipe insulation.

**Direct Install Program Measure Listing:**

<b>Measure</b>
Super T8 lamp/ballast
Fluor high-low bay fixture - interior
Super T8 fixture
CFL fixture - interior
Occupancy on/off
Duct sealing -Cool
Dual enthalpy control
Occupancy hi/low
HVAC tune-up -Cool
Duct sealing -Vent
CFL screw-in
Vending miser
LED exit sign
MH 25W int ballast Par38
CFL - exterior
Ventilation VFD

Walk-in refrig retrofit package
HVAC tune-up -Heat
Vent premium efficiency motors
Water heater tank insulation
DHW pipe insulation

The initial customer incentive will be set at 70% of the total installed cost. In practice, customers will only need to come up with the 30% payment, as O&R will compensate the DI contractor directly for 70% of the costs.

O&R is investigating the possibility of providing on-bill financing for the balance of the customer contribution. In the event an on-bill financing plan is developed, it will be submitted to the Commission for approval as an amendment to the Direct Install Program. O&R will continue to pursue these strategies and may adjust the financial incentives over time so as to generate maximum comprehensive savings at lowest customer cost.

Small C&I Direct Install Program Costs and Energy Summary

	2009	2010	2011	Total
Energy Savings (MWh)	4,257	7,144	9,519	20,920
Demand Reduction (MW)	1.07	1.75	2.33	5.15
Total Resource Costs (\$)	2,285,915	4,266,305	5,787,070	12,339,290
Participant (Net of Incentives) (\$)	574,217	1,128,859	1,549,471	3,252,547
Utility Costs (\$)	1,711,698	3,137,446	4,237,598	9,086,743

Small C&I Direct Install Program Budget Detail (nominal \$)

	2009	2010	2011	Total
Customer Incentives	1,433,534	2,818,201	3,868,260	8,119,995
Program Planning & Admin	141,329	127,352	130,536	399,217
Program Marketing & Trade Ally	51,250	35,021	26,922	113,193
Program Implementation	-	-	-	-
Evaluation & Market Research	85,585	156,872	211,880	454,337
Total Utility Costs	1,711,698	3,137,446	4,237,598	9,086,743
Non-Incentives Costs	278,164	319,245	369,338	966,747

Small C&I Direct Install Cost-Effectiveness

	Total Resource Cost (TRC) Test	TRC w/ Carbon	Utility Cost Test
NPV Benefits (\$1,000s)	25,931	26,780	23,717
NPV Costs (\$1,000s)	10,339	10,339	7,617
BCR	2.5	2.6	3.1

## **2.3 RESIDENTIAL EFFICIENT GAS EQUIPMENT PROGRAM**

### **2.3.1 Program Description**

The purpose of Residential Gas Program is to provide incentives to residential customers to install high efficiency residential natural gas heating and water heating equipment. Incentives will be offered directly to consumers and over time O&R will investigate the feasibility of upstream incentives to manufactures and contractors. This program will be coordinated with O&R's Residential HVAC Program.

### **2.3.2 Program Administration and Delivery**

The Residential Gas Program will be administered by the O&R Residential Program Administrator. The installation contractor management of the program will be delivered by a single program contractor, selected through a competitive bid process. The O&R Residential Program Administrator will be responsible for the application and rebate process, will oversee the contractor's activities, and will establish annual program goals and performance metrics for the contractor. The Residential Gas Program Contractor will be responsible for:

- Development of a contractor participation agreement;
- Installation contractor recruitment and maintenance of a participating contractor list;
- Installation contractor training on installation, safety, security and other program requirements;
- Outreach to natural gas appliance distributors;
- Consultation with O&R on the development of product rebate forms, amounts and eligibility criteria;
- Appropriate distribution of rebate application forms;
- Development and implementation of a quality assurance plan, including random checks of participating contractor installation and service jobs;
- Development and implementation of a co-op advertising with retailers, distributors and manufacturers in coordination with O&R;
- Manufacturing outreach, including tracking of new product introductions such as condensing water heaters;
- Tracking of national and state efficiency standards and ENERGY STAR specification developments; and

- Tracking of, and coordination with, national and regional trade association efforts to promote the installation of high efficient heating and water heating systems.

The Residential Gas Program efforts will be coordinated internally with the Residential HVAC Program so that a consistent message on efficient HVAC systems is conveyed to both consumers and trade allies. Contractor training will be coordinated, as well as rebate eligibility requirement and amounts. O&R will consider using the same contractor to deliver both programs.

### **2.3.3 Market Barriers**

The primary market barriers to participation in the Program are:

- Higher initial costs for more efficient products and services;
- Lack of a local duct sealing contractors;
- Reluctance of contractors to adequately train their technicians and purchase necessary diagnostic equipment;
- Distributor reluctance to stock more efficient equipment absent the demand; and
- Lack of contractor skills to “upsell” homeowners on the benefits of efficient equipment and quality installation.

The Program employs several key strategies to overcome these barriers:

- Direct incentives to customers to encourage the stocking of efficient gas heating and gas hot water heaters;
- Marketing assistance to contractors, distributors and manufacturers to promote to customers the energy and environmental benefits of more efficient gas heating and water heating equipment;
- Direct O&R marketing and outreach efforts designed to drive customer demand for the Program’s services;
- Technical and sales assistance and training of contractors on energy efficient gas heating and water heating equipment and installation; and
- Verification (inspections and testing) of Program installations.

### **2.3.4 Target Market and Marketing Approach**

All residential gas customers installing new or replacing existing gas heating or gas water heating equipment are the target audience. Marketing efforts for this Program will be combined with the Residential HVAC Program. The Residential Gas Program will consider a variety of marketing approaches to encourage both customer and contractor participation, including, but not limited to:

- Co-op advertising with contractors, distributors and manufacturers;
- O&R's website;
- Mass media outreach, including direct mail and newspaper inserts, if appropriate and cost effective;
- Quarterly trade ally newsletter, which may be web-based;
- Contractor and distributor breakfast meetings;
- Attendance at regional and local trade association meetings;
- Contractor & Builder kits; and
- Bill inserts.

O&R will offer a variety of marketing and educational awareness campaigns to create awareness for this program. A strong emphasis will be placed on working with builders and contractors who install natural gas-heated equipment.

### **2.3.5 Target End Uses, Recommended Technologies, and Financial Incentives**

The targeted end uses of the Residential Gas Program are space and water heating. O&R will provide direct incentives to customers through a mail-in rebate form. O&R will explore other program features to overcome barriers to participation as the program progresses.

Initially, rebates will be paid directly to the customer to offset a portion of the incremental cost of installing more efficient gas equipment. The table below exhibits the proposed rebate levels and the anticipated annual participants.

Residential Efficient Gas Equipment Program Measure Detail

Measure Name	Customer Rebate (\$)	Measure Life	Participants/year			
			2008	2009	2010	2011
90% AFUE furnace	100	20	8	81	113	181
92% plus AFUE furnace w/ECM	200	20	6	65	91	145
85% AFUE boiler	500	25	13	129	181	290
on-demand water heater	300	20	11	108	151	241
Total Participants			38	383	536	857

O&R may increase or decrease rebates as markets or conditions change, and to support local, regional, and national efforts. Over time, efforts will be made to move incentives upstream to distributors and manufacturers to better leverage ratepayer funding and trade ally interest.

All installations of high-efficiency heating systems, water heating systems, and boiler reset controls must be installed by a licensed contractor or plumber to qualify for the program. Additional cost-effective heating and water heating measures may be added as they are identified, subject to available funding.

Residential Efficient Gas Equipment Program Costs and Energy Summary

	4Q2008	2009	2010	2011	Total
Gas Savings (MCF)	343	3,426	4,796	7,674	16,238
Total Resource Costs (\$)	92,421	563,009	695,744	1,004,703	2,355,877
Participant (Net of Incentives) (\$)	19,945	204,438	293,369	481,125	998,878
Utility Costs (\$)	72,476	358,571	402,375	523,578	1,356,999

Residential Efficient Gas Equipment Program Budget Detail (nominal \$)

	2008	2009	2010	2011	Total
Customer Incentives	11,804	120,992	173,624	284,743	591,162
Program Planning & Admin	18,298	71,025	56,292	56,507	202,122
Program Marketing & Trade Ally	7,500	30,750	31,519	32,307	102,075
Program Implementation	31,250	117,875	120,822	123,842	393,789
Evaluation & Market Research	3,624	17,929	20,119	26,179	67,850
Total Utility Costs	72,476	358,571	402,375	523,578	1,356,999
Non-Incentives Costs	60,672	237,579	228,751	238,835	765,837

Residential Efficient Gas Equipment Cost-Effectiveness

	Total Resource Cost (TRC) Test	TRC w/ Carbon	Utility Cost Test
NPV Benefits (\$1,000s)	2,499	2,499	2,499
NPV Costs (\$1,000s)	2,003	2,003	1,162
BCR	1.2	1.2	2.1

### 3. EXPEDITED MEASUREMENT AND VERIFICATION PLANS

The Commission has recognized the importance of program evaluation as a means of identifying program improvements and of demonstrating that program savings are occurring as expected. O&R, as part this filing, is proposing to initiate program evaluation efforts that are designed to accomplish these objectives.

#### 3.1 EVALUATION OF RESIDENTIAL HVAC PROGRAM

##### 3.1.1 PROGRAM BACKGROUND

The Residential HVAC Program will promote efficient central air conditioners and heat pump systems. Three mechanisms will be used to promote these measures: 1) rebates for retail sale of ENERGY STAR HVAC products, 2) marketing training for contractors, and 3) contractor training on Quality Installation. In the future, O&R may expand the program to include additional measures and possibly add direct incentives for trade allies as well as customers.

- **Program Objectives.** The objective of the Residential HVAC Program is to increase the penetration of high efficiency air conditioning equipment in O&R's service territory and train contractors on the importance of Quality Installations. Under the Residential HVAC Program, incentives will be provided to residential customers who are installing new or replacement cooling systems, assuming that the installed measures meet or exceed efficiency. The Program will be administered by O&R working with a selected vendor who will be responsible for marketing the Program to contractors and trade allies in O&R's service territory.
- **Program Theory.** The Residential HVAC Program will support the quality installation of high efficiency equipment. In addition, to the extent

practical and possible, O&R will coordinate the delivery of this Program with planned future programs, including the Residential Gas Program. The Residential HVAC Program is designed to also support and enhance NYSERDA's Home Performance with Energy Star program by providing rebates and making overall home performance activity more cost effective to implement.

- **Anticipated Savings.** Approximately 400 customers per year are estimated to participate in this Program, resulting in annual savings of approximately 165 megawatt hours per year.
- **Program Schedule.** O&R plans to begin offering this Program to customers on October 1, 2008, subject to Commission approval.

### **3.1.2 EVALUATION APPROACH - GENERAL**

Year One evaluation efforts will focus on evaluating how the Program is operating during Program start-up with an objective of identifying enhancements that can be made to implementation efforts that may contribute to improved results. In Year Two, the focus will be on quantifying achieved savings based on post-installation operation of equipment installed through the Residential HVAC Program. Additional process evaluation efforts may be completed in program Year Three.

O&R anticipates that its evaluation efforts will be informed by the ongoing efforts of the Evaluation Advisory Group and by collaboration with the other utilities in the State that are planning to implement a similar program. If appropriate, O&R may participate in jointly sponsored evaluation studies with the other utilities.

### **3.1.3 DETAILED EVALUATION APPROACH**

#### **3.1.3.1 Year One Evaluation**

In 2009, evaluation efforts will focus on identifying how the Program is operating during the start-up phase, with the objective of identifying improvements that can be made to program implementation efforts. O&R plans to initiate a process evaluation in support of these efforts. The plan is to hire an independent evaluation expert through a competitive solicitation to complete this work. This RFP will be issued in November 2008 with the objective of hiring

the evaluation contractor by year-end 2008. O&R will request interim reports from the selected contractor so that modifications to the implementation effort can be adopted quickly where it appears that a change is likely to lead to improved results in the Program. A final report summarizing results from the process evaluation will likely be completed by year-end 2009.

### *Process Evaluation*

The first year process evaluation will document Program processes during start-up and will gather the following information:

- Level of customer satisfaction;
- Effectiveness of the Program delivery mechanism from the position of the program delivery contractors, program customers, trade allies and other key stakeholders. Issues to be addressed include: Did the delivery mechanism differ from the program plan? If yes, how and why? ;
- Effectiveness of program promotion;
- Remaining barriers to program participation including an assessment of why some customers choose to not participate in the program;
- Identification of lessons learned and specific actionable recommendations for program improvement; and
- A review of program tracking databases so that data that will likely be required to support future program evaluation efforts is being collected.

As part of the process evaluation plan, O&R will survey participating and non-participating customers as well as trade allies who have and have not promoted the program.

The desired result of this Process Evaluation is to identify and implement actionable improvement procedures for cost-effectively administering the Program in a manner that produces significant and cost-effective savings for O&R's customers.

### 3.1.3.2 Year Two Evaluation

#### *Impact Evaluation*

The Impact Evaluation will quantify the savings attributable to program efforts based on how the equipment installed through the Program is actually operating. O&R anticipates completing an impact evaluation of the Residential HVAC Program in 2010 using industry-accepted methods of analysis.

O&R will explore conducting this evaluation with the other utilities implementing a similar program so that consistent approaches are used to arrive at evaluated program savings. However, at this point in time, without counsel from the Evaluation Advisory Group, O&R proposes the following for consideration as part of its program evaluation plan.

- **Impact Evaluation Methodology.** An independent evaluation consultant will be hired through a competitive solicitation. Firms submitting bids will recommend an impact evaluation approach appropriate for this type of program that will produce results that meet the precision requirements set forth in the guidelines issued through the Evaluation Advisory Group. Possible evaluation approaches may include a billing data analysis, an engineering simulation model, metering, or some other approach. This analysis may include surveys with program participants and with trade allies in an effort to arrive at net savings attributable to program efforts. The results of the impact evaluation will be used to refine expectations about future program savings, and may be used to modify future programs. Results from this study are anticipated by year-end 2010.
- **Net to Gross Analysis.** Prior to any additional analysis being conducted, O&R will use a 5% reduction for free-ridership net of spillover.
- **Benefit Cost Analysis.** Benefit cost analysis is performed at the measure and program level. O&R will conduct benefit cost analysis on any new technologies being considered for this Program. In addition, O&R will review, and if necessary, redo measure screening based on information obtained from their evaluation efforts.

- **Budget.** Consistent with the Working Group III recommendation in the EEPS proceeding, O&R has budgeted approximately 5% of program implementation costs to fund evaluation efforts. O&R's annual budget for evaluation is approximately \$20,000.
- **Sampling Strategies and Design and Data Reliability Standards.** Consistent with the Evaluation Plan Guideline for EEPS Program Administrators and as recommended by Working Group III, O&R's goal for estimating gross savings at the program level is at the 90 percent confidence interval, within +/- 10 percent precision. O&R will develop sampling protocols for all of its evaluations based on this standard.
- **Steps to Identify and Mitigate Threats to Data Reliability.** O&R will review the evaluation plan submitted by the selected evaluation contractor for consistency with the Evaluation Advisory Group guidelines, the requirement to maintain a 90% confidence interval within +/- 10 % precision and the overall need to identify and mitigate threats to reliability of the results. The evaluation contractor will be required to demonstrate data reliability to the greatest practical extent, including methods for minimizing systematic and random error and techniques for reducing uncertainty introduced by necessary assumptions and adjustments to the data.
- **Data Collection and Management Process.** Program data will be collected from customer application forms, site visits and surveys of participants and non-participants. O&R's tracking system will support program evaluation through the collection of all relevant data pertaining to customer rebates. Customer name, account, premise level and other non-program specific data will be captured in the system. Measure specific data, as appropriate for each program, will also be captured. Examples of measure specific data that will be collected can include<sup>1</sup>:
  - Date of contract/agreement to install measure(s);
  - Date of beginning of installation process;
  - Installation completion date;
  - Installation contractor;
  - Installation location;

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<sup>1</sup> Please note that not of all the measure specific data listed are going to be captured for the Programs.

- Project or work order number;
  - Type of measure;
  - Annualized energy savings;
  - Measure life;
  - Total measure installed cost;
  - Incremental measure cost;
  - Incentive payment amount;
  - Project completion date;
  - Evaluation inspection/commissioning date;
  - Date of evaluation of measure or program;
  - Types of evaluation conducted; and
  - Result of evaluation.
- **Schedule and Deliverable Dates.** O&R does not have specific dates for commencing evaluation studies. However, a process assessment is scheduled to be completed in calendar year 2009 and an impact evaluation is scheduled for calendar year 2010.
  - **Evaluation Team.** The Customer Energy Services Manager directs evaluation planning for O&R. O&R will explore conducting this evaluation with the other utilities implementing a similar program so that consistent approaches are used to arrive at evaluated program savings, using a common evaluation contractor.

### 3.1.4 REPORTING

O&R is proposing to provide the Commission with quarterly reports on the progress of program implementation. These reports will include information on actual expenses, customer participation, and savings realized compared to annual budgets and goals. These reports will also include information about ongoing program evaluation efforts. Each quarterly report will be submitted to the Commission approximately 45 days following the end of the calendar quarter.

In addition to quarterly reporting, O&R proposes to submit an annual report to the Commission for the purpose of updating its proposed budgets and goals for the coming year informed by evaluation findings, customer response to program services, and other relevant market intelligence. The proposed budget

to be included in this annual update will reflect any under or over-spending from the prior year. Each annual report will be submitted to the Commission approximately 180 days following the end of the calendar year.

O&R is proposing to use a format in its report to the Commission that would include the following categories of information:

- Program Planning & Administrative Expenditures, year to date;
- Program Marketing Expenditures, year to date;
- Customer Incentive Expenditures, year to date;
- Program Implementation Expenditures, year to date;
- Evaluation & Market Research Experience, year to date;
- Total Expenditures, year to date;
- Program Year Budget, year to date;
- Annual Budget;
- Number of Rebates (or Participants), year to date;
- Participation Goal, year to date;
- Annual Participant Goal for Program Year;
- Total Savings (kWh, kW, ccfs), year to date;
- Savings Goal, year to date; and
- Annual Savings Goals for Program Year.

## 3.2 EVALUATION OF SMALL C&I DIRECT INSTALL PROGRAM

### 3.2.1 PROGRAM BACKGROUND

The Direct Install Program will promote the installation of cost-effective lighting, cooling, ventilation and refrigeration equipment. The initial customer incentive will be set at 70% of the installed measure cost with customers responsible for the remaining 30%. Small to medium C&I customers with peak demands of 100kW or less will be eligible for the Direct Install Program. O&R is investigating the possibility of providing on-bill financing for the remaining customer contribution. In the event an on-bill financing plan is developed, it will be submitted to the Commission as an amendment to this Program.

- **Program Objectives.** The objective of this resource acquisition program is to acquire durable savings in energy and peak demand usage among small to medium C&I Customers with peak demands of 100 kW or less.

The program will focus on overcoming the numerous barriers existing among this group to target cost-effective retrofit (early retirement) efficiency opportunities. The program will be implemented by an outside contractor who will provide “turn-key” services to O&R and its customers.

- **Program Theory.** The Direct Install Program is designed to overcome the specific market barriers detailed in Section 2.2.3.
- **Anticipated Savings.** The Direct Install program will result in annual savings of approximately 6,973 megawatt hours per year.
- **Program Schedule.** O&R plans to begin offering this program to customers in January 2009, subject to Commission approval.

### **3.2.2 EVALUATION APPROACH - GENERAL**

Year One evaluation efforts will focus on evaluating how the program is operating during program start-up with an objective of identifying enhancements that can be made to implementation efforts that may contribute to improved results. In Year Two, the focus will be on quantifying achieved savings based on pre- and post-installed measures and the operation of equipment installed through the Direct Install Program. Since this program is a direct install program, data from pre- and post-measure installation will be collected by the contractor upon site visits. Additional process evaluation efforts may be completed in program Year Three.

O&R anticipates that its evaluation efforts will be informed by the ongoing efforts of the Evaluation Advisory Group and by collaboration with the other utilities in the State that are planning to implement a similar program. If appropriate, O&R will participate in jointly sponsored evaluation studies with the other utilities.

### **3.2.3 DETAILED EVALUATION APPROACH**

#### **Year One Evaluation**

As described in Section 3.1.3.1 above.

## Year Two Evaluation

As described in Section 3.1.3.2 above, with the exception of:

### *Impact Evaluation*

The Impact Evaluation will quantify the savings attributable to Program efforts based on pre- and post-installation measure data and how the equipment installed through the Direct Install Program is actually operating. O&R anticipates completing an impact evaluation of the Direct Install Program in 2010 using industry-accepted methods of analysis.

- **Net to Gross Analysis.** Prior to any additional analysis being conducted, O&R will use a 5% reduction for free-ridership net of spillover.
- **Budget.** Consistent with the Working Group III recommendation in the EEPS proceeding, O&R has budgeted approximately 5% of program implementation costs to fund evaluation efforts. O&R's annual budget for evaluation is approximately \$150,000.

## 3.2.4 REPORTING

As described in Section 3.1.4, above.

## 3.3 EVALUATION OF RESIDENTIAL EFFICIENT GAS EQUIPMENT PROGRAM

### 3.3.1 PROGRAM BACKGROUND

The Residential Gas Program will promote efficient furnaces, boilers and water heaters. Two mechanisms will be used to promote these measures: 1) rebates for retail sale of efficient gas products, and 2) marketing training for heating contractors and plumbers. In the future, O&R may expand the program to include additional measures and possibly add direct incentives for trade allies as well as customers.

- **Program Objectives.** The objective of the Residential Gas Program is to increase the penetration of high efficiency gas space and water heating in O&R's service territory. Under the Residential Gas Program, incentives will be provided to residential customers who are installing new or

replacement gas heating and/or gas domestic water heating systems, assuming that the installed measures meet or exceed efficiency standards. The Program will be administered by O&R working with a selected vendor who will be responsible for marketing the program to customers, contractors and trade allies in the O&R service territory.

- **Program Theory.** The Residential Gas Program will support the installation of high efficiency equipment. In addition, to the extent practical and possible, O&R will coordinate the delivery of this program with planned future programs, including the Residential HVAC Program. The Residential Gas Program is designed to also support and enhance NYSERDA's Home Performance with Energy Star program by providing rebates and making overall home performance activity more cost effective to implement.
- **Anticipated Savings.** Savings in program Year One will be based on deemed savings estimates. Approximately 600 customers per year are estimated to participate in this program, resulting in projected annual savings of approximately 5,400 mcf per year.
- **Program Schedule.** O&R plans to begin offering this program to customers on October 1, 2008, subject to Commission approval.

### **3.3.2 EVALUATION APPROACH - GENERAL**

As described in Section 3.1.2, above.

### **3.3.3 DETAILED EVALUATION APPROACH**

#### **Year One Evaluation**

As described in Section 3.1.3.1, above.

#### **Year Two Evaluation**

As described in Section 3.1.3.2, above with the exception of:

- **Net to Gross Analysis.** Prior to any additional analysis being conducted, O&R will use a 10% reduction for free-ridership adjustment net of spillover.
- **Budget.** Consistent with the Working Group III recommendation in the EEPS proceeding, O&R has budgeted approximately 5% of program implementation costs to fund evaluation efforts. O&R's annual budget for evaluation is approximately \$22,000.

### **3.3.4 REPORTING**

As described in Section 3.1.4, above.