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June 20, 2008

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

Re: Case 07-M-0548 – Energy Efficiency Portfolio Standard

Dear Secretary Brilling:

What follows are comments in regard to the “Notice Soliciting Comments” issued on May 30, 2008 for the above referenced Energy Efficiency Portfolio Standard case. The comments are submitted on behalf of Dutchess County in the State of New York.

Dutchess County continues to actively participate in this case. The taxpayers in the County, especially the commercial and industrials, are under increasing cost pressures many of which are a reflection of rising energy prices. The proceeding has the potential to increase utility bills for energy especially in the short term. The County requests the Commission to be very cautious in its deliberations especially as these deliberations deal with programs as yet to be reviewed by the Commission with the title “fast track.” The Commission meeting record should reflect a good understanding of efficiency programs on the part of all the Commissioners involved prior to instituting an increase in the System Benefits Charge on jurisdictional utility customers.

Specifically Dutchess County continues to be concerned with this proceeding from the standpoint of: 1) the benefits which will accrue to Dutchess County residents for the funding these residents provide; 2) the quality of program delivery in light of proposed fast tracking; 3) the program funding impacts on utility delivery rates; 4) the need for PSC Staff to focus on its jurisdictional regulatory role; and 5) a significant centralization of program design, development and implementation into one administrative state agency.

Programs applied to Dutchess County should reflect the needs of this Mid Hudson Community and along with NYSERDA be developed by the jurisdictional utilities that service the area. In the State of New York one size does not fit all and Mid Hudson delivery customers should have the right of assisting in program design and future evaluation.

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Dutchess County Comments

In the Notice Soliciting Comments issued on May 30, 2008, the Commission stated that it was seeking comment "from the parties in this proceeding regarding a number of concerns related to utility incentives." Further on it was stated that "To facilitate consideration of this issue, the Department's Advisory Staff has prepared a set of Guidelines and an incentive model that implements the Guidelines."

Dutchess County comments in regard to incentives for utilities fall into three categories. First are comments related to the purpose, necessity and justification of such utility incentives. Second are comments relating to the Staff Incentive Guidelines. Third are general comments that relate to incentives which accrue form the discussion that took place as part of the Commission Meeting on May 30, 2008.

Dutchess County is encouraged that the Commission is including utilities in the development and administration of programs. From timing and funding standpoints the scope of a utility program role should be on an equal footing with the centralized role played by NYSERDA. Such inclusion should lead to better access and acceptance on the part of Dutchess County residents who participate, and local oversight will improve program delivery. Dutchess County remains committed to participating in program development, delivery, and monitoring.

The three comment categories follow as headlined below.

I. Purpose, Necessity and Justification of Utility Incentives

As regulated entities the State's jurisdictional utilities are authorized a rate of return on common equity. The return is typically accommodated in revenue requirements as authorized by the Commission in a rate case proceeding. As part of such rate cases there are numerous programs leading to revenue requirements which help fund jurisdictional utility equity returns. Some of these programs may even call for incentives to enhance performance. However the programs and incentives are site specific to the utility undergoing a rate review and a one size fits all policy is typically not applied to all jurisdictional entities. The Commission does institute policies but the policies typically serve as guidelines and are not applied rigidly to all utility rate proceedings.

In this proceeding, including the discussion that took place during the Commission meeting of May 30, references are made to applying rigid standards or criteria to all jurisdictional utilities to provide uniformity of results. It may be inferred from this rigid approach that there is a desire on the part of the Commission and Commission Staff to centralize program timing, development, oversight, and control. The County continues to request a more participative approach with local decentralized program input.

The County of Dutchess does not believe that applying a single number incentive to all jurisdictional utilities across the state would produce the performance results desired by the Commission. A better approach in the opinion of the County would be to defer incentives if appropriate to rate case proceedings where incentives could be applied if warranted in the case being discussed at the time.

II. Staff's Proposed Incentive Guidelines

The energy efficiency proceeding program results as well as the Staff's proposed incentive guidelines essentially rely upon the gathering of data on actual megawatt hour savings. As part of the Commission discussion that took place on the 30th of May the cost of such measurement, evaluation and verification could be as much as $50,000,000 or 5% of program costs over the life of the proceeding which the Commission indicates will be ongoing. It is difficult to accurately assess the savings in megawatt hours that result from the utility programs instituted as opposed to savings from other factors such as behavioral conservation caused by escalating energy prices. As such, proposed engineered verification suggested in a number of the Incentive Guidelines to support the utility returns awarded will be very difficult to assure. Also questioned is the added cost to assess incentives that contribute to or are a part of the monitoring, measurement and verification cost of $50 million. In the opinion of the County the costs that will be created to monitor and evaluate incentive results will not support the benefits.

Lacking in the Staff's Proposed Incentive Guidelines is a tie back to the customer. If in fact incentives do become a reality there should be some linkage between the incentive and what the customer has derived from the program delivered. Aside from savings what is the level of customer satisfaction in the transactions that occurred to provide the delivery?

III. General Discussion on Utility Incentives

During the course of this Portfolio proceeding that has been ongoing for over a year there has been a general rise in the cost of energy supply most specifically in the commodity cost of supply. The State has yet to feel the full impact of rising commodity prices for electric and natural gas supply. As the market price of natural gas which is currently about half the cost of oil on an mmbtu basis increases to a less significant differential against oil, the cost of electric and natural gas supply distributed by jurisdictional utilities in the State will in all likelihood go up. Additional utility customer aggravation will come as a result of increasing delivery pricing to support energy efficiency programs. Even though discussion on the 30th suggests that the Commission is concerned with the impact of the Energy Efficiency programs on customer billing, providing incentives which are over and above existing rates of return take on the appearance of insensitivity.

Against budgeted expenditures, implementation of the Renewable Portfolio Standard has not produced the energy production results stipulated in the RPS proceeding. The Governor has suggested additional funding to assure the 25% RPS target even recommending an increase in the target to 30%. RGGI impacts have yet to be felt by customers on utility bills but the impacts are likely to be significant especially in Zone G of the NYISO. Thus caution should be exercised in instituting utility incentives.

As suggested previously incentives if warranted at all, are best discussed in individual utility rate proceedings.

Respectfully submitted
on behalf of Dutchess County,

Allan Page