NYSEG RG&E

James A. Lahtinen
Vice President
Rates and Regulatory Economics

2008 SEP 22 PM 3:24

September 22, 2008

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

Re: Case 07-M-0548 – Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard

Dear Secretary Brilling:

New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E") (collectively "the Companies") hereby submit their Electric Program Plan ("Plan") in accordance with Ordering Clause 10 in the June 23, 2008 *Order Establishing Energy Efficiency Portfolio Standard and Approving Programs* ("June 23 Order") issued by the New York Public Service Commission ("NYPSC" or "Commission") in Case 07-M-0548, Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard ("EEPS").

This Electric Plan describes how the Companies propose to meet the 2011 electric energy savings targets set forth for NYSEG and RG&E in the June 23 Order. The portfolio contains a balanced set of programs in order to (1) create savings opportunities for all customer classes, and across all geographic areas served by the Companies, and (2) help customers learn the habit of reducing their energy use without reducing their quality of life or the effectiveness and productivity of their businesses.

The Companies are available to answer any questions the Commission or the Department of Public Service Staff may have concerning the Plan.

Respectfully submitted,

James A. Lahtinen

James A. Lahtinen

cc: Active Party List in Case 07-M-0548 (via listserv)

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

-----------------------------------------------------------------------X
Proceeding on Motion of the Commission Regarding an :
Energy Efficiency Portfolio Standard : Case 07-M-0548
:
-----------------------------------------------------------------------X

# ELECTRIC PROGRAM PLAN OF NEW YORK STATE ELECTRIC & GAS CORPORATION AND ROCHESTER GAS AND ELECTRIC CORPORATION

Dated: September 22, 2008

## TABLE OF CONTENTS

## I. INTRODUCTION

New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E") (collectively "the Companies") hereby submit their Electric Program Plan ("Plan") in accordance with Ordering Clause 10 in the June 23, 2008 *Order Establishing Energy Efficiency Portfolio Standard and Approving Programs* ("June 23 Order") issued by the New York Public Service Commission ("NYPSC" or "Commission") in Case 07-M-0548, Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard ("EEPS").

As described in this Plan, the Companies have designed this electric efficiency program portfolio to cost-effectively achieve the savings targets allotted to NYSEG and RG&E in the June 23 Order, while ensuring that all customers who pay the EEPS system benefit charge ("SBC") for the programs have an opportunity to participate, and thereby lower their electric bills.

NYSEG and RG&E plan to leverage certain electric programs to achieve ancillary natural gas savings at the same customer facilities, which will achieve deeper savings and take the first step toward fuel integration. The Companies propose to track these savings for application toward future natural gas targets to be set by the NYPSC, and to recover the costs allocated to the natural gas segment through the gas SBC. In the absence of an approved revenue decoupling mechanism ("RDM") or equivalent, the Companies also propose to use the same mechanism for recovery of lost revenues, and for recovery of gas and electric EEPS compliance costs in excess of current SBC revenues generally.

The current schedule allows the Companies to begin achieving savings as of June 1, 2009. This date is dependent upon receiving Commission approval of this plan, including approval of a timely and assured mechanism to fully recover costs and lost revenues, before the end of January 2009.

Because a delay in this date risks a delay in the start of the energy efficiency programs, and the Commission intends to set financial incentives and penalties for the Companies based on a projection of annual savings[1], the Companies will recalculate those MWh, MW, and MBTU savings if the Commission Order concerning this plan is received later than January 2009. Similarly, if a timely and assured mechanism to fully recover costs and lost revenues is not approved, NYSEG and RG&E will modify the portfolio in this Electric Plan to cap spending and lost revenues at the SBC level, and will petition for appropriate modifications in their electric (and, if necessary, subsequent gas) targets.

NYSEG and RG&E stand ready to answer any questions the NYPSC or Department of Public Service Staff ("Staff") may have concerning this Plan.

---

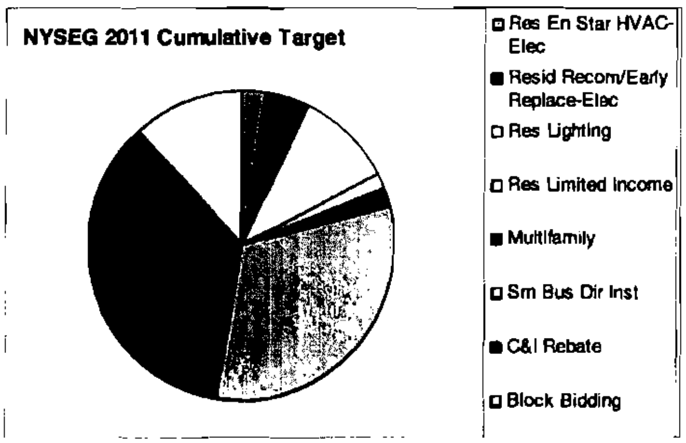
[1] New York Public Service Commission August 22, 2008 *Order Concerning Utility Financial Incentives* in Case 07-M-0548 ("August 22 Order").

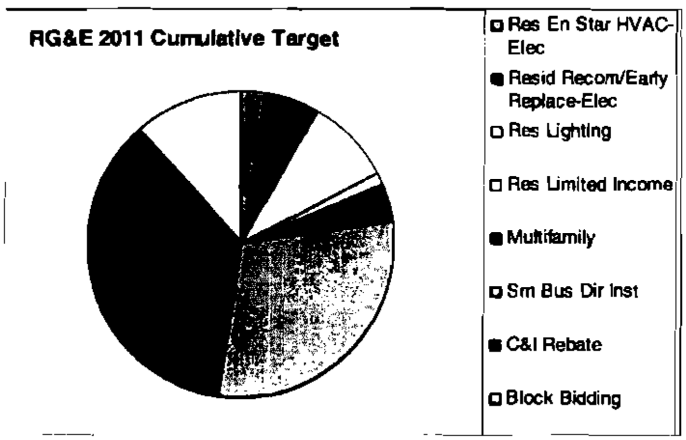
## II. EXECUTIVE SUMMARY

This Electric Plan describes how the Companies propose to meet the 2011 electric energy savings targets set forth for NYSEG and RG&E in the June 23 Order. The portfolio contains a balanced set of programs in order to (1) create savings opportunities for all customer classes, and across all geographic areas served by the Companies, and (2) help customers learn the habit of reducing their energy use without reducing their quality of life or the effectiveness and productivity of their businesses.

The 2011 cumulative target savings levels set for NYSEG and RG&E in the June 23 Order are 219,988 and 106,156 MWh, respectively.[2] The Companies plan to meet targets with a combination of programs, as shown in Figure ES-1.

**Figure ES-1. Contribution of Programs to NYSEG and RG&E 2011 Electric Savings Targets**




[2] Includes both "expedited" and "incremental" programs in sales (not send out) terms from Tables 14 and 16, Appendix 1, June 23 Order. Excludes conservation tariffed installation program ("TIP") savings and NYSERDA programs

In practice, the amount of the target expected to be met by each program may change to take advantage of more and less favorable configurations that emerge from the competitive procurement process. (For example, particularly desirable bids that exceed the current savings estimate for one program could result in reducing the scale of one or more of the other programs.) If the Commission approves timely and assured recovery of the associated costs and lost revenues as proposed by the Companies, NYSEG and RG&E would plan to exceed their 2011 cumulative savings target. This would facilitate achievement of the ultimate 2015 goal.

The Companies also propose to extend the electric programs where appropriate, to capture ancillary gas savings. The cumulative gas savings through 2011 due to these ancillary activities are expected to be 312,410 MBTU for each Company. When added to the Residential Efficient Gas Equipment Program savings in the August 22 Gas Plan, the total savings will be 377,795 MBTU for each Company by 2011.

As summarized in Table ES-1, Total Resource Cost ("TRC") benefit/cost ratios for these programs range from 1.07 through 1.91 prior to taking carbon externalities into account; carbon externalities slightly improve these results. The TRC tests include both program and non-program-specific costs, together with the cost of financial incentives, as specified in the June 23 and August 22 Orders.

This balanced portfolio provides flexibility, includes programs with a successful track record, targets customers with special needs, and takes advantage of opportunities for economies of scope and fuel integration. Expanding upon the requirements of the June 23 Order, the Companies have also created a block bid opportunity for third parties to offer programs that have not been pre-defined in the portfolio.

**Table ES-1. Total Resource Cost Test Results for NYSEG and RG&E Programs**

| Program | Electric or Gas | NYSEG | | RG&E | |
|---|---|---|---|---|---|
| | | TRC | TRC+C | TRC | TRC+C |
| Residential Energy Star HVAC | E | 1.43 | 1.52 | 1.32 | 1.41 |
| Residential Efficient Gas Equipment from August 22 Gas Plan | G | 1.77 | 1.83 | 1.63 | 1.69 |
| Residential Recommissioning/Early Replacement | E | 1.14 | 1.22 | 1.07 | 1.14 |
| Residential Lighting | E | 1.91 | 2.21 | 1.85 | 2.13 |
| Residential Limited Income | E | 1.41 | 1.53 | 1.30 | 1.41 |
| Ancillary Gas | G | 1.24 | 1.29 | 1.16 | 1.20 |
| Residential/Non-Residential Multi-family | E | 1.54 | 1.68 | 1.43 | 1.57 |
| Ancillary Gas | G | 1.49 | 1.54 | 1.39 | 1.44 |
| Non-Residential Small Business Direct Installation | E | 1.47 | 1.61 | 1.82 | 1.98 |
| Non-Residential Commercial & Industrial Rebate | E | 1.61 | 1.80 | 1.24 | 1.38 |

| Program | Electric or Gas | NYSEG | | RG&E | |
|---|---|---|---|---|---|
| | | TRC | TRC+C | TRC | TRC+C |
| Ancillary Gas | G | 2.08 | 2.15 | 2.03 | 2.10 |
| Block Bid[3] | E | 1.52 | 1.69 | 1.40 | 1.55 |

NYSEG and RG&E plan to begin procurement of the services necessary to implement this portfolio within the next few weeks. Only the final contractor discussions and contract signature steps of the competitive procurement process will remain to be completed after the Commission issues its Order approving this plan. As a result, the Companies will minimize the time required between the Commission Order and program launch. This will make these programs available to customers as soon as possible. (Specifically, the Companies intend to begin accepting applications on June 1, 2009; where applicable, equipment installed on or after April 1, 2009 will qualify for rebates.)

The cost of these programs will be material, and combined with the funds specified in the June 23 Order to be set aside for NYSERDA "fast track" programs and the Companies' lost revenues calculated to date,[4] will be significantly greater than the funds the Companies were directed to collect from electric and gas customers under the June 23 Order. Tables ES-2a and ES-2b identify the difference, as currently projected; to implement this complete suite of Company and NYSERDA efficiency programs, the electric SBC would be required to rise to more than twice its current level, and roughly four times the current gas SBC collections would be needed.

The total electric delivery rate impact of the Company electric program portfolio and associated lost revenues, levelized through 2011, is projected to be 6.21 percent and 6.57 percent, respectively, for NYSEG and RG&E.[5] (These delivery rate impacts do not include the costs of the NYSERDA fast track programs or the lost revenues associated with those programs.)

The Companies propose that beginning January 2010, actual negative variances (cumulative amount spent exceeds cumulative amounts actually collected from

[3] Although a TRC estimate is provided in this report, reliable figures will only be available after proposals have been received and evaluated.
[4] The lost revenues on Tables ES-2a and 2b take into account only the impact of the Companies' programs; information is not yet available to calculate the revenues lost due to the impacts of above-the-baseline NYSERDA programs, codes and standards, and other EEPS activities.
[5] These electric rate impacts are based on the levelized total lost electric delivery revenues and the levelized total program costs through 2011, expressed on a percentage basis using 2007 total electric delivery revenues. The Commission has not yet determined whether the costs of a balanced gas energy efficiency portfolio will be recovered using a per-MBTU delivery surcharge applied to all customers, or whether customers in a particular class or category will be assessed a surcharge reflecting only the costs of the specific programs in which they are able to participate.

customers)[6] for electricity and gas energy efficiency activities, accumulated since EEPS inception, will be added to the amounts already scheduled to be colleeted through the annual SBC tariff rate established in the June 23 Order, and the surcharge rate will be commensurately increased. Each subsequent annual SBC tariff surcharge rate will be updated to incorporate cumulative positive or negative variances for the prior twelve-month period. Until such time as the Companies have implemented a PSC-approved RDM or equivalent, energy sales and demand lost due to the implementation of electric and gas energy efficiency programs are proposed to be tracked and delivery revenues associated with such lost energy sales and lost demand will be recovered from customers through the respective SBC in the same fashion, by increasing the SBC surcharge each year.[7]

**Table ES-2a. Comparison of NYSEG and NYSERDA Budgeted EEPS Costs and Lost Revenues to Current SBC Collections**

| | 2008-2009 | 2010 | 2011 | 2008-2011 |
|---|---|---|---|---|
| NYSEG Electric Program Costs | $19,038,195 | $43,438,571 | $44,858,423 | $107,335,189 |
| Lost Revenues due to NYSEG Electric Programs | $2,458,622 | $4,901,842 | $7,098,571 | $14,459,035 |
| NYSERDA "Fast Track" Program Costs | $14,965,278 | $11,988,222 | $11,988,222 | $38,941,722 |
| Electric SBC Collections | $28,055,550 | $22,444,440 | $22,444,440 | $72,944,430 |
| Electric Budgetary Variance for SBC Collection | ($8,406,545) | ($37,884,195) | ($41,500,776) | ($87,791,516) |
| Percentage SBC Increase | 30% | 169% | 185% | 120% |
| | | | | |
| NYSEG Gas (Ancillary Savings plus Residential Efficient Gas Equipment Program) Program Costs | $3,490,240 | $5,130,193 | $5,294,312 | $13,914,745 |
| Lost Revenues due to NYSEG Gas Programs | $298,572 | $574,556 | $827,525 | $1,700,653 |
| Gas SBC Collections | $1,304,149 | $1,043,319 | $1,043,319 | $3,390,787 |
| Gas Budgetary Variance for SBC Collection | ($2,484,663) | ($4,661,430) | ($5,078,518) | ($12,224,611) |
| Percentage SBC Increase | 191% | 447% | 487% | 361% |

[6] Actual negative variances will include interest on those deferred costs, accrued at the Other Customer Capital rate as published and updated annually by the Public Service Commission, which is the same interest rate the Companies will pay on unexpended funds (see Ordering Clause 7 in the June 23 Order).

[7] The Companies will submit tariffs in compliance, once the Commission Order is issued approving the lost revenue provisions proposed in this Plan.

**Table ES-2b. Comparison of RG&E and NYSERDA Budgeted EEPS Costs and Lost Revenues to Current SBC Collections**

| | 2008-2009 | 2010 | 2011 | 2008-2011 |
|---|---|---|---|---|
| RG&E Electric Program Costs | $8,955,260 | $20,357,401 | $21,131,226 | $50,443,887 |
| Lost Revenues due to RG&E Electric Programs | $1,288,825 | $2,568,675 | $3,720,007 | $7,577,507 |
| NYSERDA "Fast Track" Program Costs | $7,231,157 | $5,784,926 | $5,784,926 | $18,801,009 |
| Electric SBC Collections | $13,538,226 | $10,830,581 | $10,830,581 | $35,199,388 |
| Electric Budgetary Variance for SBC Collection | ($3,937,016) | ($17,880,421) | ($19,805,578) | ($41,623,015) |
| Percentage SBC Increase | 29% | 165% | 183% | 118% |
| | | | | |
| RG&E Gas (Ancillary Savings plus Residential Efficient Gas Equipment Program) Program Costs | $3,386,819 | $4,902,488 | $5,045,905 | $13,335,212 |
| Lost Revenues due to RG&E Gas Programs | $201,440 | $384,388 | $553,831 | $1,139,659 |
| Gas SBC Collections | $1,250,675 | $1,000,540 | $1,000,540 | $3,251,755 |
| Gas Budgetary Variance for SBC Collection | ($2,337,584) | ($4,286,336) | ($4,599,196) | ($11,223,116) |
| Percentage SBC Increase | 187% | 428% | 460% | 345% |

At first glance, the favorable electric TRC test results in Table ES-1 may appear inconsistent with both the budgetary impacts summarized on Tables ES-2a and ES-2b, and the rate impacts of the Companies' energy efficiency activities. It is important to understand that the relationship between these statistics is complex: [8]

- The current SBC rates were based on a preliminary approximation of the costs of only the utility "expedited" and NYSERDA "fast track"programs, as directed by the Commission. As the Commission anticipated, these programs will not produce sufficient savings to meet the NYSEG and RG&E 2011 targets set in the June 23 Order.

[8] These factors also apply to the Companies' gas programs. In addition, in order to achieve the benefits of providing both gas and electric savings through the same customer encounter, NYSEG and RG&E have recommended the addition of both residential and non-residential gas energy efficiency program expansions. The current gas SBC is collected only from residential customers.

- These programs incur costs today in order to achieve sustained, long-term savings. Programs with favorable TRC results will therefore have front-loaded spending recovery requirements.

- Rebates and incentives are a significant fraction of the cost of these programs, and are sometimes the single largest expense to be recovered. In contrast, rebates and incentives wash out of the TRC test as transfer costs.

As a result, it is easily possible – common, in fact – to find a favorable TRC outcome combined with substantial costs to be recovered during early program years, as is seen in this Electric Plan.

To the extent that the Commission does not accept the Companies' proposal for recovery of costs and lost revenues, or implement a similar timely and assured means of recovery, the Companies will modify the portfolio in this Electric Plan to cap spending and lost revenues at the SBC level, and will petition for appropriate modifications in their electric (and, if necessary, subsequent gas) targets.

## III. PROGRAM PORTFOLIO

### A. Objectives and Benefits

The primary objective of the Companies' electric program portfolio is to meet the 2011 electric energy savings targets set forth for NYSEG and RG&E in the June 23 Order This is accomplished using a balanced set of programs that creates savings opportunities for all customer classes, across all geographic areas served by the Companies, and helps customers learn the habit of reducing their energy use without reducing their quality of life or the effectiveness and productivity of their businesses.

In addition, this program portfolio:

- Contains a mix of efficiency solutions that are targeting technologies used during the summer and in use all year, and that are therefore expected to maintain or reduce the overall electric system load factor.
- Includes programs that have a track record in the energy efficiency industry of customer appeal, increasing the likelihood of their success.
- Provides fuel integration and depth of savings by addressing electric and gas measures at the same time.[9] By including electric and gas measures in the same program, the Companies achieve depth of savings by avoiding lost opportunities and maximizing the number of measures per customer contact. This will make it easier for customers to achieve greater savings, and takes the first steps toward a true gas efficiency portfolio. The Companies will track gas savings for application against the gas targets expected to be set by the Commission. Associated costs are proposed to be deferred for later recovery through an updated gas SBC charge.
- Addresses markets with special needs, such as limited-income customers, multifamily housing (rental property), and commercial and industrial customers who require more customized and sophisticated solutions.
- Creates an opportunity for additional, innovative programs to be offered through the Companies' block bidding option.
- Provides valuable information for planning the next phase of the EEPS beginning in 2010, and creates a platform for modification and expansion of the portfolio for 2012-2015.

The Companies are committed to delivering the programs in this plan for the term approved by the Commission, which is expected to be a minimum of two and a half years (mid-2009 to 2011). During this time frame the Companies anticipate making

---

[9] No gas-only programs have been included in this Electric Plan.

modifications to improve program delivery and effectiveness, and adding or deleting specific measures as appropriate.

## B. Collaborative Discussions

Consistent with Ordering Clause 11 in the June 23 Order, the Companies consulted with other New York State utilities during the development of these programs, beginning with a July 17-18 meeting. NYSEG and RG&E are particularly interested in opportunities to facilitate greater participation by customers in both the Companies' own and neighboring utilities' programs (in areas where utilities provide overlapping gas and electric service), and to share practical experiences at the operating level. These activities are expected to be phased in over time.

Collaborative procurement among two or more utilities has also been discussed. To date, this option has not proven practical.

The Companies provided an opportunity for input by other interested parties on a webcall of July 28, 2008.

The Companies currently have successful collaborative efforts with NYSERDA in the low-income energy efficiency area, through NYSEG's Power Partner, RG&E's Residential Energy Consumer Assistance Program ("RECAP") programs and NYSERDA's Empower Program. All of these programs provide free energy efficiency measures as well as energy and financial management services to low income energy consumers in New York. From the Fall of 1999 to July 2004, NYSEG's Power Partner program had its own staff to coordinate energy services installations with local contractors. In July 2004 NYSEG agreed to have NYSERDA take over this function, and from July 1, 2004 through July 31, 2008 NYSEG referred over 16,000 NYSEG customers to NYSERDA. This relationship with NYSERDA worked so well that in July 2006, RG&E began referring customers who participate in their low income RECAP program to NYSERDA, and to date has referred 2,619 RECAP customers to NYSERDA.

An initial meeting between NYSERDA and all utility program administrators was held on Friday, August 1. Using the backdrop of successful cooperation between NYSEG and RG&E with the Empower program, specific discussions with NYSERDA concerning NYSERDA, NYSEG and RG&E activities began at an all-day meeting on Thursday, August 21, in which several opportunities for complementary programming were identified. These included reinforcement of NYSERDA's utilization of Building Performance Institute ("BPI") certified contractors in the Companies' HVAC programs, mutual program referrals for residential and non-residential programs, the potential development of additional increased training opportunities, and some level of data sharing. Once again, discussions of these and similar opportunities are planned to continue, and any specific changes to take advantage of joint opportunities will be phased in over time.

### C. Independent Program Administrator Proposals

NYSEG and RG&E have evaluated all six Independent Program Administrator ("IPA") proposals received by the Companies as of August 7, 2008.

These proposals were evaluated based on whether the proposed programs (1) conformed to the expectations set forth on p. 59 and Ordering Clause 8 in the June 23 *Order Establishing Energy Efficiency Portfolio Standard and Approving Programs* in Case 07-M-0548; (2) could be responsive to one of the RFPs the Companies identified on the July 28 webcall between the utilities and interested parties; and (3) warranted consideration on a sole-source rather than competitive basis. As discussed below in Section III.I, the Companies strongly support competitive procurement, where practical and feasible.

Five of these proposals may have the potential to benefit either residential or non-residential customers (or both). Of these five, three of the potential IPAs (EarthKind, EnerNOC, and EnSave) were encouraged to submit a Block Bid in response to the Companies' request for proposal ("RFP") solicitations.

The fourth program, offered by Positive Energy, appeared to have the potential to offer synergies with the Companies' expedited residential gas efficient appliance program, and to be of possible use in introducing the Companies' EEPS programs to residential customers. If so, this could have warranted an earlier implementation. A deeper exploration of this program found that (1) synergies between the program offered by Positive Energy and any other individual program will be limited, (2) less expensive solutions are available for increasing customer awareness of the Companies' programs, and (3) therefore, insufficient justification exists to treat this program differently than other block bid proposals. Positive Energy has been encouraged to submit a Block Bid.[10]

In the fifth proposal, Conservation Services Group recommended a set of measures designed to facilitate program implementation rather than submitting a complete program proposal. They have been encouraged to submit a response to the Companies' planned residential HVAC program RFP.

Finally, the sixth proposal was received from Consumer Power Line, which recommended substituting a "cap-and-trade" structure using "white certificates" for the programs that utilities are required to plan and file under the EEPS. In their response to this proposal, NYSEG and RG&E pointed out that approving or implementing such a structural change exceeds the authority of the Companies.

---

[10] The Companies have considered including pilot programs in their overall portfolio. (Pilot programs are defined here as activities designed less to achieve specific savings or benefit/cost ratios, and more to test energy efficient technologies in early commercialization, new ways to encourage behavioral change, and new means to improve the effectiveness of efficiency programs.) The Positive Energy proposal could potentially be implemented in a pilot form. However, the Companies do not interpret the June 23 Order as including the funding of such pilots, and the initial focus of NYSEG and RG&E will, of necessity, be on successfully launching programs expected to contribute directly to their savings targets.

The Companies' review of these proposals raised an important additional concern: access to customer data. Contractors performing work on behalf of, and as an extension of, utilities are provided sufficient access to customer data to conduct the work for which they have been hired. However, based on the distinction made in the June 23 Order, the relationship between a utility and its contractors will presumably be different from the relationship between a utility and an IPA. Although this relationship has yet to be formally defined by the Commission, it could, for example, more closely resemble the relationship between a utility and a retail access Energy Services Company ("ESCO"). If this is true, then the ability of the Companies to share customer data with an IPA will be constrained by protocols similar to those placed on data sharing between utilities and ESCOs.

If the firms who offered IPA proposals instead bid to become implementation contractors to the utility through a competitive procurement process, this should avoid any contractual or implementation delay associated with resolving this customer data sharing issue, and should also minimize the risk that limitations on data sharing may add to the costs or limit the potential success of these programs.

## D. Financial Incentives

In accordance with the August 22 Order, the Companies have included the costs of incentives in the TRC tests in Sections IV through XI.[11] The cost of the incentives was determined by multiplying the maximum incentive level of $38.85/megawatt-hour to each of the individual program targets, thereby including incentives at 100 percent of the program megawatt-hour targets for each year.

Pursuant to the August 22 Order, it is the Companies' understanding that the determination of incentives earned will occur on an annual basis by applying deemed per-measure savings to the measures implemented, to determine the achieved total megawatt-hour reductions.

## E. Electric Program Portfolio

The NYSEG and RG&E electric program portfolio will contain a combination of residential and non-residential programs, together with a block bidding opportunity for third parties to identify and offer additional savings opportunities (see Table 1). This portfolio targets all electric customers who will begin to pay the increased SBC electric charge on their bills in October 2008. The details of these programs are provided in Sections IV through XI.

[11] Although these incentives were included in the TRC tests, as required by the Commission, they have been excluded from the program and portfolio budgets.

**Table 1. Electric Program Portfolio with Ancillary Gas Activities**

| Program Name | Detailed Info | Customer Segment | Description | |
|---|---|---|---|---|
| | | | Electric | Ancillary Gas |
| Residential Energy Star HVAC | Section IV | R | Incentives for high-efficiency replacement central air conditioning | This program has a natural gas counterpart in the residential gas energy efficiency program included in the Gas Plan. |
| Residential Recommissioning/Early Replacement | Section V | R | Free recommissioning of central air conditioning, incentives for early replacement with high-efficiency units | This program may make referrals to the residential gas energy efficiency program included in the Gas Plan. |
| Residential Lighting | Section VI | R | Not-for-profit and community groups provided with multi-pack CFLs at discounted price for fund-raising | Not Applicable |
| Residential Limited Income | Section VII | R (1-4 units, 60-80% NYS median income) | Replace old inefficient refrigerators, direct install CFLs | This program has a gas component offering incentives for weatherization improvements and may also make referrals to the residential gas energy efficiency program included in the Gas Plan |
| Residential/Non-Residential Multi-family | Section VIII | R (5+ units) | Replace old inefficient refrigerators, direct install CFLs and common area lighting retrofits | This program has a gas component offering incentives to improve efficiency of gas central heating and water heating systems |
| Non-Residential Small Business Direct Installation | Section IX | C | Conduct energy audits and install lighting, refrigeration/cooling improvements, equipment control (EMS, sensors, setbacks, etc.) | This program refers appropriate customers to the C&I Rebate program. |
| Non-Residential | Section | C/I | Provide prescriptive | This program has |

| Program Name | Detailed Info | Customer Segment | Description | |
|---|---|---|---|---|
| | | | Electric | Ancillary Gas |
| Commercial & Industrial Rebate | X | | and custom rebates for a variety of energy efficiency measures to buy down to ≤2 year paybacks | a gas component offering rebates for the gas efficiency improvements undertaken as part of the overall program. |
| Block Bid | Section XI | C/I | Offer opportunity for implementation contractors to provide blocks of MWh savings that are compatible with, but not duplicative of, other Company programs. | Depending upon the Block Bids received and accepted, there could reasonably be ancillary savings associated with the Block Bid programs, but no specific allotment for ancillary gas savings is made with this filing. |

Figure 1 compares the total electric savings postulated in the June 23 Order with the ramp rate of the portfolio proposed in this plan for both NYSEG and RG&E. The June 23 Order presumed a start date in 2008. The Companies currently expect to make the programs in their electric portfolio available to customers as of June 1, 2009.[12] NYSEG and RG&E expect to achieve lower savings than the Commission anticipated prior to 2010, and to catch up during 2010 and 2011. This will enable NYSEG and RG&E to meet their 2011 cumulative target savings levels set of 219,998 MWh and 106,156 MWh, respectively.[13]

(If the Commission approves timely and assured recovery of the associated costs and lost revenues as proposed by the Companies, and if NYSEG and RG&E receive attractive proposals from bidders that would allow the Companies to exceed their 2011 cumulative savings target, NYSEG and RG&E propose to do so. This would facilitate achievement of the ultimate 2015 goal.)

The Companies will decide whether to continue, expand, modify, or discontinue these programs when planning for the 2012-2015 period.

---

[12] Although the June 23 Order specified that the utility program administrators would be held accountable for achieving the cumulative 2011 target, and would be allowed flexibility during the years prior to 2011, the August 22 Order mandates annual financial incentives and penalties based on the annual targets that the Commission ultimately approves for each Company.

[13] Includes both expedited and incremental programs in sales (not send out) terms from Tables 14 and 16, Appendix 1, June 23 Order. Excludes conservation tariffed installation program ("TIP") savings.

**Figure 1. Order vs. Plan Ramp Rate of Electric Savings**

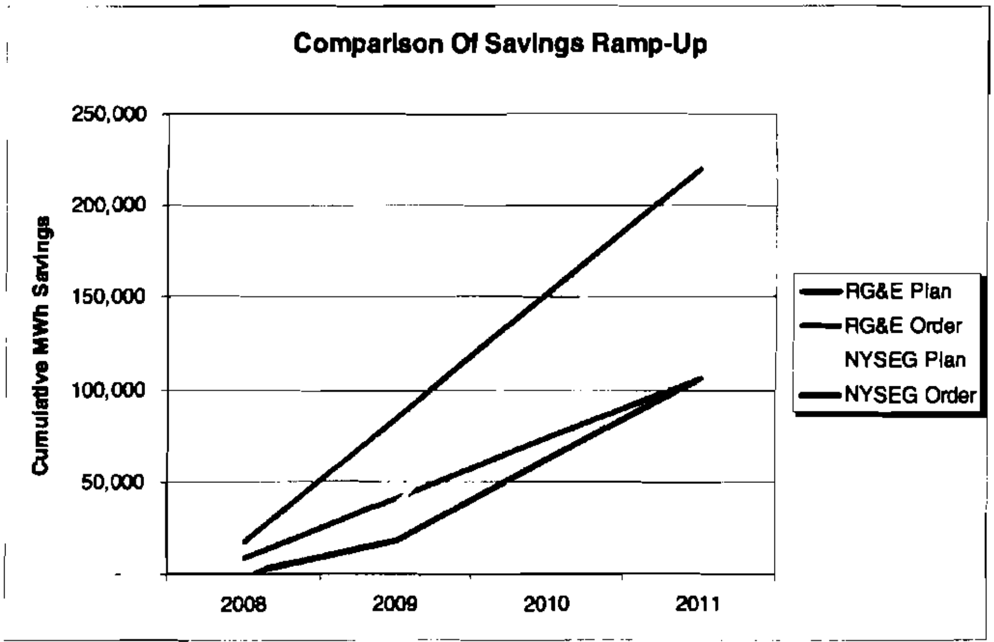



Table 2 provides the annual MWh savings upon which Figure 1 is based. New savings are produced each year and continue into subsequent years as sustained savings.

**Table 2. Annual MWh Savings (Total Portfolio)**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 37,470 | - | 18,132 | - |
| 2010 | 91,225 | 128,695 | 44,030 | 62,162 |
| 2011 | 91,225 | 219,920 | 44,030 | 106,193 |

Figures 2a and 2b illustrate how each program is expected to contribute to the 2011 cumulative electric targets in Figure 1 and Table 2.

**Figure 2a. NYSEG Program Contribution to 2011 Cumulative Target**

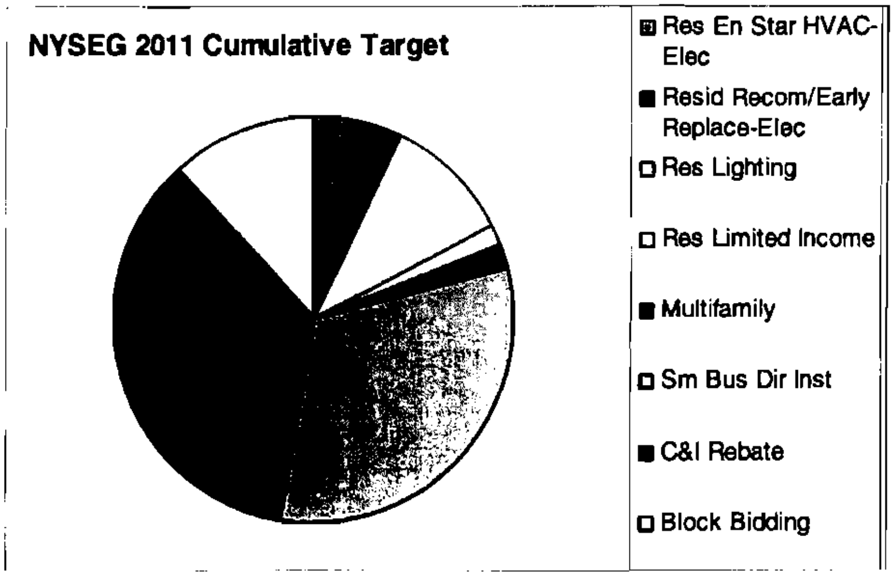
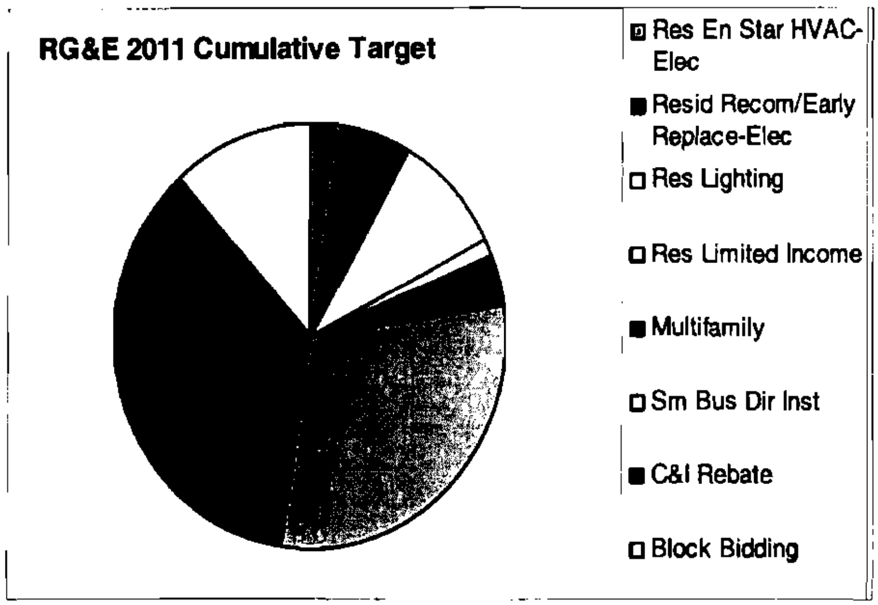



**Figure 2b. RG&E Program Contribution to 2011 Target**




The contribution of the more traditional residential and/or non-residential programs to the total mix may change depending on the number, cost-effectiveness, quality, and magnitude of the Block Bids received.

Table 3 projects the year-by-year total delivery revenue erosion for NYSEG and RG&E resulting from these program activities. These lost revenues take into account only the impact of the Companies' programs; the impacts of above-the-baseline NYSERDA programs, codes and standards, and other EEPS activities will be included when sufficient information has been provided to the Companies for these lost revenues to be calculated.

**Table 3. Annual Lost Electric Delivery Revenues**

| Year | NYSEG | RG&E |
|---|---|---|
| 2009 | $2,458,622 | $1,288,825 |
| 2010 | $4,901,842 | $2,568,675 |
| 2011 | $7,098,571 | 3,720,007 |

F. Ancillary Gas Savings

The June 23 Order made it quite clear that the Commission expects to set natural gas savings targets (pp. 67-71):

> Overall the analysis of the action indicates that increasing energy efficiency in both the electric and natural gas sectors will be beneficial... Natural gas reduction targets have not been specified, but initial studies indicate gas savings could be 15,204 MDth and peak day load reductions could be 100 MDth by 2016...policy and the record continue to be developed on additional issues of program design...Included among these are issues of creation of a full natural gas energy efficiency program.

In their July 3, 2008 *Procedural Ruling Concerning EEPS Design Issues,* Judges Stein and Stegemoeller said (p.3):

> The establishment of targets for natural gas efficiency and expanding available natural gas energy efficiency programs are on the critical path to the development of a comprehensive and coordinated natural gas efficiency program. At Staff's request, we will immediately convene a Natural Gas Efficiency Working Group. The tasks of this working group include reconciliation of the updated Optimal Report results with ongoing natural gas efficiency programs, recommendation of statewide and utility-specific natural gas efficiency goals and targets, and identification of additional program proposals as appropriate.

In Appendix 3 of the June 23 Order, the Commission identified a variety of efficiency program selection criteria. Two of those criteria are:

- *Depth of Savings:* the extent to which the program avoids lost opportunities by maximizing the number of measures implemented per customer contact.
- *Fuel Integration:* the extent to which electricity and gas measures will be addressed in a complementary manner, such as through a single customer contact.

Based on this guidance, and based on an expectation of Commission approval of a mechanism to provide timely and assured recovery of costs and lost revenues, the Companies propose to pursue ancillary gas savings as they carry out the programs in this Electric Plan. As described later in this section and elsewhere in this filing, these ancillary gas activities will achieve substantially greater MBTU savings than will be provided by the Residential Efficient Gas Equipment Program alone, and will provide savings opportunities to all gas customers. However, the current gas SBC is only assessed on residential customers; it would be inappropriate for residential customers to provide the sole funding source for this complete program package.

Certain programs, including Residential Limited Income, Residential/Non-Residential Multifamily, Non-Residential Commercial & Industrial Rebate, and possibly the Block Bid Program, are designed to capture gas savings opportunities that otherwise might be lost or require additional visits to the home or business. This will make it easier and less time-consuming for the customer to achieve greater energy savings.

Other programs are designed to refer potential participants to those programs that provide opportunities for gas savings. The Residential Energy Star® HVAC program has a direct counterpart in the already-filed Residential Gas Efficient Gas Equipment program, so the corresponding gas savings will be directly accounted for by that program.

Tables 4a and 4b provide the annual MBTU savings attributable to the NYSEG and RG&E programs. Table 4a includes only the ancillary gas savings from the programs in this Electric Plan. Table 4b adds the savings from the residential gas energy efficiency program filed in the Companies' August 22 Gas Plan.[14] New savings are produced each year and continue into subsequent years as sustained savings.

---

[14] On p. 3 of the August 22 Gas Plan, the Companies said:

> In response to the anticipated higher costs of natural gas during the 2008-2009 heating season and also recognizing the dramatic rise in home heating oil prices since last winter, the Companies have chosen to accelerate the contractor procurement and program implementation processes to allow promotion and rebate processing to begin October 1, 2008. This start date depends upon Commission approval of the program and associated cost recovery, which are necessary before retail program promotion and rebate processing can begin.

The gas analyses in this Electric Plan were carried out using the assumption that the October 1 target launch date would be met.

NYSEG and RG&E have recently learned that the Gas Plan is unlikely to be approved prior to the Commission's December Open Session, due at least in part to SAPA requirements. Although the Companies currently anticipate that the Residential Efficient Gas Equipment Program will now launch no earlier than January 1, 2009, time did not permit costs and savings due to this modification to be reflected in this Electric Plan.

**Table 4a. Annual MBTU Ancillary Savings**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 60,399 | - | 60,399 | - |
| 2010 | 126,005 | 186,405 | 126,005 | 186,405 |
| 2011 | 126,005 | 312,410 | 126,005 | 312,410 |

**Table 4b. Annual MBTU Ancillary Savings and Residential Efficient Gas Equipment Program from Gas Plan**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 82,194 | - | 82,194 | - |
| 2010 | 147,800 | 229,995 | 147,800 | 229,995 |
| 2011 | 147,800 | 377,795 | 147,800 | 377,795 |

Table 5 projects the year-by-year delivery revenue erosion for NYSEG and RG&E resulting from these program activities.

**Table 5. Annual Lost Gas Delivery Revenues**

| Year | NYSEG | | RG&E | |
|---|---|---|---|---|
| | Ancillary Gas Savings Only | Ancillary Gas Savings and Residential Efficient Gas Equipment Program from Gas Plan | Ancillary Gas Savings Only | Ancillary Gas Savings and Residential Efficient Gas Equipment Program from Gas Plan |
| 2009 | $262,371 | $298,572 | $166,779 | $201,440 |
| 2010 | $502,154 | $574,556 | $315,066 | $384,388 |
| 2011 | $718,922 | $827,525 | $449,848 | $553,831 |

G. Non-program-specific Activities

In addition to the activities that are specific to the programs described in this Plan, certain other activities will be conducted by the Companies to support their entire portfolio of electric and gas energy efficiency programs. The costs of these non-program-specific activities are allocated among all programs that benefit from these expenditures. By offering an integrated portfolio of gas and electric savings programs, the share of these costs borne by each of these programs is reduced (economies of scope).

1. <u>Administration</u>

The administration of the complete portfolio of electric programs contained in this filing, including gas counterparts for many of the programs, will involve planning, budgeting, accounting, management and oversight, executive and regulatory support and reporting, and procurement. These functions are critical to the success of the programs. To ensure these functions are performed at the highest standards, NYSEG and RG&E have incorporated dedicated staffing to oversee administrative functions for these programs and coordination among programs to manage cost and performance.

In planning, it will be important to ensure activities that support the programs are included in the Companies' strategic direction, forecasts, staffing, support, and possibly leadership succession planning needs. In addition, beginning in 2010, the Companies expect to begin planning for the 2012-2015 period.

As custodians of the SBC funds, budgets and accounts will be maintained to ensure the Companies are delivering the programs effectively, efficiently and within appropriate budgets. Charge codes have been developed to track costs and ensure programs' costs are properly included in benefit cost analysis.

Management and oversight includes developing procedures and protocols; clarifying responsibilities; monitoring program, employee, and contractor performance; making education and training available to employees; resolving problems; identifying desirable changes to business practices, programs, and the overall portfolio; and continuing to build relationships and search for synergies with other program administrators.

Progress toward goals will be reported as appropriate to the Companies' executives, the regulatory staff, and the Commission.

Successful procurement of various services (implementation, contractor/ administrative oversight, QA/QC, evaluation) will be critical to successful program results.

2. <u>Portfolio Promotion and Market Research</u>

The Companies intend to support three tiers of promotional activities. The first tier will be the statewide activities pursued under the guidance of the O&E/Marketing Policy Advisory Group. The second tier, which is not specific to any particular program, will promote the portfolio of savings opportunities available to customers in the NYSEG and RG&E service territories and reinforce the message that reducing energy use need not reduce qualify of life or the effectiveness and productivity of businesses. Its costs are allocated across all programs. The third tier will be devoted to individual programs, and its costs are included in the costs of those specific programs.

NYSEG and RG&E will develop a customer-facing website for the dissemination of program information and to provide a mechanism to facilitate online availability of rebate applications. Once the web portal is fully developed, exploration of alternatives to the document-driven application intake system may be explored. The website will continue to provide links to downloadable application forms that can be used by customers who prefer not to apply online, or cannot practically do so, given the nature of the program requirements.

The Companies will conduct studies to enable fact-based improvements to be made to the programs in the Gas and Electric Plans during 2009-2011, and to prepare for development of an extended suite of programs to be implemented during 2012-2015. The Companies intend to perform some market research to assist in this endeavor. Two types of market research are proposed – appliance saturation studies for both the residential and the commercial markets and a market segmentation study for the residential sector.

- The appliance saturation studies will develop a baseline of the types of appliances and their ages/efficiencies currently in NYSEG and RG&E's customers' homes and businesses. It is critical for the Companies to have this local data to clarify the market for current and future programs, and also for use as a relevant baseline in program evaluation. The Evaluation Advisory Group ("EAG") also supports the importance of and need for development of New York State-specific primary market research data. These market research studies will contribute to that effort and the Companies will make the results of these studies available to other stakeholders if requested.
- The residential market segmentation study will allow for improved marketing efforts with targeted messages to segments that are most likely to respond and to participate in the programs. The Companies will also be willing to share any lessons learned from this research with other stakeholders if requested.

3. <u>Data Management and Tracking</u>

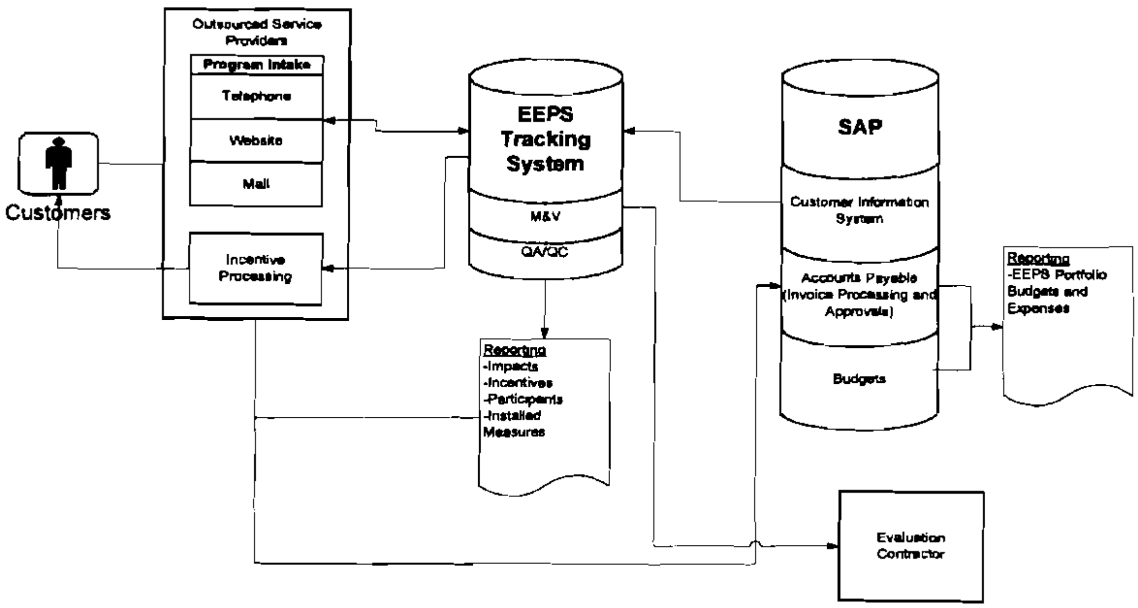
The Companies will utilize a web-based data management and tracking system (see Figure 3) to consolidate information from all programs in the portfolio. Data from the Companies' proposed Residential Efficient Gas Equipment Program will be migrated into this data management system as well. This system will be used by NYSEG and RG&E for all their electric and gas programs to:

- Verify customer and equipment qualifications for incentives
- Manage incentive payments, including calculation of incentive amounts and potential adjustments, accounting, and payment processing
- Support the impact-tracking process for each program
- Capture customer and premise information, including measure detail (down to account number for each measure installed, if applicable)
- Support application status tracking
- Capture baseline equipment as well as installed equipment

- Provide a detailed audit trail
- Track program performance
- Support evaluation activities, including measurement and verification of savings (see Appendix A for more detail in this regard)
- Produce real-time, scheduled and ad-hoc management and regulatory reports

Consolidating program data from all of the Companies' energy efficiency programs into this secure web-based system will enable the Companies to monitor the status of all of its programs, meet the Companies' reporting requirements, and provide a consolidated location for data that will be used during measurement and evaluation activities.

**Figure 3. Data Management and Tracking System**




4. Cost Allocation

The costs of program administration, portfolio promotion and market research, and the data management and tracking system span both NYSEG's and RG&E's gas and electric businesses[15] and all or many of the Company-sponsored energy efficiency programs. Therefore, NYSEG and RG&E will allocate these costs based on the following business rules:

- Costs that span all programs and all markets will be allocated across all programs based on each program's budget as a percentage of the total budget.
- Costs that span a specific market, such as residential (or non-residential), will be allocated to all residential (or non-residential) programs based on each program's budget as a percentage of the total residential (or non-residential) budget.
- Costs that are clearly identifiable as pertaining to a specific program will be charged to that program. Within programs, costs are allocated based on the ratio of expected participants from each Company.
- Within a program, costs that are specific to electricity or natural gas will be charged directly to that component of that program. Other costs will be allocated based on the electric and gas program budgets as a percentage of the total program budget.

The allocations will be reviewed at least annually and reconciled appropriately to the extent that actual spending on specific programs varies significantly from the budgeted spend upon which the allocations were originally based.

### H. Budget

Tables 6a and 6b provide the annual implementation costs[16] NYSEG and RG&E, respectively, propose to recover through the *electric* SBC on a budgetary basis, to achieve the savings identified in Table 2. As specified in Ordering Clause 7 of the June 23 Order, actual prior year expenditures will be reported to the NYPSC on an annual basis on or before June 1st of every year.[17]

The tables compare the budget for the Electric Plan with the funds collected annually through the SBC charge, as drawn from Table 16 (*EEPS Annual Collections from Electric Ratepayers by Service Territory*) in Appendix 1 of the June 23 Order. The annual collections specified on that table in the appendix were intended to recover the costs of the

---

[15] On p. 42 of the June 23 Order, the Commission stated: "We also note that the electric fast track programs incidentally create a significant amount of efficiency savings for gas customers. A further phase of this proceeding will address this issue and utilities will be encouraged to develop a means of allocating program costs to gas operations." The rules provided here were used to allocate shared costs among all programs in the Companies' Gas and Electric Plans, including between electric and gas.
[16] Lost revenues are not included in Tables 6a and 6b.
[17] Pre-launch costs necessary to plan and implement the programs have been included in the 2008-2009 non-program-specific costs.

NYSERDA "fast track" and utility "expedited" programs[18], and did not include the cost of incremental utility programs required to meet the overall targets set in the Order.

The budgetary variance identifies the difference between expected annual expenditures and amounts expected annually to be collected from customers. Actual variances may be different from those specified here, depending on actual program participation levels, non-program cost allocations, and program administration, delivery, promotion, and evaluation expenses.

The Companies propose that beginning January 2010, actual negative variances (cumulative amount spent exceeds cumulative amounts actually collected from customers)[19] for electricity and gas energy efficiency activities, accumulated since EEPS inception, will be added to the amounts already scheduled to be collected through the annual SBC tariff rate established in the June 23 Order, and the surcharge rate will be commensually increased. Each subsequent annual SBC tariff surcharge rate will be updated to incorporate cumulative positive or negative variances for the prior twelve-month period. Until such time as the Companies have implemented a PSC-approved RDM or equivalent, energy sales and demand lost due to the implementation of electric and gas energy efficiency programs are proposed to be tracked and delivery revenues associated with such lost energy sales will be recovered from customers through the respective SBC in the same fashion, by increasing the SBC surcharge each year.

**Table 6a. NYSEG Implementation Costs for Electric Program Plan to be Recovered through SBC**

| | 2008-2009 | 2010 | 2011 | 2008-2011 |
|---|---|---|---|---|
| NYSEG | | | | |
| Program-Specific Costs | $16,980,583 | $41,374,855 | $42,607,096 | $100,962,534 |
| Non-program-specific Costs | $2,057,612 | $2,063,716 | $2,251,327 | $6,372,655 |
| *Total* | $19,038,195 | $43,438,571 | $44,858,423 | $107,335,189 |
| NYSERDA "fast track" | $14,965,278 | $11,988,222 | $11,988,222 | $38,941,722 |
| Collections | $28,055,550 | $22,444,440 | $22,444,440 | $72,944,430 |
| Budgetary Variance | ($5,947,923) | ($32,982,353) | ($34,402,205) | ($73,332,481) |

[18] The allocation between utility "expedited" and NYSERDA "fast track" programs has been taken from Paul Agresta's August 14 *Breakdown of EEPS 6/23/08 Order Table 16 Information* e-mail to the EEPS listserv.

[19] Actual negative variances will include interest on those deferred costs, accrued at the Other Customer Capital rate as published and updated annually by the Public Service Commission, which is the same interest rate the Companies will pay on unexpended funds (see Ordering Clause 7 in the June 23 Order).

**Table 6b. RG&E Implementation Costs for Electric Program Plan to be Recovered through SBC**

| | 2008-2009 | 2010 | 2011 | 2008-2011 |
|---|---|---|---|---|
| RG&E | | | | |
| Program-Specific Costs | $7,845,977 | $19,336,847 | $20,017,894 | $47,200,718 |
| Non-program-specific Costs | $1,109,283 | $1,020,554 | $1,113,332 | $3,243,169 |
| *Total* | $8,955,260 | $20,357,401 | $21,131,226 | $50,443,887 |
| NYSERDA "fast track" | $7,231,157 | $5,784,926 | $5,784,926 | $18,801,009 |
| Collections | $13,538,226 | $10,830,581 | $10,830,581 | $35,199,388 |
| Budgetary Variance | ($2,648,191) | ($15,311,746) | ($16,085,571) | ($34,045,508) |

Tables 7a through 7f provide the annual implementation costs[20] NYSEG and RG&E, respectively, propose to recover through the *gas* SBC on a budgetary basis. As specified in Ordering Clause 7 of the June 23 Order, actual prior year expenditures will be reported to the NYPSC on an annual basis on or before June 1st of every year.

For convenience, Tables 7a and 7d repeat information provided in the Companies' August 22 Gas Plan.Tables 7b and 7e provide the costs to achieve the ancillary gas savings in Table 4a. Finally, Tables 7c and 7f combine both these costs for comparison with the funds collected annually through the SBC charge, as drawn from Table 18 (*EEPS Annual Collections from Gas Ratepayers by Service Territory)* in Appendix 1 of the June 23 Order, and updated in the July 3, 2008 *Errata Notice.* The annual collections specified on that updated table were intended to recover the costs of the single utility "expedited" program. They did not take into account the cost of incremental utility programs designed to achieve fuel integration and depth of savings, which were still to be determined.

The budgetary variance identifies the difference between expected annual expenditures and amounts expected annually to be collected from customers. Actual variances may be different from those specified here, depending on actual program participation levels, non-program cost allocations, and program administration, delivery, promotion, and evaluation expenses.

As described above, actual negative variances (cumulative amount spent exceeds cumulative amounts actually collected from customers) for electricity and gas energy efficiency activities are expected to be recovered through annual updates to the SBC tariff surcharge rate.

---

[20] Lost revenues are not included in Tables 3a and 3b.

**Table 7a. NYSEG Implementation Costs for Residential Efficient Gas Equipment Program from Gas Program Plan to be Recovered through SBC**

| | 2008 | 2009 | 2010 | 2011 | 2008-2011 |
|---|---|---|---|---|---|
| Program-Specific Costs | $255,508 | $1,022,032 | $1,045,588 | $1,069,144 | $3,392,272 |
| Non-program-specific Costs | $34,251 | $137,004 | $121,035 | $128,961 | $421,251 |
| Total | $289,759 | $1,159,036 | $1,166,623 | $1,198,105 | $3,813,523 |
| Annual Collections | $260,830 | $1,043,319 | $1,043,319 | $1,043,319 | $3,390,787 |
| Budgetary Variance | ($28,929) | ($115,717) | ($123,304) | ($154,786) | ($422,736) |

**Table 7b. NYSEG Implementation Costs for Ancillary Gas Savings to be Recovered through SBC**

| | 2009 | 2010 | 2011 | 2009-2011 |
|---|---|---|---|---|
| Program-Specific Costs | $1,693,128 | $3,638,832 | $3,745,450 | $9,077,410 |
| Non-program-specific Costs | $315,904 | $299,552 | $326,784 | $942,240 |
| Total | $2,009,032 | $3,938,384 | $4,072,234 | $10,019,650 |

**Table 7c. NYSEG Implementation Costs for and Ancillary Gas Savings and Residential Efficient Gas Equipment Program from Gas Program Plan to be Recovered through SBC**

| | 2008 | 2009 | 2010 | 2011 | 2008-2011 |
|---|---|---|---|---|---|
| Program-Specific Costs | $255,508 | $2,737,339 | $4,701,580 | $4,826,734 | $12,521,161 |
| Non-program-specific Costs | $34,251 | $463,142 | $428,613 | $467,578 | $1,393,584 |
| Total | $289,759 | $3,200,481 | $5,130,193 | $5,294,312 | $13,914,745 |
| Annual Collections | $260,830 | $1,043,319 | $1,043,319 | $1,043,319 | $3,390,787 |
| Budgetary Variance | ($28,929) | ($2,157,162) | ($4,086,874) | ($4,250,993) | ($10,523,958) |

**Table 7d. RG&E Implementation Costs for Residential Efficient Gas Equipment Program from Gas Program Plan to be Recovered through SBC**

| | 2008 | 2009 | 2010 | 2011 | 2008-2011 |
|---|---|---|---|---|---|
| Program-Specific Costs | $255,508 | $1,022,032 | $1,041,734 | $1,061,437 | $3,380,711 |
| Non-program-specific Costs | $38,169 | $152,678 | $125,528 | $133,863 | $450,238 |
| Total | $293,677 | $1,174,710 | $1,167,262 | $1,195,300 | $3,830,949 |
| Annual Collections | $250,135 | $1,000,540 | $1,000,540 | $1,000,540 | $3,251,755 |
| Budgetary Variance | ($43,542) | ($174,170) | ($166,722) | ($194,760) | ($579,194) |

**Table 7e. RG&E Implementation Costs for Ancillary Gas Savings to be Recovered through SBC**

| | 2009 | 2010 | 2011 | 2008-2011 |
|---|---|---|---|---|
| Program-Specific Costs | $1,601,372 | $3,428,268 | $3,515,743 | $8,545,383 |
| Non-program-specific Costs | $300,266 | $282,350 | $308,018 | $890,634 |
| Total | $1,901,638 | $3,710,618 | $3,823,761 | $9,436,017 |

**Table 7f. RG&E Implementation Costs for and Ancillary Gas Savings and Residential Efficient Gas Equipment Program from Gas Program Plan to be Recovered through SBC**

| | 2008 | 2009 | 2010 | 2011 | 2008-2011 |
|---|---|---|---|---|---|
| Program-Specific Costs | $255,508 | $2,645,633 | $4,491,071 | $4,597,087 | $11,989,299 |
| Non-program-specific Costs | $38,169 | $447,509 | $411,417 | $448,818 | $1,345,913 |
| Total | $293,677 | $3,093,142 | $4,902,488 | $5,045,905 | $13,335,212 |
| Annual Collections | $250,135 | $1,000,540 | $1,000,540 | $1,000,540 | $3,251,755 |
| Budgetary Variance | ($43,542) | ($2,092,602) | ($3,901,948) | ($4,045,365) | ($10,083,457) |

Sections IV through XI provide a more detailed breakdown of the program-specific costs. The non-program-specific costs reflect an allocation among programs as described above. Of all the non-program-specific costs, NYSEG's electric programs in the Electric Plan have been allocated 51.88% of the costs and RG&E's electric programs in the Electric Plan have been allocated 26.40% of the costs. Of all the non-program-specific costs, NYSEG's ancillary gas activities in the Electric Plan have been allocated 7.67% of the costs and RG&E's ancillary gas activities have been allocated 7.25% of the costs. Of all the non-program specific costs, NYSEG's and RG&E's Gas Plan (filed Aug 22, 2007) had each been allocated 3.40% of the costs. Material changes to the Gas and Electric Plans proposed by the Companies could cause a reallocation of these costs, increasing or decreasing the total final budget for either Plan.

I. Competitive Procurement

NYSEG and RG&E are strongly committed to competitive procurement for services whenever circumstances allow. It is the general policy of NYSEG and RG&E to issue RFPs as a way to ensure that competitive, unbiased efforts have been utilized for all external expenditures greater than $15K.

As specified in Appendix 3 of the June 23 Order, program delivery functions will be procured through competitive processes, except to the extent they are performed directly by the program administrator. Upon completion of a successful bidding process, a multiple year Agreement will be extended to the successful respondent(s). Included in this Agreement will be an option for renewal, pending the maintenance of acceptable performance throughout the term of the Agreement. This policy will be completed in a manner that is consistent with the Schedule for Implementation of Energy Efficiency programs as defined and modified by the PSC.

The following is a list of RFPs identified at this time. Except for evaluation planning services, all of these RFPs will be issued shortly after the submission of this Plan document.[21] The scope and flexibility of each will be consistent regardless of the specific program or whether it is an "expedited" or "incremental" program.

- Program RFPs – Residential Programs

    1. Energy Star® HVAC (Electric) (Expedited)
    2. Recommissioning/Early Replacement (Electric) (Incremental)
    3. Lighting (Incremental)
    4. Limited Income (Gas and Electric) (Incremental)
    5. Multifamily (Gas and Electric) (Incremental)[22]

- Program RFPs – Non-Residential Programs

    1. Small Business Direct Install (Electric) (Expedited)
    2. C & I Rebate (Gas and Electric) (Incremental)
    3. Block Bidding (Electric) (Incremental)

- Marketing/Outreach & Education Consultant
- Evaluation Planning
- Evaluation Implementation
- Market Research Services

Provided the appropriate internal approvals are received, all RFPs will be issued by by mid-October, 2008 with bid responses due from all Bidders by November 24, 2008. This timeline allows for the analysis of proposals, selection of top bidders, interviews, and site visits (if appropriate). The current plan calls for a recommendation to management

[21] Competitive procurement for a consultant to support development of the Gas and Electric Plans was completed in late 2007, in anticipation of the need for NYSEG and RG&E to rapidly comply with an EEPS order setting rigorous energy savings targets. Competitive procurement for the Residential Efficient Gas Equipment Program implementation contractor is complete, and pre-launch implementation activities have begun.

[22] The Multifamily Program will be a combination of Residential and Non-Residential Programming; for purposes of RFPs the program is included with the non-residential group of programs.

on or about December 22, 2008. Procurement will then be suspended until a Commission Order is received approving or modifying this plan. If the Order is received in January, scope and contract negotiations will follow and contracts should be signed by the end of February or early March 2009. Upon the completion of contract negotiations, final budgets will be consolidated for all programs.

By completing as much as possible of the procurement process prior to receipt of the Commission Order, the Companies will minimize the time between receipt of the Order and the date when customer applications will be accepted.

The only exception to this schedule will be for evaluation services. In order to ensure timely completion of the necessary detailed gas and electric evaluation plans as described in Appendix A, the RFP for Evaluation Planning was issued on September 19, 2008. An RFP for Evaluation Implementation Services will be issued following approval of the evaluation plans.

Evaluation contractors may not conduct program implementation or compete with any program implementation contractors. Program implementation contractors and block bidders may bid on one, some, or all of the specific residential and non-residential programs. When accepting and evaluating bids from program implementation contractors, care will be taken to evaluate the potential cost savings and ease of administration/ transparency to customers which may accrue by having multiple programs administered by the same vendor(s) against the potential risks associated with operating programs with fewer vendors.

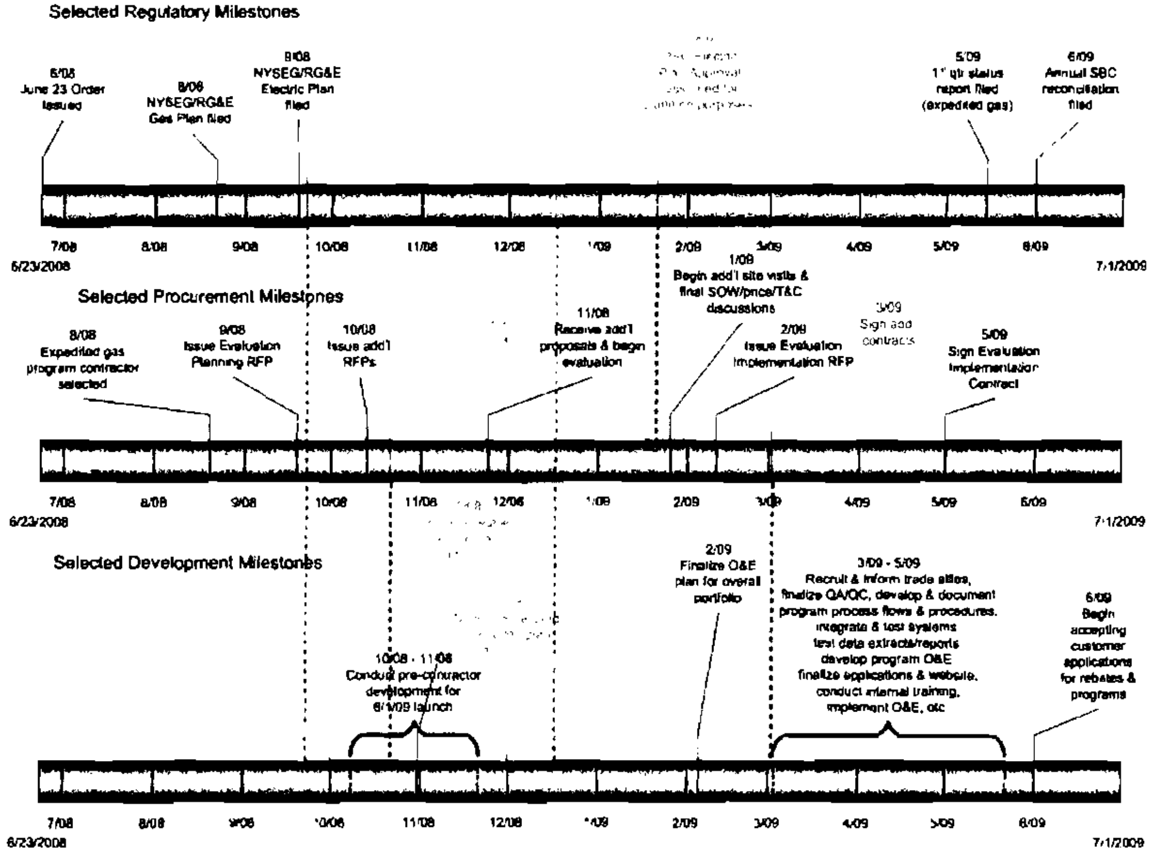
### J. Schedule

Figure 4 provides selected milestones for the regulatory, procurement, and development processes required to launch the electric portfolio.

Particularly critical are the date of NYPSC approval of this Electric Plan, and the date when contracts will be signed with program implementation and other essential service providers.

When the Companies know whether the NYPSC has approved this plan, and approved timely and assured cost and lost revenue recovery (see red milestone and dotted line on Figure 4), NYSEG and RG&E will be able to begin final discussions with potential contractors. In turn, signed contracts (see green milestone and dotted lines on Figure 4) will trigger a joint effort to complete preparations for implementing the energy efficiency programs.

**Figure 4. NYSEG/RG&E Procurement and Implementation Schedule**




K. Lost Revenues

NYSEG and RG&E propose that until such time as the Companies have implemented a PSC-approved Revenue Decoupling Mechanism ("RDM") or equivalent, energy sales and demand that are lost due to the implementation of electric and gas energy efficiency programs will be tracked and delivery revenues associated with such lost energy sales and lost demand (see Tables 3 and 5) will be calculated and recovered from customers through the respective SBC as explained below.

The Companies will track the unit savings, in kWh, kW, and therms, for the participants of each energy efficiency program at the customer account level. All Program Administrators ("PA") active in the NYSEG and RG&E service territories will be required to track and submit the participation levels by equipment type for each of the energy efficiency programs they implement.

The Companies will calculate actual lost revenues on a monthly basis by multiplying the unit savings associated with the actual installed measures by the variable delivery charge(s) ($/kWh, $/kW, and $/therm) of the participants' respective service class. Cumulative lost delivery revenues[23] since EEPS inception will be added to the amounts already scheduled to be collected through the annual SBC tariff rate established in the June 23 Order, and the surcharge rate will be commensually increased. Each subsequent annual SBC tariff surcharge rate will be updated to incorporate cumulative lost revenues for the prior twelve-month period. [24]

[23] Cumulative lost revenues will include interest, accrued at the Other Customer Capital rate as published and updated annually by the Public Service Commission, which is the same interest rate the Companies will pay on unexpended SBC funds (see Ordering Clause 7 in the June 23 Order).
[24] The Companies will submit tariffs in compliance, once the Commission Order is issued approving the lost revenue provisions proposed in this Plan.

## IV. RESIDENTIAL ENERGY STAR® HVAC PROGRAM

### A. Program Description

The purpose of this program is to increase the penetration of high efficiency HVAC (heating, ventilating and air conditioning) equipment in single family residences in NYSEG's and RG&E's service territories by (a) motivating customers to purchase higher efficiency electric equipment than would otherwise be the case, and (b) motivating trade allies, including equipment vendors and contractors, to stock and promote the installation of high efficiency ENERGY STAR® labeled HVAC equipment.

Under this program, incentives will be provided to residential customers who install new HVAC equipment that exceeds certain efficiency levels in existing homes. This program will provide customers with (1) financial incentives to offset the higher purchase cost of energy efficient equipment and (2) information on the features and benefits of energy efficient equipment. Quality installation measures that are consistent with BPI training will be encouraged. These quality installation measures will include proper sizing, proper airflow over evaporator coils and proper charging of the refrigerant.

In the future, the Companies may elect to modify the program to mandate a quality installation component and also provide additional rebates directly to BPI (or similar) certified contractors. The Companies may also expand the program to new construction, based on further discussions with NYSERDA.

The program will be conducted by a program implementation contractor who will be chosen through the competitive RFP process and will work under the management and oversight of the Companies. This program implementation contractor will be accountable for tier 3 (program-specific) promotional activities, trade ally recruitment and training, validation of rebate applications and payment of incentives, responses to customer inquiries, resolution of problems (including flawed or incomplete applications), data management and tracking, field inspections and reporting.

The Companies are evaluating a number of creative incentive payment alternatives, keeping in mind program efficiencies and maximizing customer convenience and participation as co-equal program objectives. As programs are started and evaluated, the Companies may propose future modification to methodologies utilized for customer incentive payment, including but not limited to the potential for customers to assign rebates to equipment vendors or contractors, and options to donate all or part of rebates to the heating funds that provide relief to low-income customers in the NYSEG and RG&E service territories.

The Residential Energy Star HVAC Electric Program complements the Residential Efficient Gas Equipment Program in the Companies' previously-filed Gas Plan, serving the same customer base and offering program referrals and opportunities for joint program promotion in order to achieve the maximum amount of savings and reach the greatest numbers of households. (This is true especially in areas where the Companies serve both electric and gas customers. In borderline areas where the Companies may serve one or the other fuel customer but not both, the Companies will work to coordinate program activities with the appropriate utility providing the service not provided by the Companies,) It also provides one aspect of a full-range of HVAC efficiency products to ensure that all customer classes (from residential to industrial) have access to energy efficiency services.

NYSEG and RG&E will coordinate the delivery of this program with the Residential Efficient Gas Equipment Program, and other programs as appropriate, utilizing joint program publicity and referrals. In addition, the Residential Energy Star HVAC program is designed to also support and enhance NYSERDA's Home Performance with Energy Star program by providing rebates and making the home performance activity more cost-effective to implement.

B. Program Promotion

Program-specific (tier 3) promotional activities will target customers currently installing replacement HVAC systems. In addition, a key marketing component of the program will be to involve trade allies with the program and educate them concerning the advantages of making use of the rebates to encourage the sales and installation of higher-efficiency equipment. Customer promotional approaches may include bill inserts and/or messages, targeted direct mail campaigns, brochures and applications for use by trade allies, community outreach, and informational advertising groups. An interactive website with program information and downloadable application forms will complement these promotional activities. Periodic trade ally meetings and training sessions will be held to maintain a high level of awareness concerning the program and to recognize positive results. Program brochures and an interactive website with program information and downloadable application forms will complement these promotional activities.

In addition, where NYSEG and RG&E deliver natural gas, the Companies intend to work to integrate all energy efficiency programs (including the Residential Efficient Gas Equipment Program).

The Companies will be reviewing the feasibility of marketing the Residential ENERGY STAR® HVAC – Electric Program with the Residential Efficient Gas Equipment Program under a single residential program umbrella. While program costs, savings, budgets, impact and other metrics will be tracked, documented and reported separately, there are benefits associated with offering an integrated residential program to customers. The Companies will evaluate the synergies and cost effectiveness of this approach by evaluating opportunities associated with:

- Joint program marketing
- Administration and delivery
- Integrating promotional materials
- Training contractors on program protocols and processes (which will be similar between the two programs) and installation best practices

C. Eligible Customers

To participate in this program, customers must be residential electric customers of NYSEG or RG&E, or landlords of residential dwellings served by NYSEG or RG&E, and have a central air conditioning system.[25] It is estimated that 150,000 customers in NYSEG's service area and 89,000 customers in RG&E's service area have central air conditioning, and are thus eligible for this program.

D. Eligible Technologies and Rebates

The technologies eligible for rebates under this program are high efficiency central cooling systems. Installed equipment must meet minimum SEER (Seasonal Energy Efficiency Ratio) ratings. As shown in Table 8 below there will be two rebate levels. For equipment with a SEER of 15, the rebate will be $400. For equipment with a SEER equal to or greater than 16, the rebate will be $600.

**Table 8. Residential Energy Star® HVAC Equipment Qualifications and Rebate Levels**

| Equipment | Eligibility Rating | Prescriptive Rebate |
|---|---|---|
| Central Air Conditioning | 15 SEER | $400 |
| Central Air Conditioning | 16 SEER | $600 |

E. Energy and Demand Savings

Tables 9a and 9b provide the annual and cumulative MWh and MW reductions under this program, based upon deemed savings of an assumed mix of measures installed.

For this program, the electric peak coincidence factor is 0.50.[26]

[25] By definition, customers are eligible for this program if they are eligible for a residential rate. These customers may include churches, veterans programs or other organizations that qualify for the residential rate but whose subject buildings may not be dwelling units. Customers who find the non-residential program to be more appropriate and whose buildings are not single family dwellings may be eligible for non-residential programs.

[26] The formula provided in the June 23 Order to derive coincidence factor is $\frac{AnnualMWhSaved}{(MWSavedOnPeak \times 8760hours)}$.

The Companies calculated the coincidence factor as the product of the annual non-coincident load factor time a coincidence factor, to allow subsequent analytical flexibility. The resulting formula is

$$\left(\frac{MWhsaved}{NoncoincidentMWpeak \times 8760hours}\right) \times \left(\frac{CoincidentMWpeak}{NoncoincidentMWpeak}\right)$$

**Table 9a. Residential Energy Star® HVAC Equipment Annual MWh Savings**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 1,087 | - | 517 | - |
| 2010 | 2,267 | 3,355 | 1,079 | 1,597 |
| 2011 | 2,267 | 5,622 | 1,079 | 2,676 |

**Table 9b. Residential Energy Star® HVAC Equipment Annual MW Load Reduction at Time of NYISO Coincident Peak**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 859 | - | 409 | - |
| 2010 | 1,793 | 2,652 | 853 | 1,262 |
| 2011 | 1,793 | 4,445 | 853 | 2,116 |

F. Costs

Table 10 provides a breakdown of program costs by category. Rebates/incentives will vary directly with customer participation and associated savings. Direct administration[27], delivery, promotion, and evaluation expenses will vary to a lesser degree with participation levels. (Gas Program costs for the similar Efficient Gas Equipment Program are included in the Companies' 60-day filing and are not repeated here to avoid potential confusion.)

**Table 10. Residential Energy Star® HVAC Electric Program Costs**

| Category | NYSEG 2010 Costs | RG&E 2010 Costs |
|---|---|---|
| Program-specific costs | | |
| Direct administration | $230,020 | $109,490 |
| Delivery | $99,825 | $47,517 |
| Tier 3 Promotion | $99,825 | $47,517 |
| Customer rebate/incentive | $1,210,000 | $575,960 |
| Evaluation | $92,771 | $44,921 |
| *Subtotal* | $1,732,441 | $825,404 |
| Allocated non-program-specific costs | $139,533 | $69,514 |
| *Total* | $1,871,974 | $894,919 |

[27] Financial incentives are included in the administrative cost category.

G. Test Results

Appendix 3 of the June 23 Order identified the specific tests that were applicable to electric and natural gas programs.

1. TRC Tests

The primary and most important test is the Total Resource Cost ("TRC"), for which the results are provided in Table 11. The value of carbon was assumed to be $15/ton, as suggested in Appendix 3. The TRC analysis takes into account financial incentives, as noted in Section III.D. Discount rates of 7.16 percent and 8.37 percent were used for NYSEG and RG&E respectively. The TRC test is based upon one levelized year, and runs for the life of the equipment.

**Table 11. Residential Energy Star® HVAC Electric Total Resource Cost Tests**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | NPV | B/C | NPV | B/C |
| TRC | $945,406 | 1.43 | $338,360 | 1.32 |
| TRC with carbon externality[28] | $1,151,861 | 1.52 | $430,609 | 1.41 |

2. Rate Impacts

Rate impacts of this program are shown on Table 12.

The electric rate impact metric provides the percentage increase in current delivery rates associated with a particular program. The results are provided on a levelized basis assuming the program continues to expand and extends through either 2011 or 2015. The electric rate impacts are based on the levelized lost electric delivery revenues and the levelized total program costs for the years represented in Table 12. Those total dollars, presented in the first row of the rate impact table, are then expressed on a percentage basis, a per MWh unit basis and a per MW unit basis using 2007 total electric delivery revenues, 2007 total electric sales and 2007 total demand, respectively. Electric SBC charges do not currently vary by class, so the cost of each program is assumed to be recovered from all customers assessed the SBC delivery surcharge.

[28] The value for carbon environmental externalities used in the electric TRC tests was based on data presented in a 2002 NYSERDA Report titled "Reducing Emissions from the Electricity Sector".

[28] The value for carbon environmental externalities used in the natural gas TRC tests was based upon 2007 estimates developed by the Minnesota Department of Commerce and approved by the Minnesota Public Utilities Commission.

**Table 12. Electric Rate Impacts**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | Through 2011 | Through 2015 | Through 2011 | Through 2015 |
| Levelized rate impact | $1,625,086 | $1,764,851 | $772,897 | $816,879 |
| Levelized percentage rate impact | 0.27% | 0.230% | 0.29% | 0.31% |
| Levelized rate impact per MWh | 0.11 | 0.12 | 0.10 | 0.11 |
| Levelized rate impact per MW | 80 | 87 | 72 | 76 |

### 3. Participation

Table 13 is based on an estimate that 17,500 NYSEG and 8,330 RG&E residential customers will participate in this program from 2009 through 2015. This is approximately 2 percent and 3 percent respectively of projected 2015 residential customers.

**Table 13. Residential Energy Star® HVAC (Electric) Program Participation**

| | NYSEG | | | RG&E | | |
|---|---|---|---|---|---|---|
| | Participants | Demand (kW) | Energy (kWh) | Participants | Demand (kW) | Energy (kWh) |
| **2009** | 1,450 | 859 | 1,087,109 | 690 | 409 | 517,464 |
| **2010** | 3,025 | 1,793 | 2,267,935 | 1,440 | 853 | 1,079,537 |
| **2011** | 3,025 | 1,793 | 2,267,935 | 1,440 | 853 | 1,079,537 |

## V. RESIDENTIAL RECOMMISSIONING/EARLY REPLACEMENT

### A. Description

The purpose of this program is to reduce the electric usage of NYSEG and RG&E residential customers by encouraging them to have their existing cooling systems evaluated and if feasible, "recommissioned" (brought back to factory specifications). If recommissioning is not efficacious, the equipment will be replaced with high efficiency cooling equipment (even if the existing systems are still working). Since this load runs during peak times, it is important to reduce energy use during this time while avoiding any lessening in customer comfort.

Under this program, the program implementation contractor will provide an initial analysis of the customer's existing older central cooling systems to assess the potential for re-commissioning of the system. Many central cooling systems are not tuned up on an annual basis. Others have never even been commissioned, much less recommissioned. It is highly probably that a large portion of the systems are not running at factory-specified efficiencies. Therefore, where appropriate it is cost-effective to recommission the system. Customers will also receive 6 CFLs directly installed for having the analysis performed.

The customer then has the option of recommissioning if possible (restoring to an efficiency which is close to the manufacturer's specifications or a minimum Energy Efficiency Ratio ["EER"] of 8) at no cost, or replacing the system with a minimum 15 Seasonal Energy Efficiency Ratio ("SEER") unit and receiving a prescriptive rebate of $750 per system. This rebate amount is higher than that available in the Residential Energy Star® HVAC Program to encourage customers to replace their systems prior to failure in order to achieve the highest possible energy efficiency. Newly-installed systems will utilize quality installation standards that are consistent with BPI training. These quality installation measures will include proper sizing, proper airflow over evaporator coils, and proper charging of the refrigerant.

The program will be conducted by a program implementation contractor, who will be chosen through the competitive RFP process and will work under the management and oversight of the Companies. This program implementation contractor will be accountable for program implementation including tier 3 (program-specific) promotional activities, trade ally recruitment and training/partnership development, validation of eligible participants, purchasing and dissemination of CFLs, rebate applications and payment of incentives where applicable, responses to customer inquiries, resolution of problems (including flawed or incomplete applications), data management and tracking, field inspections (QA/QC for quality installation) and reporting.

To the extent practicable, NYSEG and RG&E will coordinate the delivery of this program with HVAC dealers and contractors, with other utility programs and with NYSERDA. The Companies will also make referrals to other programs where appropriate, such as the Residential Energy Star® HVAC program.

## B. Promotion

Program-specific promotional activities will be accomplished primarily through two avenues. First, bill inserts and/or messages and information placed on the Companies' website will create a general awareness of the availability of this program with customers. Second, the program implementation contractor will be required to research high summer use customers and create target marketing to these customers via direct mail or other similar means. In addition, customers requesting billing assistance or with high bill complaints will also be made aware of this and other energy efficiency programs available to NYSEG's and RG&E's customers if appropriate.

## C. Eligible Customers

To participate in this program, customers must be residential electric customers of NYSEG or RG&E, or landlords of residential dwellings served by NYSEG or RG&E, and have a central air conditioning system.[29] Those who have central systems that are not working will be referred to the Residential Energy Star® HVAC (Electric) program. The implementation contractor will be responsible for ensuring eligibility criteria are met. It is estimated that approximately 150,000 NYSEG and 89,000 RG&E residential customers have central cooling systems, and thereby qualify for program participation.

## D. Eligible Technologies and Rebates

For recommissioning, the equipment must be able to be brought back to at least an EER of 8. The recommissoning will be performed at no cost to the customer. For replacement, the new system installed must be a minimum 15 SEER. Quality installation measures that are consistent with BPI training must be performed for any new system being installed. The rebate for a new early replacement system is $750 per system. Any system that is replaced must be a central cooling system and in working order. CFLs will be provided to the customers at no cost.

## E. Energy and Demand Savings

Tables 14a and 14b provide the annual and cumulative MWh and MW reductions under this program, based upon deemed savings of an assumed mix of measures installed.

---

[29] By definition, customers are eligible for this program if they are eligible for a residential rate. These customers may include churches, veterans programs or other organizations who qualify for the residential rate but whose subject buildings may not be dwelling units. Customers who find the non-residential program to be more appropriate and whose buildings are not single family dwellings may be eligible for non-residential programs.

For this program, the electric peak coincidence factor is 0.50 for both NYSGE and RG&E. [30]

**Table 14a. Residential Recommissioning/Early Replacement Program Annual MWh Savings**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 2,024 | - | 1,201 | - |
| 2010 | 4,223 | 6,247 | 2,505 | 3,706 |
| 2011 | 4,223 | 10,470 | 2,505 | 6,212 |

**Table 14b. Residential Recommissioning/Early Replacement Program Annual MW Load Reduction at Time of NYISO Coincident Peak**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 1,537 | - | 912 | - |
| 2010 | 3,207 | 4,744 | 1,903 | 2,815 |
| 2011 | 3,207 | 7,951 | 1,903 | 4,717 |

For systems that cannot be recommissioned, it is assumed that the cooling systems have at least 5 – 10 more years of life. Based on these assumptions, the Companies have included 5 years of full savings and 10 years of incremental savings in these analyses.

F. Costs

Table 15 provides a breakdown of program-specific costs by category (electric costs only; there is no associated gas component of this program). Rebates will vary directly with customer participation and associated savings. Direct administration[31], delivery, promotion, and evaluation expenses will vary to a lesser degree with participation level.

---

[30] The formula provided in the June 23 Order to derive coincidence factor is $\frac{AnnualMWhSaved}{(MWSavedOnPeak \times 8760hours)}$.

The Companies calculated the coincidence factor as the product of the annual non-coincident load factor time a coincidence factor, to allow subsequent analytical flexibility. The resulting formula is

$$\left(\frac{MWhsaved}{NoncoincidentMWpeak \times 8760hours}\right) \times \left(\frac{CoincidentMWpeak}{NoncoincidentMWpeak}\right)$$

[31] Financial incentives are included in the administrative cost category.

**Table 15. Residential Recommissioning/Early Replacement Program Costs**

| Category | NYSEG 2010 Costs | RG&E 2010 Costs |
|---|---|---|
| Program-specific costs | | |
| Direct administration | $317,734 | $188,522 |
| Delivery | $811,078 | $481,240 |
| Tier 3 Promotion | $154,729 | $91,806 |
| Customer rebate/incentive | $851,598 | $505,281 |
| Evaluation | $110,922 | $65,367 |
| *Subtotal* | $2,246,061 | $1,332,216 |
| Allocated non-program-specific costs | $149,542 | $69,361 |
| *Total* | $2,395,603 | $1,401,577 |

G. Test Results

Appendix 3 of the June 23 Order identified several tests that were specifically applicable to EEPS programs.

1. <u>TRC Tests</u>

The primary and most important test is the Total Resource Cost ("TRC"), for which the results are provided on Table 16. The value of carbon was assumed to be $15/ton, as suggested in Appendix 3. The TRC analysis takes into account financial incentives, as noted in Section III.D. Discount rates of 7.16 percent and 8.37 percent were used for NYSEG and RG&E respectively. The TRC test is based upon one levelized year, and runs for the life of the equipment.

**Table 16. Residential Recommissioning/Early Replacement Electric Total Resource Cost Tests**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | NPV | B/C | NPV | B/C |
| TRC | $281,159 | 1.14 | $84,194 | 1.07 |
| TRC with carbon externality | $445,479 | 1.22 | $178,421 | 1.14 |

2. <u>Rate Impacts</u>

Rate impacts of this program are shown on Table 17.

The electric rate impact metric provides the percentage increase in current delivery rates associated with a particular program. The results are provided on a levelized basis assuming the program continues to expand and extends through either 2011 or 2015.

The electric rate impacts are based on the levelized lost electric delivery revenues and the levelized total program costs for the years represented in Table 17. Those total dollars, presented in the first row of the rate impact table, are then expressed on a percentage basis, a per MWh unit basis and a per MW unit basis using 2007 total electric delivery revenues, 2007 total electric sales and 2007 total demand, respectively. Electric SBC charges do not currently vary by class, so the cost of each program is assumed to be recovered from all customers assessed the SBC delivery surcharge.

**Table 17. Residential Recommissioning/Early Replacement Program Electric Rate Impacts**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | Through 2011 | Through 2015 | Through 2011 | Through 2015 |
| Levelized rate impact | $2,078,662 | $2,338,916 | $1,195,030 | $1,297,115 |
| Levelized percentage rate impact | 0.35% | 0.39% | 0.45% | 0.49% |
| Levelized rate impact per MWh | 0.15 | 0.17 | 0.16 | 0.18 |
| Levelized rate impact per MW | 102 | 115 | 111 | 121 |

3. Participation

Table 18 is based on an estimate that 16,800 NYSEG and 9,968 RG&E residential customers will participate in this program from 2009 through 2015. This is approximately 2 percent and 3 percent respectively of projected 2015 residential customers.

**Table 18. Residential Recommissioning/Early Replacement Program Participation Levels**

| | NYSEG | | | RGE | | |
|---|---|---|---|---|---|---|
| | Participants | Demand (kW) | Energy (kWh) | Participants | Demand (kW) | Energy (kWh) |
| **2009** | 1,392 | 1,537 | 2,024,297 | 826 | 912 | 1,201,083 |
| **2010** | 2,904 | 3,207 | 4,223,102 | 1,723 | 1,903 | 2,505,707 |
| **2011** | 2,904 | 3,207 | 4,223,102 | 1,723 | 1,903 | 2,505,707 |

## VI. RESIDENTIAL LIGHTING PROGRAM

### A. Description

The purpose of this program is to increase the concentration of energy efficient compact fluorescent lighting ("CFL") in NYSEG's and RG&E's service territories by (a) motivating customers to purchase CFLs and (b) creating a unique sales channel which uses community agencies and not-for-profit organizations to sell CFLs as part of their fund-raising activities. A welcome co-benefit of this program is raising energy efficency awareness at the grass-roots level, including with community groups and organizations.

While CFLs are becoming more readily available, there are still many households who do not use CFLs. This program will try to reach those customers through a new channel. This program is also an opportunity for community organizations and fund raisers to offer a product that is energy efficient, environmentally friendly and innovative, compared to traditional products such as garbage bags, wrapping paper or chocolates.

In this program, community and other not-for-profit organizations will be enlisted to sell and distribute CFL multi-packs as part of their regular fund-raising programs. Participating fund-raising organizations will be allowed to purchase discounted CFL"fund-raising packs" in volume, which will be subsidized by the program, and re-sell these packs with an added margin which they will retain for their fund-raising efforts. These groups will be recruited and trained in the benefits of energy efficient lighting and how to use the CFLs as an effective fund-raising tool. Various combinations of CFL packages will be offered (e.g., 2-lamp, 4-lamp, and 5-lamp) to provide options for their customers.

The program will be conducted by a program implementation contractor who will be chosen through the competitive RFP process and will work under the management and oversight of the Companies. This program implementation contractor will work directly with the organizations selling the lamps to process orders. The program steps include:

1. Recruitment of local not-for-profit agencies
2. Training representatives from the not-for-profit agencies
3. Selling the CFLs (via the fund-raising efforts of the not-for-profit agencies)
4. Consolidating group orders and sending payment to the fulfillment vendor for processing
5. Shipping CFLs to each group for distribution to the customers that purchased them.

## B. Program Promotion

Program specific (tier 3) promotional activities will target charitable and community groups to inform them of the availability of this program. The implementation contractor will assist these organizations in the development of promotional plans and materials. Finally, the Companies may assist in co-promoting the fundraising groups by timing their promotional efforts with local outreach and community events, as well as other campaigns such as EPA's National Energy Star® campaign, "Change a Light, Change the World."

## C. Eligible Customers

Not-for-profit organizations within NYSEG's and RG&E's service territories are eligible to participate in this program. It is assumed that the majority, if not all, of the people who purchase CFLs through these fund raisers will also be NYSEG and RG&E residential customers.

Since all residential customers will be eligible to purchase CFLs through this program, it is estimated that approximately 775,000 NYSEG and 327,000 RG&E residential customers will be eligible to participate in the program.

## D. Eligible Technologies and Rebates

The Companies will work with the Implementation Contractor and representatives from various community and not-for-profit groups to determine the best combinations of CFLs to offer under this program. It is likely that several combinations of CFLs packaged together will provide the wide range of customer choice necessary to successfully promote the program.

## E. Energy and Demand Savings

Tables 19a and 19b provide the annual and cumulative MWh and MW reductions under this program, based upon deemed savings of an assumed mix of measures installed.

For this program, the electric peak coincidence factor is 0.10. [32]

---

[32] The formula provided in the June 23 Order to derive coincidence factor is $\frac{AnnualMWhSaved}{(MWSavedOnPeak \times 8760 hours)}$.

The Companies calculated the coincidence factor as the product of the annual non-coincident load factor time a coincidence factor, to allow subsequent analytical flexibility. The resulting formula is

$$\left(\frac{MWhsaved}{NoncoincidentMWpeak \times 8760 hours}\right) \times \left(\frac{CoincidentMWpeak}{NoncoincidentMWpeak}\right)$$

**Table 19a. Residential Lighting Program Annual MWh Savings**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 4,359 | - | 1,860 | - |
| 2010 | 9,094 | 13,453 | 3,880 | 5,740 |
| 2011 | 9,094 | 22,548 | 3,880 | 9,620 |

**Table 19b. Residential Lighting Program**
**Annual MW Load Reduction at Time of NYISO Coincident Peak**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 363 | - | 155 | - |
| 2010 | 758 | 1,121 | 323 | 478 |
| 2011 | 758 | 1,879 | 323 | 802 |

F. Costs

Table 20 provides a breakdown of program-specific costs by category (electric costs only; there is no associated gas component of this program). Rebates will vary directly with customer participation and associated savings. Direct administration[33], delivery, promotion, and evaluation expenses will vary to a lesser degree with participation level.

**Table 20. Residential Lighting Program Costs**

| Category | NYSEG 2010 Costs | RG&E 2010 Costs |
|---|---|---|
| Program-specific costs | | |
| Direct administration | $448,551 | $191,382 |
| Delivery | $26,620 | $26,620 |
| Tier 3 Promotion | $59,895 | $25,555 |
| Customer rebate/incentive | $363,000 | $154,880 |
| Evaluation | $33,208 | $14,668 |
| *Subtotal* | $931,274 | $413,105 |
| Allocated non-program-specific costs | $86,047 | $27,022 |
| *Total* | $1,017,321 | $440,126 |

[33] Financial incentives are included in the administrative cost category.

G. Test Results

Appendix 3 of the June 23 Order identified several tests that were specifically applicable to EEPS programs.

1. TRC Tests

The primary and most important test is the Total Resource Cost ("TRC") for which the results are provided in Table 21 The value of carbon was assumed to be $15/ton, as suggested in Appendix 3. The TRC analysis takes into account financial incentives, as noted in Section III.D. Discount rates of 7.16 percent and 8.37 percent were used for NYSEG and RG&E respectively. The TRC test is based upon one levelized year, and runs for the life of the equipment.

**Table 21. Residential Lighting Electric Total Resource Cost Tests**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | NPV | B/C | NPV | B/C |
| TRC | $742,199 | 1.91 | $301,193 | 1.85 |
| TRC with carbon externality | $982,459 | 2.21 | $402,616 | 2.13 |

2. Rate Impacts

Rate impacts of this program are shown on Table 22.

The electric rate impact metric provides the percentage increase in current delivery rates associated with a particular program. The results are provided on a levelized basis assuming the program continues to expand and extends through either 2011 or 2015.[34]

The electric rate impacts are based on the levelized lost electric delivery revenues and the levelized total program costs for the years represented in Table 22. Those total dollars, presented in the first row of the rate impact table, are then expressed on a percentage basis, a per MWh unit basis and a per MW unit basis using 2007 total electric delivery revenues, 2007 total electric sales and 2007 total demand, respectively. Electric SBC charges do not currently vary by class, so the cost of each program is assumed to be recovered from all customers assessed the SBC delivery surcharge.

[34] New DOE lighting standards that will begin to take effect in 2012 make it uncertain whether this program will be cost effective after 2011. Therefore for planning purposes, the companies have not assumed any savings from this program after 2011. The cumulative participation level through 2011 is approximately 15 percent of projected 2015 residential customers.

**Table 22. Residential Lighting Program Electric Rate Impacts**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | Through 2011 | Through 2015 | Through 2011 | Through 2015 |
| Levelized rate impact | $1,145,025 | $1,143,194 | $450,949 | $450,383 |
| Levelized percentage rate impact | 0.19% | 0.19% | 0.17% | 0.17% |
| Levelized rate impact per MWh | 0.08 | 0.08 | 0.06 | 0.06 |
| Levelized rate impact per MW | 56 | 56 | 42 | 42 |

3. Participation

Table 23 is based on estimates that 112,500 NYSEG and 48,000 RG&E residential customers will participate in this program from 2009 through 2015. This is approximately 15 percent and 15 percent respectively of projected 2015 residential customers.

**Table 23. Residential Lighting Program Participation Levels**

| | NYSEG | | | RG&E | | |
|---|---|---|---|---|---|---|
| | Participants | Demand (kW) | Energy (kWh) | Participants | Demand (kW) | Energy (kWh) |
| **2009** | 21,750 | 363 | 4,359,375 | 9,280 | 155 | 1,860,000 |
| **2010** | 45,375 | 758 | 9,094,558 | 19,360 | 323 | 3,880,345 |
| **2011** | 45,375 | 758 | 9,094,558 | 19,360 | 323 | 3,880,345 |

## VII. RESIDENTIAL LIMITED INCOME PROGRAM

### A. Description

The purpose of this program is to reduce electric usage among NYSEG and RG&E limited income customers by replacing older, inefficient refrigerators with new high efficiency Energy Star® models in single family to 4-unit residential buildings where the individual tenant (or owner) incomes are 60-80% of New York State median income. In addition to replacing old refrigerators, customers participating in this program will have incandescent lamps replaced with CFLs where appropriate, resulting in increased energy savings and reduced energy costs for the customers. This program also has the potential to provide savings on the gas side. While at these residences, the program implementation contractor will identify improvements to the residence envelope and the program may provide up to $3,000 per unit in grants for envelope weatherization.

This market segment includes customers that, at times, have to make a difficult choice to pay their energy bills. Sometimes making the choice to pay energy bills can mean that they are less able to purchase other essentials like medicine and food. This program will provide some relief for this group of customers.

The program will develop partnerships with local refrigerator distributors to obtain units at a reduced cost. NYSEG and RG&E will provide a $600 rebate per residence for the cost of the refrigerator. The CFL costs are covered under the general program budget. It is anticipated that this rebate will cover the entire cost of the refrigerator, but if it does not, the remainder of the cost will be borne by either the customer or if a rental property, by the landlord.

The program design includes arrangements for the proper disposal and recycling of the old refrigerators being replaced. While crews are delivering new and removing old refrigerators, they will also install CFLs in the homes/apartments and will provide education on the proper disposal of CFLs. The program will be conducted by a program implementation contractor, who will be chosen through the competitive RFP process and will work under the management and oversight of the Companies. This program implementation contractor will be accountable for program implementation including tier 3 (program-specific) promotional activities, trade ally recruitment and training/partnership development, validation of eligible participants, purchasing and dissemination of CFLs and refrigerators, rebate applications and payment of incentives where applicable, responses to customer inquiries, resolution of problems (including flawed or incomplete applications), data management and tracking, field inspections (QA/QC for quality installation) and reporting.

To the extent practicable, NYSEG and RG&E will coordinate the delivery of this program with trade allies, community service providers, Community Action Program (CAP) agencies, NYSERDA and neighboring utilities. The Companies will also make referrals to other programs, such as NYSERDA's Multifamily program, Empower, etc. where appropriate.

## B. Program Promotion

Program-specific promotional activities will be accomplished via two avenues. First, general awareness on the availability of this program will be accomplished through bill inserts and/or messages and information on the website. Second, this program will be promoted to trade allies, community-based organizations (such as senior centers, Meals on Wheels, etc.), landlord organizations and CAP agencies using brochures, direct mail, community outreach, and targeted informational advertising. Customers who call in requesting billing assistance will also be made aware of this and of the energy efficiency program availability if appropriate.

## C. Eligible Customers

Customers must be residential customers of NYSEG or RG&E, or landlords of residential dwellings served by NYSEG or RG&E. The incomes of the residents (owners or tenants) must be between 60% and 80% of the state median income, and the dwelling must be a 1-4 unit residential dwelling.[35] The implementation contractor will be responsible for ensuring eligibility criteria are met.

It is estimated that approximately 10 percent of the total residential customers of both Companies are eligible for this program, providing a potential market of at least 75,000 customers for NYSEG and 30,000 customers for RG&E.

## D. Eligible Technologies and Rebates

The old refrigerators will be matched to similar new and efficient refrigerator models, and will be metered for 1 hour to measure their energy use. If the existing unit's metered usage is 2 times (or more) greater than the corresponding new refrigerator model's usage, it will qualify to be replaced with the appropriately matched new and efficient refrigerator model. Incandescent lights will also be replaced with CFLs producing equivalent lumens. A grant of $600 per residence is intended to cover the cost of the refrigerator and the CFLs.

Eligible weatherization measures for efficiency improvements in gas use will use the same protocols followed by CAP agencies in providing weatherization services. A grant of up to $3,000 per residence will be provided for the weatherization.

## E. Energy and Demand Savings

Tables 24a through 24c provide the annual and cumulative MWh and MW reductions as well as the Annual MBTU Ancillary (Gas) savings under this program, based upon deemed savings of an assumed mix of measures installed.

---

[35] Larger dwellings (5 or more units) may be eligible to participate in the Multi-family program.

For this program, the electric peak coincidence factor is 0.62 [36]

**Table 24a. Residential Limited Income Program Annual MWh Savings**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 655 | - | 327 | - |
| 2010 | 1,367 | 2,023 | 683 | 1,011 |
| 2011 | 1,367 | 3,390 | 683 | 1,695 |

**Table 24b. Residential Limited Income Program Annual MW Load Reduction at Time of NYISO Coincident Peak**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 309 | - | 155 | - |
| 2010 | 645 | 955 | 323 | 477 |
| 2011 | 645 | 1,600 | 323 | 800 |

**Table 24c. Residential Limited Income Program Annual MBTU Ancillary Gas Savings**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 6,332 | - | 6,332 | - |
| 2010 | 13,209 | 19,541 | 13,209 | 19,541 |
| 2011 | 13,209 | 32,750 | 13,209 | 32,750 |

F. Costs

Tables 25a and 25b provide a breakdown of program-specific costs by category for electricity and gas, respectively. Incentives will vary directly with customer

[36] The formula provided in the June 23 Order to derive coincidence factor is $\frac{AnnualMWhSaved}{(MWSavedOnPeak \times 8760hours)}$.
The Companies calculated the coincidence factor as the product of the annual non-coincident load factor time a coincidence factor, to allow subsequent analytical flexibility. The resulting formula is

$$\left(\frac{MWhsaved}{NoncoincidentMWpeak \times 8760hours}\right) \times \left(\frac{CoincidentMWpeak}{NoncoincidentMWpeak}\right)$$

participation and associated savings. Direct administration[37], delivery, promotion and evaluation expenses will vary to a lesser degree with participation level.

**Table 25a. Residential Limited Income Electric Program Costs**

| Category | NYSEG 2010 Costs | RG&E 2010 Costs |
|---|---|---|
| Program-specific costs | | |
| Direct administration | $158,265 | $79,133 |
| Delivery | $199,650 | $99,825 |
| Tier 3 Promotion | $49,913 | $24,956 |
| Customer rebate/incentive | $726,000 | $363,000 |
| Evaluation | $62,191 | $31,628 |
| *Subtotal* | $1,196,019 | $598,542 |
| Allocated non-program-specific costs | $65,827 | $35,026 |
| *Total* | $1,261,846 | $633,568 |

**Table 25b. Residential Limited Income Gas Program Costs**

| Category | NYSEG 2010 Costs | RG&E 2010 Costs |
|---|---|---|
| Program-specific costs | | |
| Direct administration | $19,965 | $19,965 |
| Delivery | $39,930 | $39,930 |
| Tier 3 Promotion | $15,972 | $15,972 |
| Customer rebate/incentive | $907,500 | $907,500 |
| Evaluation | $58,697 | $58,697 |
| *Subtotal* | $1,042,064 | $1,042,064 |
| Allocated non-program-specific costs | $58,577 | $58,577 |
| *Total* | $1,100,641 | $1,100,641 |

G. Test Results

Appendix 3 of the June 23 Order identified several tests that were specifically applicable to EEPS programs.

1. TRC Tests

The primary and most important test is the Total Resource Cost ("TRC") for which the results are provided in Table 26a (electric) and 26b (ancillary gas). The value of carbon was assumed to be $15/ton, as suggested in Appendix 3. The TRC analysis takes into account financial incentives, as noted in Section III.D. Discount rates of 7.16 percent and

[37] Financial incentives are included in the administrative cost category.

8.37 percent were used for NYSEG and RG&E respectively. The TRC test is based upon one levelized year, and runs for the life of the equipment.

**Table 26a. Residential Limited Income Electric Total Resource Cost Tests**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | NPV | B/C | NPV | B/C |
| TRC | $423,939 | 1.41 | $155,271 | 1.30 |
| TRC with carbon externality[38] | $548,426 | 1.53 | $213,700 | 1.41 |

**Table 26b. Residential Limited Income Ancillary Gas Total Resource Cost Tests**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | NPV | B/C | NPV | B/C |
| TRC | $226,113 | 1.24 | $150,406 | 1.16 |
| TRC with carbon externality | $265,277 | 1.29 | $187,003 | 1.20 |

2. Rate Impacts

Rate impacts of this program are shown on Tables 27a and 27b.

The electric rate impact metric provides the percentage increase in current delivery rates associated with a particular program. The results are provided on a levelized basis assuming the program continues to expand and extends through either 2011 or 2015.

The electric rate impacts are based on the levelized lost electric delivery revenues and the levelized total program costs for the years represented in Table 27a. Those total dollars, presented in the first row of the rate impact table, are then expressed on a percentage basis, a per MWh unit basis and a per MW unit basis using 2007 total electric delivery revenues, 2007 total electric sales and 2007 total demand, respectively. Electric SBC charges do not currently vary by class, so the cost of each program is assumed to be recovered from all customers assessed the SBC delivery surcharge.

Appendix 3 calls for evaluating the first calendar year of full implementation for gas programs rather than the levelized impact through 2011. The gas rate impacts are based on the levelized lost gas delivery revenues and the levelized total program costs for the years represented in Table 27b. Those total dollars, presented in the first row of the rate impact table, are then expressed on a percentage basis and a per therm unit basis using 2007 total gas delivery revenues and 2007 total gas sales, respectively. Due to the current gas SBC structure, rate impacts are specific to the applicable customer class.

---

[38] The value for carbon environmental externalities used in the electric TRC tests was based on data presented in a 2002 NYSERDA Report titled "Reducing Emissions from the Electricity Sector".

**Table 27a. Residential Limited Income Program Electric Rate Impacts**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | Through 2011 | Through 2015 | Through 2011 | Through 2015 |
| Levelized rate impact | $1,076,683 | $1,159,286 | $539,308 | $567,093 |
| Levelized percentage rate impact | 0.18% | 0.19% | 0.20% | 0.22% |
| Levelized rate impact per MWh | 0.08 | 0.08 | 0.07 | 0.08 |
| Levelized rate impact per MW | 53 | 57 | 50 | 53 |

**Table 27b. Residential Limited Income Program Gas Rate Impacts**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | In 2010 | Levelized Through 2015 | In 2010 | Levelized Through 2015 |
| Rate impact | $949,502 | $983,745 | $951,091 | $988,996 |
| Percentage rate impact | 1.0836% | 1.12% | 1.01% | 1.05% |
| Rate impact per Dth | 0.04 | 0.04 | 0.03 | 0.04 |

3. Participation

Table 28a is based on an estimate that 7,000 NYSEG and 3,500 RG&E residential electric customers will participate in this program from 2009 through 2015. This is approximately 1 percent and 1 percent respectively of projected 2015 residential electric customers.

Table 28b is based on an estimate that 2,100 NYSEG and 2,100 RG&E residential gas customers will participate in this program from 2009 through 2015. This is less than 1 percent of projected 2015 residential gas customers for each Company.

**Table 28a. Residential Limited Income Program (Electric) Participation Levels**

| | NYSEG | | | RG&E | | |
|---|---|---|---|---|---|---|
| | Participants | Demand (kW) | Energy (kWh) | Participants | Demand (kW) | Energy (kWh) |
| **2009** | 580 | 309 | 655,500 | 290 | 155 | 327,750 |
| **2010** | 1,210 | 645 | 1,367,509 | 605 | 323 | 683,754 |
| **2011** | 1,210 | 645 | 1,367,509 | 605 | 323 | 683,754 |

**Table 28b. Residential Limited Income Program (Gas) Participation Levels**

| | NYSEG | | RGE | |
|---|---|---|---|---|
| | Participants | Energy (MMBTU) | Participants | Energy (MMBTU) |
| **2009** | 174 | 6,332 | 174 | 6,332 |
| **2010** | 363 | 13,209 | 363 | 13,209 |
| **2011** | 363 | 13,209 | 363 | 13,209 |

## VIII. RESIDENTIAL/NON-RESIDENTIAL MULTIFAMILY

### A. Description

The purpose of this program is to reduce electric usage in multifamily buildings (5 or more units) in NYSEG's and RG&E's service territories. Older, inefficient refrigerators will be replaced with new high efficiency Energy Star® models which use half the electricity of the older models. In addition to replacing old refrigerators, customers participating in this program will have incandescent lamps replaced with CFLs where appropriate, resulting in increased energy savings and reduced energy costs for the customers. This program also has the potential to provide gas savings as well as electric savings. While at the multifamily building, the program implementation contractor will identify potential improvements to the central heating and water heating systems and the program will provide a rebate based on $375 per dwelling unit to upgrade the systems if appropriate.

This program will develop partnerships with local refrigerator distributors to obtain units at a reduced cost. NYSEG and RG&E will provide a $600 rebate per residence for the cost of the refrigerator if the customer/resident is low-to-limited income; and a $300 rebate per residence if the customer/resident is not low–to-limited income. (Limited income is defined here as it is in the Residential Limited Income Program as income which is 60-80% of New York State median income. Low income is income which is below 60% of the New York State median income.) It is anticipated that the higher rebate ($600) will cover the entire cost of the installed refrigerator and in the cases where the customer/resident is not low-to-limited income, the landlord will be required to pay for the balance of the costs of the refrigerator. The cost of the CFLs is provided for in the general program budget. This program will also provide incentives of approximately 50 percent of the cost of common area lighting retrofits with the balance paid for by the landlord.

The program design includes arrangements for the proper disposal and recycling of the old refrigerators being replaced. While crews are delivering new and removing old refrigerators, they will also install CFLs in the homes/apartments and will provide education on the proper disposal of CFLs.

The program will be conducted by a program implementation contractor who will be chosen through the competitive RFP process and will work under the management and oversight of the Companies. This contractor will be accountable for program implementation including tier 3 (program-specific) promotional activities, trade ally recruitment and training/partnership development, coordination with landlords, property management firms NYSERDA and federal programs, validation of eligible participants, purchasing and installation of CFLs and refrigerators, incentive processing, responses to customer inquiries, resolution of problems (including flawed or incomplete applications), data management and tracking, field inspections and reporting. The program implementation contractor will also be responsible for identifying potential improvements in central gas systems and arranging for the improvements to be installed where appropriate.

To the extent practicable, NYSEG and RG&E will coordinate the delivery of this program with trade allies, community service providers, CAP agencies, NYSERDA and neighboring utilities. The Companies will also make referrals to other programs, such as NYSERDA's Multifamily program, Empower, etc. where appropriate.

### B. Program Promotion

Program-specific promotional activities will be accomplished via two avenues. First, general awareness of the availability of this program will be accomplished through bill inserts and/or messages and information on the website. Second, this program will be promoted to trade allies, landlord and property management firms and organizations, NYSERDA's Empower and multifamily programs, and Federal low income housing programs such as HUD using brochures, direct mail, community outreach and targeted informational advertising. The program implementation contractor will be responsible for this type of agency/program coordination and promotion. Customers who call in requesting billing assistance who live in multifamily buildings will also be made aware of this and other energy efficiency program availability if appropriate.

### C. Eligible Customers

Customers must be residential customers of NYSEG or RG&E, or landlords of residential dwellings served by NYSEG or RG&E. Buildings must be multifamily buildings with five or more units. The implementation contractor will be responsible for ensuring eligibility criteria are met. [39]

It is estimated that approximately 962,000 apartments exist in 8,000 multifamily buildings with 5 or more units in NYSEG's service territory and another 54,000 apartments exist in 4,200 multifamily buildings with 5 or more units in RG&E's service territory and are therefore eligible to participate in this program.

### D. Eligible Technologies and Rebates

The old refrigerators will be matched to similar new and efficient refrigerator models, and will be metered for 1 hour to measure their energy use. If the existing unit's metered usage is 2 times (or more) greater than the corresponding new refrigerator model's usage, it will qualify to be replaced with the appropriately matched new and efficent refrigerator model. Incandescent lights will also be replaced with CFLs producing equivalent lumens. A rebate of $600 per residence will be provided for these measures if the building residents are low to limited income, and a rebate of $300 per residence will be provided for these measures if the building residents are not low to limited income. The CFLs for each unit will be provided for by the program. An incentive for lighting retrofits in common areas

---

[39] Smaller dwellings (1-4 units) with limited income residents may participate in the Limited Income program. Smaller dwellings with non-limited income residents may participate in the Energy Star ® HVAC program.

will also be paid through this program, for up to 50 percent of the cost of the lighting retrofit, with the remaining 50 percent to be paid for by the landlord.

Rebates for upgrades to the central heating and water heating systems for gas heating and water heating will be based on $375 per dwelling unit for these (gas) measures.

E. Energy and Demand Savings

Tables 29a through 29c provide the annual and cumulative MWh and MW reductions as well as the annual and cumulative MBTU Ancillary gas savings under this program, based upon deemed savings of an assumed mix of measures installed.

For this program, the electric peak coincidence factor, is 0.84.[40]

**Table 29a. Residential/Non-Residential Multifamily Program Annual MWh Savings**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 856 | - | 790 | - |
| 2010 | 1,786 | 2,643 | 1,649 | 2,439 |
| 2011 | 1,786 | 4,429 | 1,649 | 4,088 |

**Table 29b. Residential/Non-Residential Multifamily Program Annual MW Load Reduction at Time of NYISO Coincident Peak**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 354 | - | 327 | - |
| 2010 | 738 | 1,092 | 681 | 1,008 |
| 2011 | 738 | 1,830 | 681 | 1,690 |

40 The formula provided in the June 23 Order to derive coincidence factor is $\frac{AnnualMWhSaved}{(MWSavedOnPeak \times 8760hours)}$.

The Companies calculated the coincidence factor as the product of the annual non-coincident load factor time a coincidence factor, to allow subsequent analytical flexibility. The resulting formula is

$$\left(\frac{MWhsaved}{NoncoincidentMWpeak \times 8760hours}\right) \times \left(\frac{CoincidentMWpeak}{NoncoincidentMWpeak}\right)$$

**Table 29c. Residential/Non-Residential Multifamily Program Annual MBTU Ancillary Gas Savings**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 3,866 | - | 3,866 | - |
| 2010 | 8,066 | 11,932 | 8,066 | 11,932 |
| 2011 | 8,066 | 19,998 | 8,066 | 19,998 |

F. Costs

Tables 30a and 30b provide a breakdown of program-specific costs by category. Incentives will vary directly with customer participation and associated savings. Direct administration[41], delivery, promotion and evaluation expenses will vary to a lesser degree with participation level. Table 30a provides the electric program-specific costs and Table 30b provides the gas program-specific costs for this program.

**Table 30a. Residential/Non-Residential Multifamily Electric Program Costs**

| Category | NYSEG 2010 Costs | RG&E 2010 Costs |
|---|---|---|
| Program-specific costs | | |
| Direct administration | $221,698 | $204,645 |
| Delivery | $242,242 | $223,608 |
| Tier 3 Promotion | $72,673 | $67,082 |
| Customer rebate/incentive | $483,566 | $446,369 |
| Evaluation | $56,264 | $50,718 |
| *Subtotal* | $1,076,443 | $992,422 |
| Allocated non-program-specific costs | $58,568 | $54,532 |
| *Total* | $1,135,012 | $1,046,953 |

**Table 30b. Residential/Non-Residential Multifamily Gas Program Costs**

| Category | NYSEG 2010 Costs | RG&E 2010 Costs |
|---|---|---|
| Program-specific costs | | |
| Direct administration | $6,755 | $6,755 |
| Delivery | $13,510 | $13,510 |
| Tier 3 Promotion | $6,755 | $6,755 |
| Customer rebate/incentive | $245,630 | $245,630 |
| Evaluation | $16,857 | $16,857 |

[41] Financial incentives are included in the administrative cost category.

| Category | NYSEG 2010 Costs | RG&E 2010 Costs |
|---|---|---|
| *Subtotal* | $289,506 | $289,506 |
| Allocated non-program-specific costs | $31,147 | $31,147 |
| *Total* | $320,653 | $320,653 |

G. Test Results

Appendix 3 of the June 23 Order identified several tests that were specifically applicable to EEPS programs.

1. <u>TRC Tests</u>

The primary and most important test is the Total Resource Cost ("TRC") for which the results are provided in Table 31a (electric) and 31b (ancillary gas). The value of carbon was assumed to be $15/ton, as suggested in Appendix 3. The TRC analysis takes into account financial incentives, as noted in Section III.D. Discount rates of 7.16 percent and 8.37 percent were used for NYSEG and RG&E respectively. The TRC test is based upon one levelized year, and runs for the life of the equipment.

**Table 31a. Residential/Non-Residential Multifamily Electric Total Resource Cost Tests**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | NPV | B/C | NPV | B/C |
| TRC | $623,958 | 1.54 | $466,580 | 1.43 |
| TRC with carbon externality | $786,601 | 1.68 | $607,511 | 1.57 |

**Table 31b. Residential/Non-Residential Multifamily Ancillary Gas Total Resource Cost Tests**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | NPV | B/C | NPV | B/C |
| TRC | $231,133 | 1.49 | $184,904 | 1.39 |
| TRC with carbon externality | $255,047 | 1.54 | $207,251 | 1.44 |

2. <u>Rate Impacts</u>

Rate impacts of this program are shown on Tables 32a and 32b.

The electric rate impact metric provides the percentage increase in current delivery rates associated with a particular program. The results are provided on a levelized basis assuming the program continues to expand and extends through either 2011 or 2015.

The electric rate impacts are based on the levelized lost electric delivery revenues and the levelized total program costs for the years represented in Table 32a. Those total dollars, presented in the first row of the rate impact table, are then expressed on a percentage basis, a per MWh unit basis and a per MW unit basis using 2007 total electric delivery revenues, 2007 total electric sales and 2007 total demand, respectively. Electric SBC charges do not currently vary by class, so the cost of each program is assumed to be recovered from all customers assessed the SBC delivery surcharge.

Appendix 3 calls for evaluating the first calendar year of full implementation for gas programs rather than the levelized impact through 2011. The gas rate impacts are based on the levelized lost gas delivery revenues and the levelized total program costs for the years represented in Table 32b. Those total dollars, presented in the first row of the rate impact table, are then expressed on a percentage basis and a per therm unit basis using 2007 total gas delivery revenues and 2007 total gas sales, respectively. Due to the current gas SBC structure, rate impacts are specific to the applicable customer class.

**Table 32a. Residential/Non-Residential Multifamily Program Electric Rate Impacts**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | Through 2011 | Through 2015 | Through 2011 | Through 2015 |
| Levelized rate impact | $986,026 | $1,093,948 | $891,665 | $958,682 |
| Levelized percentage rate impact | 0.17% | 0.18% | 0.34% | 0.36% |
| Levelized rate impact per MWh | 0.07 | 0.08 | 0.12 | 0.13 |
| Levelized rate impact per MW | 48 | 54 | 83 | 89 |

**Table 32b. Residential/Non-Residential Multifamily Program Gas Rate Impacts**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | In 2010 | Levelized Through 2015 | In 2010 | Levelized Through 2015 |
| Rate impact | $283,724 | $304,634 | $284,695 | $307,840 |
| Percentage rate impact | 0.32% | 0.35% | 0.30% | 0.33% |
| Rate impact per Dth | 0.01 | 0.01 | 0.01 | 0.01 |

3. Participation

Table 33a is based on an estimate that 12,740 NYSEG and 11,760 RG&E residential electric customers will participate in this program from 2009 through 2015. This is approximately 2 percent and 4 percent respectively of projected 2015 residential electric customers.

Table 33b is similarly based on an estimated that 490 NYSEG and 490 RG&E residential gas customers will participate in this program from 2009 through 2015. This is less than 1 percent of projected 2015 residential gas customers for each company.

**Table 33a. Residential/Non-Residential Multifamily Program (Electric) Participation Levels**

| | NYSEG | | | RG&E | | |
|---|---|---|---|---|---|---|
| | Participants | Demand (kW) | Energy (kWh) | Participants | Demand (kW) | Energy (kWh) |
| **2009** | 1,056 | 354 | 856,417 | 974 | 327 | 790,539 |
| **2010** | 2,202 | 738 | 1,786,663 | 2,033 | 681 | 1,649,227 |
| **2011** | 2,202 | 738 | 1,786,663 | 2,033 | 681 | 1,649,227 |

**Table 33b. Residential/Non-Residential Multifamily Program (Gas) Participation Levels**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | Participants | Energy (MMBTU) | Participants | Energy (MMBTU) |
| **2009** | 41 | 3,866 | 41 | 3,866 |
| **2010** | 85 | 8,066 | 85 | 8,066 |
| **2011** | 85 | 8,066 | 85 | 8,066 |

## IX. NON-RESIDENTIAL SMALL BUSINESS DIRECT INSTALLATION

### A. Program Description

The small business sector has historically been a very difficult sector to effectively reach with energy efficiency. This is due to many factors, including a general lack of energy information, lack of available capital, lack of time to investigate energy saving opportunities and options, lack of time to effectively select and manage an installation contractor and others. This program is specifically designed to address these barriers by simplifying this process as much as possible while including a customer commitment (20% of the cost) to insure that value in the process is maintained.

The purpose of this program is to directly reduce the electric and gas energy consumption of small commercial facilities (less than 100 kW) in NYSEG's and RG&E's service territories, facilitating both the understanding of savings options available and the actual installation of energy savings measures. This will be accomplished through a "One Stop Shop" process that will include (a) a free on-site building energy assessment, (b) actually installing energy efficient measures such as lighting, refrigeration/cooling improvements, and equipment control (EMS, sensors, setbacks, etc.) and (c) referring additional potential efficiency improvement measures to the C&I rebate programs if applicable. Another objective of the program is to increase small business customer awareness of additional energy efficiency opportunities and programs made available through the Companies and NYSERDA designed to help implement these opportunities.

After receiving the free energy assessment, the customer will be eligible for the installation of energy saving measures by agreeing to a co-payment equal to 20% of the installation cost. The remaining 80% of the installation costs will be borne by this program.

The program will be conducted utilizing two related delivery mechanisms, each targeted to the appropriate geography/customer concentration area. For the urban areas with a high density of small commercial customers, program delivery will be accomplished via one or more contracted vendors, each operating multiple direct installation vehicles. Trained technicians will visit by appointment or localized contact to accomplish the initial audit, direct installation and any subsequent installations arranged.

In order to make the program equally accessible to similarly-sized customers in more rural and less dense concentration areas (primarily in the NYSEG service territory and the extreme southwestern and eastern edges of the RG&E territory), a delivery mechanism will be employed which develops trade allies in the local areas to be served, and utilizes a combination of marketing both to the individual small customers and via these trade ally partners to accomplish similar energy audit and direct installation measures.

The program implementation contractor will be accountable for program-specific promotional activities; additional rural trade ally recruitment, training, and management (these will operate as subcontractors to the primary program implementation contractors); purchase, warehousing, delivery and installation of efficiency materials/products utilized in the program; responses to customer inquiries, promotion of and referral to associated programs (e.g., C&I rebates; other NYSEG, RG&E and NYSERDA applicable programs); resolution of problems (including after installation issues), data management and tracking, and reporting.

Under this program, program implementation contractors will target eligible customers identified by NYSEG and RG&E in urban areas via pre-arranged appointments for energy audits or walk-in contacts. Eligible customers will be offered free energy assessments with the option of direct installation of specific "quick install" measures at the time of the assessment. Other, non-lighting or more involved improvements will be accomplished on a second visit, or if outside of the program guidelines will be referred to the C&I Rebate program or to NYSERDA.

In conjunction with the urban area program delivery the program implementation contractors will identify regional trade allies already delivering similar services in the areas, recruit and train them in program delivery, and manage their recruitment and work at customer facilities in the rural regions or work with existing customer contractors to provide these services. The program implementation contractors will conduct supply chain and program oversight with these subcontracted trade allies, assuring similar measures are made available and effective quality control of these services delivered occurs.

### B. Program Promotion

Program-specific (tier 3) promotional activities will target customers specifically identified as eligible (meeting non-residential and size guidelines). Program implementation contractors will utilize pre-screened eligible customer lists to target customer service delivery to this customer group in the most efficient fashion. In addition, NYSEG and RGE may utilize additional program promotional approaches including targeted C/I bill inserts and/or messages, targeted direct mail campaigns, brochures and applications for use by trade allies, community outreach, and informational advertising. An interactive website with program information and downloadable application forms will complement these activities. Periodic trade ally meetings and training sessions will be held with subcontracted trade allies to maintain a high level of awareness concerning the program and to recognize positive results.

### C. Eligible Customers

A list of eligible non-residential customers with demand less than 100 kW will be developed by the Companies and provided to the program implementation contractor(s). The program implementation contractor(s) may contact customers in several ways, including making phone calls to inform customers of the program and scheduling appointments as well as making walk-in contacts during local area canvassing. Subcontracted trade allies will also provide valuable leads through their contacts. In addition, the program implementation contractor will take referrals or direct telephone/internet requests from non-residential customers who may apply for the program, and evaluate their eligibility.

It is estimated that there are approximately 60,000 non-residential customers with demands of less than 100 kW in NYSEG's service territory and 25,000 in RG&E's service territory.

D. Eligible Technologies and Rebates

The technologies targeted under this program for direct installation include lighting, refrigeration/cooling improvements and equipment controls. In addition, other identified opportunities that fall outside of this program will be referred to other Company programs or NYSERDA as appropriate. This program will provide a free energy assessment to eligible customers and the customer will be eligible for the installation of energy saving measures by agreeing to a co-payment equal to 20% of the installation cost. The remaining 80% of the installation cost will be borne by this program. There are no rebates associated with this program.

E. Energy and Demand Savings

Tables 34a and 34b provide the annual and cumulative MWh and MW reductions under this program, based upon deemed savings of an assumed mix of measures installed.

For this program, the electric peak coincidence factor is 0.90.[42]

**Table 34a. Non-Residential Small Business Direct Installation Program Annual MWh Savings**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 13,316,000 | - | 6,045,000 | - |
| 2010 | 27,779,931 | 41,095,931 | 12,611,121 | 18,656,121 |
| 2011 | 27,779,931 | 68,875,862 | 12,611,121 | 31,267,241 |

[42] The formula provided in the June 23 Order to derive coincidence factor is $\frac{AnnualMWhSaved}{(MWSavedOnPeak \times 8760 hours)}$.
The Companies calculated the coincidence factor as the product of the annual non-coincident load factor time a coincidence factor, to allow subsequent analytical flexibility. The resulting formula is

$$\left(\frac{MWhsaved}{NoncoincidentMWpeak \times 8760 hours}\right) \times \left(\frac{CoincidentMWpeak}{NoncoincidentMWpeak}\right)$$

**Table 34b. Non-Residential Small Business Direct Installation Annual MW Load Reduction at Time of NYISO Coincident Peak**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 5,776 | - | 2,622 | - |
| 2010 | 12,051 | 17,827 | 5,471 | 8,093 |
| 2011 | 12,051 | 29,878 | 5,471 | 13,563 |

F. Costs

Table 35 provides a breakdown of program-specific costs by category. Incentives will vary directly with customer participation and associated savings. Direct administration[43], delivery, promotion and evaluation expenses will vary to a lesser degree with participation level. The Non-Residential Small Commercial Direct Installation Program has only Electric Program Costs (but may make referrals to the Non-Residential Commercial/Industrial Rebate Program, and those costs will be associated with that program).

**Table 35. Non-Residential Small Commercial Direct Installation Electric Program Costs**

| Category | NYSEG 2010 Costs | RG&E 2010 Costs |
|---|---|---|
| Program-specific costs | | |
| Direct administration | $2,172,115 | $859,042 |
| Delivery | $1,969,880 | $640,211 |
| Tier 3 Promotion | $984,940 | $533,066 |
| Customer rebate/incentive | $12,535,600 | $4,074,070 |
| Evaluation | $1,136,474 | $384,459 |
| *Subtotal* | $18,799,010 | $6,490,848 |
| Allocated non-program-specific costs | $830,864 | $315,572 |
| *Total* | $19,629,873 | $6,806,419 |

G. Test Results

Appendix 3 of the June 23 Order identified several tests that were specifically applicable to EEPS programs.

[43] Financial incentives are included in the administrative cost category.

1. TRC Tests

The primary and most important test is the Total Resource Cost ("TRC") for which the results are provided in Table 36(electric only). The value of carbon was assumed to be $15/ton, as suggested in Appendix 3. The TRC analysis takes into account financial incentives, as noted in Section III.D. Discount rates of 7.16 percent and 8.37 percent were used for NYSEG and RG&E respectively. The TRC test is based upon one levelized year, and runs for the life of the equipment.

**Table 36. Non-Residential Small Commercial Direct Installation Electric Total Resource Cost Tests**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | NPV | B/C | NPV | B/C |
| TRC | $8,904,869 | 1.47 | $5,290,694 | 1.82 |
| TRC with carbon externality | $11,433,732 | 1.61 | $6,368,347 | 1.98 |

2. Rate Impacts

Rate impacts of this program are shown on Table 37.

The electric rate impact metric provides the percentage increase in current delivery rates associated with a particular program. The results are provided on a levelized basis assuming the program continues to expand and extends through either 2011 or 2015.

The electric rate impacts are based on the levelized lost electric delivery revenues and the levelized total program costs for the years represented in Table 37. Those total dollars, presented in the first row of the rate impact table, are then expressed on a percentage basis, a per MWh unit basis and a per MW unit basis using 2007 total electric delivery revenues, 2007 total electric sales and 2007 total demand, respectively. Electric SBC charges do not currently vary by class, so the cost of each program is assumed to be recovered from all customers assessed the SBC delivery surcharge.

**Table 37. Non-Residential Small Commercial Direct Installation Program Electric Rate Impacts**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | Through 2011 | Through 2015 | Through 2011 | Through 2015 |
| Levelized rate impact | $16,942,516 | $18,729,155 | $6,022,850 | $6,872,517 |
| Levelized percentage rate impact | 2.84% | 3.14% | 2.29% | 2.61% |
| Levelized rate impact per MWh | 1.20 | 1.32 | 0.82 | 0.93 |
| Levelized rate impact per MW | 830 | 918 | 561 | 640 |

3. Participation

Table 38 is based on an estimate that 28,000 NYSEG and 9,100 RG&E non-residential electric customers will participate in this program from 2009 through 2015. This is approximately 29 percent and 25 percent respectively of projected 2015 non-residential electric customers.

**Table 38. Non-Residential Small Commercial Direct Installation Program Participation Levels**

| | NYSEG | | | RG&E | | |
|---|---|---|---|---|---|---|
| | Participants | Demand (kW) | Energy (kWh) | Participants | Demand (kW) | Energy (kWh) |
| **2009** | 2,320 | 5,776 | 13,316,000 | 754 | 2,622 | 6,045,000 |
| **2010** | 4,840 | 12,051 | 27,779,931 | 1,573 | 5,471 | 12,611,121 |
| **2011** | 4,840 | 12,051 | 27,779,931 | 1,573 | 5,471 | 12,611,121 |

## X. NON-RESIDENTIAL COMMERCIAL & INDUSTRIAL (C&I) REBATE

### A. Description

The purpose of this program is to assist all sizes of non-residential customers to identify and implement a wide range of energy efficiency measures, thus lowering their energy consumption (both electric and gas).

Because of the diversity of customers and each individual customer's needs, this program offers both prescriptive and custom options, providing flexibility to accommodate the diverse requirements of customers, while maximizing their savings potential.

The prescriptive component will provide standardized pre-determined rebates to commercial, industrial and municipal customers to install, replace or retrofit electric savings measures of pre-qualified efficiencies. These measures include lighting, HVAC and electric motors. Measures are proven technologies that are readily available with known performance characteristics.

All C&I and municipal customers are eligible to participate in this program. The same customer can participate multiple times, e.g., retrofit a lighting system and later upgrade to a more efficient HVAC system. Different end uses have different potential participation levels. Lighting equipment can be replaced at any time, thus all customers are eligible to participate immediately. Conversely, motors and HVAC equipment are generally only replaced at the end of their useful lifetime, thus the eligible participants would be 10 percent of all customers in any given year assuming a 10-year life for the equipment.

The custom component of this program encourages commercial and industrial customers to identify and implement energy efficiency improvements in their facilities beyond the obvious and easier to accomplish prescriptive rebates. To identify these deeper savings opportunities, the program will offer energy efficiency audits to customers. Customers installing recommended measures will receive a rebate equal to 50 percent of the incremental cost of the new measure or the cost to buy down the payback to the customer to two years (whichever is less).

To assist C&I and municipal customers, the Companies will use the services of its efficiency engineering group. Efficiency engineers will provide assistance and serve as efficiency advocates to customers seeking advice on energy efficiency retrofit and new construction opportunities in commercial, industrial and municipal buildings and facilities. In the case of new construction opportunities, the efficiency engineers will alert the customer of the programs available through NYSERDA. The primary functions of the efficiency engineers will include:

- Working with customers, including end-users, architects, engineers, vendors, trade allies and other relevant players to promote the installation of cost-effective efficiency improvements in customers' buildings and facilities and creatively overcoming barriers to installation.

- Performing energy analyses, analyzing utility bills, estimating savings and costs, screening measures, and providing recommendations and technical assistance for customers.
- Meeting with customers to identify and prioritize site specific project needs and opportunities, developing customer relationships, and inspecting installed measures.
- Working with large commercial and industrial and municipal customers to develop energy management goals and strategies.
- Reviewing architectural and engineering plans and specifications for energy efficient design and making recommendations for upgrades.
- Persuading clients to adopt and install energy efficiency recommendations to save energy.

The Companies will coordinate the delivery of this program with planned future Company programs and potential NYSERDA opportunities.

### B. Program Promotion

Program-specific (tier 3) promotional activities will target customers currently installing new or replacement electric equipment in their facilities. In addition, a key marketing component of the program will be to involve trade allies with the program and educate them concerning the advantages of making use of the rebates to encourage the sale and installation of higher-efficiency equipment. Customer promotional approaches may include bill inserts and/or messages, targeted direct mail campaigns, brochures and applications for use by trade allies, testimonials and informational advertising. An interactive website with program information and downloadable application forms will complement these activities. Periodic trade ally meetings and training sessions will be held to maintain a high level of awareness concerning the program and to recognize positive results.

### C. Eligible Customers

All of NYSEG's and RG&E's commercial, industrial and municipal customers are eligible to participate in this program.

### D. Eligible Technologies and Rebates

The eligible measures in this program include a variety of measures such as lighting, HVAC (including heat pumps and geothermal measures), chillers, and motors (including variable frequency drives described in Table 40 (full list of eligible items included in Appendix A). Incentives are targeted to cover approximately 50% of the installed incremental cost for the more efficient equipment. Efficiency measures not listed in the list of Prescriptive program measures in Appendix A will be eligible for a custom rebate. Custom rebates will be calculated as the lesser of the following:

- 50% of the incremental cost[44]
- $0.30 per kWh savings

Customers may submit multiple custom rebate applications for different measures. Each individual measure will be evaluated independent of any other measures listed in the customer's application. Similar measures that are proposed in different facilities or buildings will be evaluated separately. Both gas and electric energy savings technologies are eligible for rebates under this program.

**Table 40. Commercial and Industrial Prescriptive Rebate Measures**

| |
|---|
| **Lighting** |
| • Flourescent Lamps/Ballasts/Reflectors |
| • High-Efficiency Flourescent |
| • Metal Halide |
| • Lighting Controls |
| |
| **HVAC/Heat Pumps/Geothermal** |
| • Package A/C & Split Systems |
| • Water Source Heat Pump Systems |
| • Geothermal Heat Pumps |
| • Air/Water Cooled Chillers |
| |
| **Other** |
| • Variable Frequency Drives |
| • Efficient Motors |

E. Energy and Demand Savings

Tables 41a through 41c provide the annual and cumulative MWh and MW reductions as well as the Annual MBTU Ancillary (Gas) savings under this program, based upon deemed savings of an assumed mix of measures installed.

For this program, the electric peak coincidence factor is 0.90.[45]

---

[44] Incremental cost will be based on the difference in cost between a baseline ("standard efficiency" option) and the proposed high-efficiency option. The baseline will vary according to the technology and end use. Customer savings will be based on the estimated reduction in billed energy and demand.

**Table 41a. Non-Residential Commercial/Industrial Rebate Program Annual MWh Savings**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 15,171 | - | 7,390 | - |
| 2010 | 31,651 | 46,823 | 15,418 | 22,808 |
| 2011 | 31,651 | 78,475 | 15,418 | 38,227 |

**Table 41b. Non-Residential Commercial/Industrial Rebate Program Annual MW Load Reduction at Time of NYISO Coincident Peak**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 3,075 | - | 1,621 | - |
| 2010 | 6,415 | 9,489 | 3,382 | 5,003 |
| 2011 | 6,415 | 15,904 | 3,382 | 8,386 |

**Table 41c. Non-Residential Commercial/Industrial Rebate Program Annual MBTU Ancillary Gas Savings**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | 50,201 | - | 50,201 | - |
| 2010 | 104,731 | 154,932 | 104,731 | 154,932 |
| 2011 | 104,731 | 259,662 | 104,731 | 259,662 |

[45] The formula provided in the June 23 Order to derive coincidence factor is $\frac{AnnualMWhSaved}{(MWSavedOnPeak \times 8760hours)}$.
The Companies calculated the coincidence factor as the product of the annual non-coincident load factor time a coincidence factor, to allow subsequent analytical flexibility. The resulting formula is

$$\left(\frac{MWhsaved}{NoncoincidentMWpeak \times 8760hours}\right) \times \left(\frac{CoincidentMWpeak}{NoncoincidentMWpeak}\right)$$

F. Costs

Tables 42a and 42b provide a breakdown of program-specific costs by category. Incentives will vary directly with customer participation and associated savings. Direct administration[46], delivery, promotion and evaluation expenses will vary to a lesser degree with participation level. Table 42a provides the electric program-specific costs and Table 42b provides the gas program-specific costs for this program.

**Table 42a. Non-Residential Commercial/Industrial Rebate Electric Program Costs**

| Category | NYSEG 2010 Costs | RG&E 2010 Costs |
|---|---|---|
| Program-specific costs | | |
| Direct administration | $118,958 | $724,888 |
| Delivery | $1,453,286 | $1,120,536 |
| Tier 3 Promotion | $405,955 | $185,009 |
| Customer rebate/incentive | $8,016,250 | $3,999,050 |
| Evaluation | $573,212 | $311,284 |
| *Subtotal* | $10,567,661 | $6,340,767 |
| Allocated non-program-specific costs | $496,147 | $327,647 |
| *Total* | $11,063,807 | $6,668,414 |

**Table 42b. Non-Residential Commercial/Industrial Rebate Gas Program Costs**

| Category | NYSEG 2010 Costs | RG&E 2010 Costs |
|---|---|---|
| Program-specific costs | | |
| Direct administration | $72,210 | $72,210 |
| Delivery | $721,072 | $521,422 |
| Tier 3 Promotion | $72,210 | $72,210 |
| Customer rebate/incentive | $1,312,908 | $1,312,908 |
| Evaluation | $128,861 | $117,947 |
| *Subtotal* | $2,307,262 | $2,096,698 |
| Allocated non-program-specific costs | $209,828 | $192,626 |
| *Total* | $2,517,090 | $2,289,324 |

G. Test Results

Appendix 3 of the June 23 Order identified several tests that were specifically applicable to EEPS programs.

[46] Financial incentives are included in the administrative cost category.

1. TRC Tests

The primary and most important test is the Total Resource Cost ("TRC") for which the results are provided in Table 43a(electric) and 43b(ancillary gas). The value of carbon was assumed to be $15/ton, as suggested in Appendix 3. The TRC analysis takes into account financial incentives, as noted in Section III.D. Discount rates of 7.16 percent and 8.37 percent were used for NYSEG and RG&E respectively. The TRC test is based upon one levelized year, and runs for the life of the equipment.

**Table 43a. Non-Residential Commercial/Industrial Rebate Program Electric Total Resource Cost Tests**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | NPV | B/C | NPV | B/C |
| TRC | $9,377,091 | 1.61 | $2,206,127 | 1.24 |
| TRC with carbon externality | $12,258,406 | 1.80 | $3,523,667 | 1.38 |

**Table 43b. Non-Residential Commercial/Industrial Rebate Program Ancillary Gas Total Resource Cost Tests**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | NPV | B/C | NPV | B/C |
| TRC | $4,761,666 | 2.08 | $4,335,249 | 2.03 |
| TRC with carbon externality | $5,072,186 | 2.15 | $4,625,412 | 2.10 |

2. Rate Impacts

Rate impacts of this program are shown on Tables 44a and 44b.

The electric rate impact metric provides the percentage increase in current delivery rates associated with a particular program. The results are provided on a levelized basis assuming the program continues to expand and extends through either 2011 or 2015.

The electric rate impacts are based on the levelized lost electric delivery revenues and the levelized total program costs for the years represented in Table 44a. Those total dollars, presented in the first row of the rate impact table, are then expressed on a percentage basis, a per MWh unit basis and a per MW unit basis using 2007 total electric delivery revenues, 2007 total electric sales and 2007 total demand, respectively. Electric SBC charges do not currently vary by class, so the cost of each program is assumed to be recovered from all customers assessed the SBC delivery surcharge.

The gas metrics are calculated the same way as the electric metrics, except that Appendix 3 calls for evaluating the first calendar year of full implementation for gas programs rather than the levelized impact through 2011. The gas rate impacts are based on the levelized lost gas delivery revenues and the levelized total program costs for the years represented in Table 44b.

Those total dollars, presented in the first row of the rate impact table, are then expressed on a percentage basis and a per therm unit basis using 2007 total gas delivery revenues and 2007 total gas sales, respectively. Due to the current gas SBC structure, rate impacts are specific to the applicable customer class.

**Table 44a. Non-Residential Commercial/Industrial Rebate Program Electric Rate Impacts**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | Through 2011 | Through 2015 | Through 2011 | Through 2015 |
| Levelized rate impact | $9,655,452 | $10,686,321 | $5,714,838 | $6,234,740 |
| Levelized percentage rate impact | 1.6180% | 1.7908% | 2.17% | 2.37% |
| Levelized rate impact per MWh | 0.68 | 0.75 | 0.77 | 0.85 |
| Levelized rate impact per MW | 473 | 524 | 532 | 580 |

**Table 44b. Non-Residential Commercial/Industrial Rebate Program Gas Rate Impacts**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | In 2010 | Levelized Through 2015 | In 2010 | Levelized Through 2015 |
| Rate impact | $2,088,928 | $2,465,761 | $1,981,737 | $2,181,548 |
| Percentage rate impact | 9.51% | 11.23% | 7.46% | 8.22% |
| Rate impact per Dth | 0.06 | 0.07 | 0.08 | 0.09 |

3. Participation

Table 45a is based on an estimate that 3,150 NYSEG and 2,569 RG&E non-residential electric customers will participate in this program from 2009 through 2015. This is approximately 3 percent and 7 percent and respectively of projected 2015 non-residential electric customers.

Table 45b is similarly based on an estimate that 525 NYSEG and 525 RG&E non-residential gas customers will participate in this program from 2009 through 2015. This is approximately 2 percent and 2 percent respectively of projected 2015 non-residential gas customers.

**Table 45a. Non-Residential Commercial/Industrial Rebate Program (Electric) Participation Levels**

| | NYSEG | | | RG&E | | |
|---|---|---|---|---|---|---|
| | Participants | Demand (kW) | Energy (kWh) | Participants | Demand (kW) | Energy (kWh) |
| **2009** | 261 | 4,523 | 15,171,875 | 213 | 2,746 | 7,390,625 |
| **2010** | 545 | 9,435 | 31,651,670 | 444 | 5,729 | 15,418,373 |
| **2011** | 545 | 9,435 | 31,651,670 | 444 | 5,729 | 15,418,373 |

**Table 45b. Non-Residential Commercial/Industrial Rebate Program (Gas) Participation Levels**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | Participants | Energy (MMBTU) | Participants | Energy (MMBTU) |
| **2009** | 44 | 50,201 | 44 | 50,201 |
| **2010** | 91 | 104,731 | 91 | 104,731 |
| **2011** | 91 | 104,731 | 91 | 104,731 |

## XI. BLOCK BIDDING

### A. Description

The purpose of this program is to (a) create additional ways for customers to achieve savings, and (b) allow interested vendors to offer energy efficiency reductions outside of the programs structured and presented herein by NYSEG and RG&E and described in Sections IV through X.. Specifically, the Block Bidding Program offers opportunities for ESCOs, performance contractors, management companies and even customers to submit proposals that show significant reductions in energy use and increase the efficiency of any electric end use in one or more commercial or industrial facilities (or multiple residential buildings) in either or both of the Companies' service territories. In its RFPs for this program, the Companies will establish minimum block bidding sizes of 1,000 MWh to keep the number of potential additional programs to a manageable level.

For the years 2009 through 2011, the goals for this program are 26,107,676 MWh for NYSEG and 12,404,576 MWh for RG&E. If block bids are sufficiently attractive to justify increasing their share of the Companies' goals, the targets for other programs may be modified accordingly. (Similarly, if the block bids are insufficiently attractive, other programs may be expanded.) If the Commission approves timely and assured recovery of the associated costs and lost revenues as proposed by the Companies, NYSEG and RG&E would plan to exceed their 2011 cumulative savings target. This would facilitate achievement of the ultimate 2015 goal.

To the extent that ancillary gas savings will be pursued through the propopsed programs, the Companies will also take those savings into consideration; however, the Companies will not entertain gas-only bids.

For purposes of program analysis in this Electric Plan, the primary market has been assumed to involve medium-to-large commercial and industrial customers, and no gas savings have been assumed.

Each successful block bid will show that it is significantly different from the other programs filed by the Companies. Additionally, each prospective bidder will be required to submit a proposal containing sufficient information to allow the Companies to assess the viability of each bidder's proposed project(s).

### B. Program Promotion

Program promotion for the Block Bidding program will be the responsibility of the winning bidders (each will promote their own projects).

### C. Eligible Customers

Residential, non-residential and combinations of customers may be provided with savings opportunities as a result of the competitive Block Bids received and implemented, and the third party providers that serve these customers now or in the future are eligible to participate in this program. Although it is unknown at this time how many or what type of end-use customers will ultimately be impacted by these programs, target market assumption was necessary for program analysis – for this purpose, the Companies assumed the medium-to-large electric customer segment.

### D. Eligible Technologies and Rebates

In practice, the eligible technologies will be determined based on the successful Block Bids.

For budgetary purposes the Company is assuming a payment of $0.30/ annualized KWh.

### E. Energy and Demand Savings

Tables 46a and 46b provide the annual and cumulative MWh and MW reductions under this program, based upon deemed savings of an assumed mix of measures installed.

For this program, the electric peak coincidence factor is 0.90.[47]

**Table 46a. Block Bidding Program Annual MWh Savings**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | - | - | - | - |
| 2010 | 13,053 | - | 6,202 | - |
| 2011 | 13,053 | 26,107 | 6,202 | 12,404 |

[47] The formula provided in the June 23 Order to derive coincidence factor is $\frac{AnnualMWhSaved}{(MWSavedOnPeak \times 8760 hours)}$.

The Companies calculated the coincidence factor as the product of the annual non-coincident load factor time a coincidence factor, to allow subsequent analytical flexibility. The resulting formula is

$$\left(\frac{MWhsaved}{NoncoincidentMWpeak \times 8760 hours}\right) \times \left(\frac{CoincidentMWpeak}{NoncoincidentMWpeak}\right)$$

**Table 46b. Block Bidding Program**
**Annual MW Load Reduction at Time of NYISO Coincident Peak**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | New | New Plus Sustained | New | New Plus Sustained |
| 2009 | - | - | - | - |
| 2010 | 3,725 | - | 1,770 | - |
| 2011 | 3,725 | 7,451 | 1,770 | 3,540 |

F. Costs

Table 47 provides a breakdown of program-specific costs by category assumed for analytical purposes. Incentives will vary directly with customer participation and associated savings. Direct administration[48], delivery, promotion and evaluation expenses will vary to a lesser degree with participation level. For purposes of analysis, the Block Bidding Program has been only assumed to incur only electric costs.

**Table 47. Block Bidding Electric Program Costs**

| Category | NYSEG 2010 Costs | RG&E 2010 Costs |
|---|---|---|
| Program-specific costs | | |
| Direct administration | $857,676 | $454,994 |
| Delivery | $0 | $0 |
| Tier 3 Promotion | $99,940 | $47,485 |
| Customer rebate/incentive | $3,634,189 | $1,726,717 |
| Evaluation | $234,141 | $114,348 |
| *Subtotal* | $4,825,946 | $2,343,544 |
| Allocated non-program-specific costs | $237,188 | $121,881 |
| *Total* | $5,063,134 | $2,465,424 |

G. Test Results

Appendix 3 of the June 23 Order identified several tests that were specifically applicable to EEPS programs.

1. <u>TRC Tests</u>

The primary and most important test is the Total Resource Cost ("TRC") for which the results are provided in Table 48(electric only). The value of carbon was assumed to be $15/ton, as suggested in Appendix 3. The TRC analysis takes into account financial

[48] Financial incentives are included in the administrative cost category.

incentives, as noted in Section III.D. Discount rates of 7.16 percent and 8.37 percent were used for NYSEG and RG&E respectively. The TRC test is based upon one levelized year, and runs for the life of the equipment.

**Table 48. Block Bidding Electric Total Resource Cost Tests**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | NPV | B/C | NPV | B/C |
| TRC | $3,042,051 | 1.52 | $1,125,163 | 1.40 |
| TRC with carbon externality | $4,000,626 | 1.69 | $1,552,698 | 1.55 |

2. Rate Impacts

Rate impacts of this program are shown on Table 49.

The electric rate impact metric provides the percentage increase in current delivery rates associated with a particular program. The results are provided on a levelized basis assuming the program continues to expand and extends through either 2011 or 2015.

The electric rate impacts are based on the levelized lost electric delivery revenues and the levelized total program costs for the years represented in Table 49. Those total dollars, presented in the first row of the rate impact table, are then expressed on a percentage basis, a per MWh unit basis and a per MW unit basis using 2007 total electric delivery revenues, 2007 total electric sales and 2007 total demand, respectively. Electric SBC charges do not currently vary by class, so the cost of each program is assumed to be recovered from all customers assessed the SBC delivery surcharge.

**Table 49. Block Bidding Program Electric Rate Impacts**

| | NYSEG | | RG&E | |
|---|---|---|---|---|
| | Through 2011 | Through 2015 | Through 2011 | Through 2015 |
| Levelized rate impact | $3,535,340 | $3,981,812 | $1,718,620 | $1,914,214 |
| Levelized percentage rate impact | 0.5924% | 0.6673% | 0.6525% | 0.7268% |
| Levelized rate impact per MWh | 0.25 | 0.28 | 0.23 | 0.26 |
| Levelized rate impact per MW | 173 | 195 | 160 | 178 |

3. Participation

Due to the unique nature of this program, the Company is unable to project meaningful participation levels at this time.

## XII. MEASUREMENT, VERIFICATION AND EVALUATION

The evaluation plan for the entire portfolio of Energy Efficiency Programs presented in this Plan is provided in Appendix B.

## XIII. REPORTS

NYSEG and RG&E propose 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, the Companies propose 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.

Quarterly summary status reports following the model created and now in use by KeySpan will be made available to the NYPSC and the public 45 calendar days after the end of each quarter. An example is attached as Appendix C.

APPENDIX A. ELIGIBLE MEASURES - COMMERCIAL AND INDUSTRIAL PRESCRIPTIVE REBATE PROGRAM

| General Lighting | | | | |
|---|---|---|---|---|
| **Fluorescent T8 Lamps with Electronic Ballasts** | | | | |
| Replace incandescent or T12 systems with T8 systems | 4' or less | 1-2lps | $5 | per system |
| | | 3-4lps | $9 | per system |
| | 5' to 8' | 1-2lps | $8 | per system |
| **High Performance [illegible]** | | | | |
| Lamps must have mean lumens of >=90 and be matched with selected instant start or programmed start electronic ballast | | 1-2lps | $9 | per system |
| | | 3-4lps | $18 | per system |
| **Low Wattage [illegible] Fluorescent T8 Lamps** | | | | |
| 4', 28 watt or less per lamp. | | T8 | $0.50 | per lamp |
| **Fluorescent [illegible] Reflectors** | | | | |
| Each unit shall have a minimum reflectivity of 87% | | 4' | $12 | per fixture |
| | | 2 - 4' tandem wired | $12 | per fixture |
| | | 8' | $16 | per fixture |
| | | 2 - 8' tandem wired | $16 | per fixture |
| **High-bay Fluorescent Lamps with Electronic Ballasts** | | | | |
| Replace 400W HID systems with 6-8 lamp T8 or 4-5 lamp T5HO systems. | T8, 4' | 6-8 lamps | $75 | per fixture |
| | T5HO, 4' or less | 4-5 lamps | | |
| | T5HO, 4' or less | 6 lamp | $40 | per fixture |
| Replace 100W HID systems with 12 - 18 lamp T8 or 8 - 14 lamp T5HO systems. | T8, 4' | 12-18 lamps | $125 | per fixture |
| | T5HO, 4' or less | 8-14 lamps | | |
| **Hardwired or Modular Compact Fluorescent Fixtures** | | | | |
| Replace incandescent systems with hardwired or modular CFL systems. Does NOT include screw-base CFLs. | | 18w or less | $8 | per fixture |
| | | 19w to 32w | $18 | per fixture |
| | | 33w or greater | $24 | per fixture |
| **Industrial Multi-CFL Fixtures** | | | | |
| Replace fluorescent T12 or HID systems with Multi-CFL systems. | | | $25 | per fixture |
| **Pendant & Wall Mt. Indirect** | | | | |
| Fixture efficiency must meet or exceed 80% and contain no more than 3lps with an indirect or direct/indirect distribution | | T8 or T5 | $24 | per 4' sect. |
| **Recessed Indirect** | | | | |
| Fixture efficiency must meet or exceed 80% and | | T8 or T5 | $16 | per fixture |

| | | | |
|---|---|---|---|
| contain no more than 3lps with an indirect or direct/indirect distribution | | | |

| High Efficiency Fluorescent | | | |
|---|---|---|---|
| Fixture efficiency shall meet or exceed 75% for parabolic and 83% for prismatic and shall contain no more than 3lps | 1lp | $4 | per fixture |
| | 2lp | $8 | per fixture |
| | 3lp | $8 | per fixture |
| **Metal Halide** | | | |
| Replace incandescent, high pressure sodium or mercury vapor with Metal Halide | 150w or less | $17 | per fixture |
| | 151w to 250w | $28 | per fixture |
| | 251w or greater | $45 | per fixture |

| Pulse Start Metal Halide Fixtures | | | |
|---|---|---|---|
| Replace incandescent, mercury vapor, high pressure sodium, or metal halide systems with pulse-start metal halide systems | 175w or less | $25 | per fixture |
| | 176w to 319w | $40 | per fixture |
| | 320w to 749w | $55 | per fixture |
| | 750w or greater | $65 | per fixture |
| **Fluorescent Controls** | | | |
| Passive infrared and/or ultrasonic detector. Units with manual "ON" overrides are not eligible | Ceiling Mtd | $30 | per control |
| | Wall Mtd | $12 | per control |
| Daylight Controlled On/Off | Photo sensor | $12 | per control |
| Unit shall be mounted on fixture with an On/Off control | Fixture Mtd | $28 | per control |
| **HID Controls** | | | |
| Each unit shall control HID Lamps. Fixtures controlled On/Off are not eligible. | Occupancy controlled Hi-Low | $35 | per fixture |
| | Daylight controlled Dimming | $35 | per fixture |

| | | |
|---|---|---|
| VFD Rebates used for HVAC fans, pumps, cooling towers, process equipment and industrial fans and operate in excess of 4,000 hours will qualify. | 1hp to 200hp | $30 per hp |

OPEN DRIP-PROOF (ODP)

| Motor Size (HP) | Speed (RPM) 1200 | 1800 | 3600 | Incentive ($/Motor) |
|---|---|---|---|---|
| | NEMA Nominal Efficiency | | | |
| 1 | 82.5% | 85.5% | 77.0% | $10 |
| 1.5 | 86.5% | 86.5% | 84.0% | $15 |
| 2 | 87.5% | 86.5% | 85.5% | $20 |
| 3 | 88.5% | 89.5% | 85.5% | $25 |
| 5 | 89.5% | 89.5% | 86.5% | $35 |
| 7.5 | 90.2% | 91.0% | 88.5% | $50 |
| 10 | 91.7% | 91.7% | 89.5% | $65 |
| 15 | 91.7% | 93.0% | 90.2% | $75 |
| 20 | 92.4% | 93.0% | 91.0% | $100 |
| 25 | 93.0% | 93.6% | 91.7% | $125 |
| 30 | 93.6% | 94.1% | 91.7% | $150 |
| 40 | 94.1% | 94.1% | 92.4% | $200 |
| 50 | 94.1% | 94.5% | 93.0% | $250 |
| 60 | 94.5% | 95.0% | 93.6% | $300 |
| 75 | 94.5% | 95.0% | 93.6% | $350 |
| 100 | 95.0% | 95.4% | 93.6% | $450 |
| 125 | 95.0% | 95.4% | 94.1% | $500 |
| 150 | 95.4% | 95.8% | 94.1% | $550 |
| 200 | 95.4% | 95.8% | 95.0% | $600 |

TOTALLY ENCLOSED FAN-COOLED (TEFC)

| Motor Size (HP) | Speed (RPM) 1200 | 1800 | 3600 | Incentive ($/Motor) |
|---|---|---|---|---|
| | NEMA Nominal Efficiency | | | |
| 1 | 82.5% | 85.5% | 77.0% | $10 |
| 1.5 | 87.5% | 86.5% | 84.0% | $15 |
| 2 | 88.5% | 86.5% | 85.5% | $20 |
| 3 | 89.5% | 89.5% | 86.5% | $25 |
| 5 | 89.5% | 89.5% | 88.5% | $35 |
| 7.5 | 91.0% | 91.7% | 89.5% | $50 |
| 10 | 91.0% | 91.7% | 90.2% | $65 |
| 15 | 91.7% | 92.4% | 91.0% | $75 |
| 20 | 91.7% | 93.0% | 91.0% | $100 |
| 25 | 93.0% | 93.6% | 91.7% | $125 |
| 30 | 93.0% | 93.6% | 91.7% | $150 |
| 40 | 94.1% | 94.1% | 92.4% | $200 |
| 50 | 94.1% | 94.5% | 93.0% | $250 |
| 60 | 94.5% | 95.0% | 93.6% | $300 |
| 75 | 94.5% | 95.4% | 93.6% | $350 |
| 100 | 95.0% | 95.4% | 94.1% | $450 |
| 125 | 95.0% | 95.4% | 95.0% | $500 |
| 150 | 95.8% | 95.8% | 95.0% | $550 |
| 200 | 95.8% | 96.2% | 95.4% | $600 |

APPENDIX B. EVALUATION PLAN

The Commission understands the importance of program evaluation as a means of identifying program improvements and of demonstrating that program savings are occurring as expected. NYSEG and RG&E, as part of this filing, are proposing to initiate program evaluation efforts that are designed to accomplish these objectives.

The companies recognize the importance of timely, accurate, transparent and unbiased program evaluations. Detailed sampling plans, clear definitions of Net-to-Gross calculations, rigorous analysis of savings and detailed documentation of cost effectiveness test inputs and results are critically important for determining the impact and effectiveness of efficiency programs.

Equally important is the independence of the evaluation team from those directly involved with program implementation and the transparency of the evaluation process for all stakeholders.

In order to maintain these high standards for the evaluation process, and in order to produce the detailed, accurate and independent evaluations required, the Companies have issued an RFP for an independent evaluation planning contractor to plan and conduct impact and process evaluations of all Company EEPS programs.

This competitive solicitation will be placed on a fast track, with an anticipated start date of the evaluation contractor in October 2008. Competitive solicitation of an independent expert will also allow the companies to review proposed evaluation approaches for the over-all portfolio, selecting the evaluation expert capable of delivering the strongest evaluation plan.

Retaining an independent evaluation expert will permit NYSEG and RG&E to begin work at once in developing the detailed and rigorous evaluation plans necessary for the Companies' EEPS programs, in consultation with Staff and the Evaluation Advisory Group.

Consequently, specific details such as sampling plans for individual programs and International Performance Measurement and Verification Protocols ("IPMVP") for specific measures and building types are not included here. Rather, it is anticipated that the independent evaluation contractor retained by the companies through this RFP process will begin this detailed work once the selection is made and the contract signed.

A. Program Background

The goal of evaluation is to accurately measure the energy savings of each program while also providing information that will enhance future program design. Please see the detailed program descriptions above in this filing for each energy efficiency program. These individual program descriptions provide:

- Program Objectives

- Program Theory
- Description of Measures
- Anticipated Savings
- Program Budget
- Program Schedule

B. General Evaluation Approach

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 Programs. Additional process evaluation efforts may be completed in program Year Three.

The Companies anticipate that their evaluation efforts will be informed by the ongoing efforts of the newly formulated Evaluation Advisory Group and by collaboration with the other utilities in the State that are planning to implement similar programs. If appropriate, the Companies may participate in jointly sponsored evaluation studies with the other utilities.

C. Detailed Evaluation Approach

1. <u>Year One Evaluation</u>

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. The Companies plan to initiate a process evaluation in support of these efforts. A final report summarizing results from the process evaluation will 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 Implementation Contractors, program customers, trade allies and other key stakeholders. 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.

- A review of program tracking data bases to ensure that data that will likely be required to support future program evaluation efforts is being collected.

As part of the process evaluation plan, NYSEG and RG&E may 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 programs in a manner that produces significant and cost-effective savings for NYSEG's and RG&E's customers.

2. Year Two Evaluation

*Impact Evaluation*

The Impact Evaluation will quantify the savings attributable to program efforts based on how installed equipment is actually operating. The Companies anticipate completing an impact evaluation of the programs in 2010 using industry-accepted methods of analysis.

The Companies will explore conducting this evaluation with the other utilities implementing similar programs so that consistent approaches are used to arrive at evaluated program savings. At this point in time the Companies propose the following for consideration as part of their program evaluation plan.

- **Impact Evaluation Methodology.** The Impact Evaluation will quantify the savings attributable to program efforts based on how the equipment installed through this program is actually operating. The Companies anticipate completing an impact evaluation of the programs in 2010 using industry-accepted methods of analysis. An independent evaluation consultant will be hired through a competitive solicitation where firms proposing to complete the work will recommend an impact evaluation approach appropriate for each 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 regression 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 to assess cost-effectiveness prospectively, 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, the Companies will use a 10% net free ridership adjustment.

- **Benefit Cost Analysis.** Benefit cost analysis is performed at the measure and program level. The Companies will conduct benefit cost analysis on any new technologies being considered for this program. In addition, the Companies will review, and if necessary, redo measure screening based on information obtained from their evaluation efforts.

- **Budget.** Consistent with the Working Group III recommendation and the June $23^{rd}$ Order in the EEPS proceeding, NYSEG and RG&E have budgeted approximately 5% of program implementation costs to fund evaluation efforts. Specific evaluation budgets are contained in the description of each program.

- **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, NYSEG's and RG&E's goal for estimating gross savings at the program level is at the 90 percent confidence interval, within +/- 10 percent precision. The Companies will develop sampling protocols for all of their evaluations based on this standard.

- **Steps to Identify and Mitigate Threats to Data Reliability.** The Companies 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 insure 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. NYSEG's and RG&E's tracking system supports program evaluation through the collection of all relevant data pertaining to customer rebates. Customer name, account, premise level and other non-program specific data is 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[49]:

- Date of contract/agreement to install measure(s)
- Date of beginning of installation process
- Installation completion date
- Installation contractor
- Installation location
- 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
- Result of evaluation

- **Schedule and Deliverable Dates.** The Companies do 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.** John Zabliski directs evaluation planning for the Companies. The Companies will explore conducting this evaluation with the other utilities implementing similar programs so that consistent approaches are used to arrive at evaluated program savings.

### D. Reporting

NYSEG and RG&E propose 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

[49] Please note that not of all the measure specific data listed are going to be captured for every program.

quarterly report will be submitted to the Commission approximately 45 days following the end of the calendar quarter.

In addition to quarterly reporting, the Companies propose 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.

The Companies are proposing to use the format currently used by National Grid (KeySpan) in its reports to the Commission, as shown in Exhibit 1. The specific categories of information included in the report are:

- 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 Expenditures, 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, Therms), year to date
- Savings Goal, year to date
- Annual Savings Goals for Program Year

# APPENDIX C. SAMPLE KEYSPAN QUARTERLY REPORT

KeySpan Energy Delivery
Energy Efficiency Program - Quarter 1
Year to Date June 2008[1]
New York

**Residential**

| PROGRAM/INITIATIVE | Program Planning & Administration Expenditures YTD | Program Marketing Expenditures YTD | Customer Incentives Expenditures YTD | Program Implementation Expenditures YTD | Evaluation & Market Research Expenditures YTD | Total Expenditures YTD | 2008 - 2008 Budget YTD | Annual 2007 - 2008 Budget | No. of Rebates or Participants YTD | Participant Goal YTD | Annual Participant 2007-2008 Goals | Total Annual Savings (Therms) YTD | Savings Goal YTD | Annual Savings 2007-2008 Goals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Residential | | | | | | | | | | | | | | |
| ENERGY STAR Homes | $4,134 | $8,676 | $0 | $151 | $302 | $13,253 | $131,648 | $274,309 | 0 | 96 | 200 | 0 | 26,304 | 54,800 |
| High Efficiency Heating Rebate | $25,198 | $87,113 | $16,989 | ($1,640) | $1,844 | $129,444 | $765,678 | $1,595,162 | 43 | 730 | 1,500 | 7,095 | 126,000 | 262,500 |
| High Efficiency Water Heating Rebate | $19,990 | $74,312 | $8,609 | $198 | $1,490 | $102,491 | $131,542 | $274,046 | 33 | 192 | 400 | 2,541 | 15,188 | 31,600 |
| Insulation & Air Sealing | $32,370 | $111,539 | $18,153 | $2,131 | $2,373 | $166,347 | $319,705 | $666,032 | 36 | 240 | 500 | 13,248 | 88,320 | 184,000 |
| Energy Analysis: Internet Audit Guide | $25,094 | $84,339 | $0 | $17,849 | $1,840 | $129,111 | $15,068 | $31,391 | 2,070 | 1,200 | 2,500 | N/A | N/A | N/A |
| Residential Technology Demonstration | $15,951 | $65,143 | $3,101 | $0 | $1,240 | $87,443 | $19,426 | $40,471 | 1 | 5 | 10 | 0 | 1,680 | 3,500 |
| Energy Audit/Home Performance | $61,263 | $148,310 | $24,766 | $76,175 | $4,491 | $315,206 | $261,346 | $544,470 | 294 | 480 | 1,000 | N/A | N/A | N/A |
| Energy Star Products[2] | $40,447 | $149,924 | $13,441 | $1,327 | $2,965 | $208,104 | $164,605 | $342,927 | 457 | 2,400 | 5,000 | 15,193 | 180,000 | 375,000 |
| | | | | | | | | | | | | | | |
| Total Residential | $227,326 | $729,642 | $[illegible],481 | $96,161 | $16,525 | $1,181,682 | $1,809,069 | $3,768,839 | 2,934 | 5,353 | 11,110 | 38,077 | 437,472 | 911,400 |

| PROGRAM/INITIATIVE | Program Planning & Administration Expenditures YTD | Program Marketing Expenditures YTD | Customer Incentives Expenditures YTD | Program Implementation Expenditures YTD | Evaluation & Market Research Expenditures YTD | Total Expenditures YTD | 2007 - 2008 Budget YTD | Annual 2007 - 2008 Budget | No. of Rebates or Participants YTD | Participant Goal YTD | Annual Participant 2007-2008 Goals | Total Annual Savings (Therms) YTD | Savings Goal YTD | Annual Savings 2007-2008 Goals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| Low-Income | $706,686 | $2,892 | $1,490,205 | $19,248 | $51,989 | $2,270,980 | $2,823,130 | $5,882,354 | 839 | 842 | 1,754 | 183,582 | 384,569 | 592,832 |
| | | | | | | | | | | | | | | |
| Total Low-Income | $706,686 | $2,892 | $1,490,205 | $19,249 | $51,989 | $2,270,980 | $2,823,130 | $5,882,354 | 839 | 842 | 1,754 | 183,582 | 384,569 | 592,832 |

**Commercial and Multifamily**

| PROGRAM/INITIATIVE | Program Planning & Administration Expenditures YTD | Program Marketing Expenditures YTD | Customer Incentives Expenditures YTD | Program Implementation Expenditures YTD | Evaluation & Market Research Expenditures YTD | Total Expenditures YTD | 2007 - 2008 Budget YTD | Annual 2007 - 2008 Budget | No. of Rebates or Participants YTD | Participant Goal YTD | Annual Participant 2007-2008 Goals | Total Annual Savings (Therms) YTD | Savings Goal YTD | Annual Savings 2007-2008 Goals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Commercial & Industrial | | | | | | | | | | | | | | |
| C&I and Multifamily High Efficiency Heating Rebate | $44,256 | $100,184 | $8,900 | $71,116 | $3,345 | $227,702 | $548,084 | $1,141,780 | 23 | 192 | 400 | 1,100 | 248,640 | 518,000 |
| C&I Building Practices & Demonstrations | $4,241 | $12,867 | $0 | $4,403 | $311 | $21,822 | $419,727 | $874,432 | 0 | 7 | 14 | 0 | 170,587 | 355,390 |
| Economic Redevelopment | $6,805 | $20,618 | $0 | $7,494 | $906 | $35,824 | $777,756 | $1,620,324 | 0 | 11 | 23 | 0 | 149,815 | 312,114 |
| Multi-Family Energy Efficiency | $37,190 | $91,887 | $32,543 | $0 | $2,727 | $191,348 | $1,694,330 | $3,529,845 | 6 | 188 | 392 | 3,021 | 381,589 | 794,976 |
| Commercial Energy Efficiency | $14,773 | $40,986 | $10,968 | $4,214 | $1,025 | $71,968 | $1,052,314 | $2,192,321 | 18 | 431 | 898 | 295,692 | 402,160 | 837,834 |
| Business Analyzer: Internet Audit | $4,392 | $13,754 | $0 | $2,798 | $3,128 | $24,080 | $155,352 | $323,651 | 60 | 1,358 | 2,830 | N/A | N/A | N/A |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| Total C&I | $111,737 | $287,296 | $72,408 | $90,024 | $10,941 | $572,414 | $4,647,433 | $9,682,183 | 107 | 2,187 | 4,556 | 299,813 | 1,352,791 | 2,818,314 |
| | | | | | | | | | | | | | | |
| On-Bill Financing | $0 | | | | | $0 | $320,000 | $646,667 | N/A | N/A | N/A | N/A | N/A | N/A |
| | | | | | | | | | | | | | | |
| PROGRAM TOTALS | $1,045,769 | $1,019,720 | $1,644,661 | $205,434 | $79,272 | $4,994,880 | $9,600,001 | $20,000,008 | 3,880 | 8,382 | 17,420 | 521,472 | 2,174,832 | 4,322,946 |

* The credits shown above reflect the sum of charges and corrections from the beginning of the program year

[1] June YTD includes activity from September 1 through December 31 (Interim Program)

[2] The methodology for capturing participants has changed from per window to per rebate for the windows program within the Energy Star Products program