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PUBLIC SERVICE COMMISSION

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Proceeding on Motion of the :
Commission Regarding an Energy : Case 07-M-0548
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Reply Brief on Behalf of
Central Hudson Gas & Electric Corporation
In Response to Initial Briefs
On Four Specified Subjects

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PRELIMINARY STATEMENT

This reply brief is submitted on behalf of Central Hudson Gas & Electric Corporation ("Central Hudson") in response to certain of the initial briefs filed on April 10, 2008.

Central Hudson initiated the development of a comprehensive group of electric, gas and low income energy efficiency programs of its own volition in mid-2007. These programs are based on market research and customer preferences for Central Hudson energy efficiency programs. Central Hudson's programs reflect "best practices" and are ready for immediate implementation. Central Hudson is ready to proceed and requests that the ALJs allow it to proceed to assist in achieving the 15x15 goals with its full suite of proposed programs as fast track programs.

Central Hudson's Initial Brief showed that the only reasonable way to achieve the goals of the 15x15 policy that recognizes both the reality that ESCOs have not created functioning energy efficiency markets over the past decade and the Commission's customer choice policies is through Commission-supervised competition between NYSERDA and the distribution utilities, so as to capitalize on the inherent strengths of both through actual demonstrations of what those strengths are in the markets. The markets, together with full and consistent disclosure of all costs and savings achievements, will disclose the true strengths of the providers soon enough if they are allowed to actually compete, and profit-driven utilities will soon enough decide where and how to produce the most savings for the ratepayers' energy efficiency dollar through being freed to offer a full range of customer-desired programs and to adjust their operations to meet market needs.¹

While NYSERDA has a presumable theoretical advantage of an inferred lower cost structure due to its non-profit,

¹ Central Hudson does not agree with Staff that there should be an "emphasis in long-term planning [that] should focus on how to leverage the strengths of both utilities and NYSERDA" (Staff Initial Brief at 3). If the Commission's pro-competition policies were allowed to operate on the efficiency side as well as on the supply-side, those strengths would be obvious in the only meaningful way - through the actions of New York consumers, not administrative planning.

tax-advantaged status, the record does not show whether that advantage has been realized to ratepayers' benefit over the past decade in which NYSERDA has been the *de facto* governmental monopoly ratepayer-funded energy efficiency sole-source supplier. To Central Hudson's knowledge, the actual costs and effectiveness for NYSERDA were never audited in any way comparable to the Commission's typical investigations of utility costs and operations and the two providers' costs and benefits were never compared on the record. However, information that was presented by the Commission, NYSERDA and Staff in this case shows that NYSERDA's energy efficiency programs are less cost effective than other, utility and agency or authority, providers.

The corollary is that the competitive lodestar for NYSERDA is not actually the utilities, which lack NYSERDA's tax status advantages, but LIPA and NYPA, both of which apparently have significantly better cost-effectiveness than NYSERDA based on information the Commission presented in its Order initiating this proceeding.²

² Central Hudson Initial Brief at 28-32.

The utilities should be expected to continue to demonstrate and build upon their retailing skills, deep and intimate knowledge of their service areas, innovate and create, driven by a profit motivation that NYSERDA lacks to achieve efficiencies, to continue their far more market- and customer-oriented perspectives, thus offering the important potential for energy efficiency successes in local markets or portions of markets NYSERDA cannot know intimately, as does the local utility, or perhaps even be aware of, or hope to tap to achieve energy efficiency savings. The actual empirical information spread upon the record shows that the utilities can be as cost effective as NYSERDA, notwithstanding NYSERDA's tax advantages; that parity can only come from greater internal efficiencies.³

Furthermore, Central Hudson has developed a set of utility energy efficiency programs that have superior cost-

³ Staff's approach so "coordinates," "collaborates" and "task forces" even the small portion of the markets it would permit utilities to serve to vitiate the utilities' efficiency advantages through imposed administrative burdens, such as a proposed mandate (Staff Initial Brief at 7) to "authorize Staff to begin designing, and conducting in 2009, a competitive solicitation framework for obtaining electric energy efficiency measures in the commercial retrofit market that would allow utilities and third parties (including ultimate customers) to participate." Competitive market forces would impel utilities to deliver products and services desired by the commercial retrofit market without the administrative costs and delays of a Staff-designed RFP process.

effectiveness when compared to NYSERDA's programs or Staff's various "fast track" proposals alike, on the basis of consistent assumptions. And utilities have demonstrated energy efficiency successes across the country. Central Hudson fully expects that it will be improving and refining its initial programs, sound as they already are, as the programs are exposed to the markets, customers react and Central Hudson responds to customers' evolving preferences and wishes.

Having well-designed programs is a *sine qua non*, but an approach that also apportions the responsibilities for achieving specifically identified portions of the 15x15 goals (together with well-designed programs continually responding to local market conditions) offers the lowest risk, diversified, portfolio approach, together with the sustained commitments that are both necessary and desirable.⁴ It may be the case that NYSERDA can deliver energy efficiency to one particular market segment more efficiently than a distribution utility, but it may also be

⁴ An analogy is tax benefits for renewable, where it is generally accepted that long-term commitments induce best market responses and on-again, off-again, short-term stimuli are decidedly less productive. In the present context, the Commission's long-term commitment to utility energy efficiency programs as a substantial part of the ratepayer-funded energy efficiency portfolio will produce superior long-term results to continued governmental sole source supply.

the case that the utility can deliver energy efficiency to many other particular market segments that NYSERDA cannot know about or even reach at any cost. Central Hudson's customers have told the Company that they prefer that Central Hudson deliver energy efficiency by a margin of about five to one as compared to NYSERDA and other governmental entities. Customers know and trust Central Hudson. These facts cannot be overemphasized.

Central Hudson's comprehensive suite of initial programs were developed through a "business case" approach that, in turn, was driven by 1) customer focus groups and extensive survey data, 2) market research inclusive of an appliance saturation survey, and 3) successful industry program best practices coupled with consultation with an experienced expert and Central Hudson employees with experience in the design, operation and M&V of the energy efficiency programs Central Hudson has previously administered. In addition, a detailed plan for outreach, education and marketing was created to run in parallel with the efficiency programs, to overcome the market barriers that were clearly evidenced during the market research, and increase penetration of the programs.

Specific program parameters such as incentive levels and corresponding equipment performance levels were tailored to meet the needs and preferences of Central Hudson customers, as developed from the market data, based on analysis of existing successful real world efficiency programs that have been measured and evaluated, together with reasonable, documented, and supported assumptions for energy savings and penetration rates.

Overall, the filing submitted by Central Hudson to the Commission presents the program designs as part of a business plan providing well designed guidance for successful implementation of energy efficiency programs. The energy efficiency programs submitted in September 2007 are ready to be implemented quickly, are flexible in nature, and are adaptable and expandable as the programs are measured and evaluated, or market changes occur.

Central Hudson's programs form the basis for its Statewide Plan, making that Plan the true "ground up" approach that Staff can talk about in its briefs, but has not actually developed. The program mix in Central Hudson's original Statewide Plan reflected an optimization based on developing supply curves for the various programs

that included the Staff "fast track," existing NYSERDA programs, both as existing on or about November/December 2007, and Central Hudson's programs, as filed with the Commission in September 2007. The original Statewide Plan showed that adding a substantial level of utility programs improved the cost-effectiveness of both the November/December Staff suite of "fast track" programs and the November 30, 2007 agency/authority letter report group of programs.

The original Central Hudson Statewide Plan reflected Central Hudson's assumptions for costs, market penetration, measure savings and the like, all of which was made explicit and documented to a far greater degree than any of Staff's multiple proposals in the this case. However, as Staff continued to revise its proposals, increasingly altering or "enhancing" the pre-existing NYSERDA programs while all the while extolling the virtue of NYSERDA's existing programs, Staff was also altering its assumptions to more favorable ones. Awareness of this assumption-escalation led Central Hudson to develop, between March 25 and April 10, 2008, an updated edition of its Statewide Plan, to reflect the Staff's latest assumptions, so that

the results could be compared on the basis of consistent input assumptions.

That update was reported in the appendix in Central Hudson's Initial Brief, and due to the limited time provided, it actually achieved roughly 1,600 GWh more than required (which Central Hudson has assumed is 27,500 GWh in savings by 2015, despite the somewhat lower value employed in the Straw Proposal). This assumption permits a direct comparison to Staff's proposals, which employ a similar 2015 target. To make the Central Hudson and Staff approaches more comparable, that 1,600 GWh in "excess" savings have now been eliminated and the results are shown below.

	Agency Authority Letter Report (11/30/07)	Central Hudson Statewide Plan	ALJs Straw Proposal ⁵	Staff March 25 Proposals, Extended as Default Programs Through 2015 ⁶	Updated Central Hudson Statewide Plan (4/18/08)
Cost per MWh	\$308	\$269	\$305	\$275	\$238
GWh Savings Targeted	27,500 ⁷	27,500	18,700	27,501	27,500
% Utility Savings	25%	32%	21%	8%	32%
% NYSERDA Savings	36%	32%	41%	50%	32%
% Other Savings (i.e., Agencies, Codes & Standards)	39%	36%	38%	42%	36%
Unmet Portion of Assumed 27,500 GWh 2015 Target (GWh)	0	0	8,800	0	0

It should be noted that the low-risk, diversified portfolio approach proposed by Central Hudson in its Statewide Plan

⁵ See, Revised Technical Appendix, page 2.

⁶ Work paper is presented in the Appendix.

⁷ Savings target includes 7,130 GWh efficiency gap, assumed herein to be filled by utility programs.

can be achieved through the Straw Proposal or the Central Hudson Statewide Plan proposal, but not the Staff approach. Moreover, the most recent Staff proposal is the most radical, thereby increasing risk, in relation to the over-weighting of funding to NYSERDA, as shown by the fact that Staff's allocation to NYSERDA actually exceeds NYSERDA's own allocation to itself, as reflected in the November 30, 2007 "letter report." Comparing the Staff and Central Hudson's approach to the 2015 goals, Staff's proposals are more costly, and rely to a far greater extent on NYSERDA, whereas Central Hudson's approach would balance the responsibilities, provide greater diversification of risk, provide customers with real choices, and produce lower costs.

Every entity receiving ratepayer funding must be subject to full audit of costs and savings by an entity totally independent of both the recipient and the government (if any recipient is a government entity such as NYSERDA). The evaluation and confirmation of the savings achieved must be rigorous and consistent across all recipients.

This is not to imply a bias against use of "stipulated" or "deemed" savings, which can be a very

desirable technique for avoiding excessive administrative costs, as long as reasonably conservative savings for each measure are established that represent the expected distributions of each of the measure types. In cases in which "stipulated" savings are employed, the numbers of each type of measure installed must be available for confirmation through independent audit.

All audit results of costs, measures and savings should be published prominently and annually.

DISCUSSION

- I. NYSERDA's Admissions Against Interest Demonstrate that Staff Cannot Reasonably Hope to Achieve More than 10% of Its Forecast First-Year (2008) Savings, and That Level is Not Sufficient to Support Staff's Claim of Offering "the Fastest Way" to Alleviate Summer 2008 Loads

Central Hudson's Initial Brief demonstrated that NYSERDA had made admissions against interest in responses NYSERDA provided to Central Hudson's discovery questions.⁸ The admissions (CHIB at n.8, and related text) demonstrate that NYSERDA would be able to deliver only 20% of the

⁸ Central Hudson was required by an extended period without any responses to resort to a motion to compel, which was granted in the ALJs' Ruling on The Status of The Record and On Schedule (Issued January 24, 2008).

proposed savings per year in the first year of "fast track" programs, followed by an increase to 40% in the second and third years, before the full annual incremental level of savings corresponding to the funding level would be achieved. However, half the year is now gone, so the actual 2008 achievement will not likely exceed 10% of the Staff 2008 estimate.

Because these admissions are against interest,⁹ they are accorded a high degree of reliability. There is an additional indicator of reliability. Central Hudson's conclusion has been corroborated by NYSERDA's Initial Brief (at 3-4) where NYSERDA explains that the lag and "ramp up" are due to:

Contractors and energy service providers, who will need to make commitments to invest in infrastructure, marketing, and to ramp up levels of staffing and train new employees, may hesitate to take on those commitments without the assurance of some degree of program continuity.

NYSERDA's statement explains that the reason for the lag is limitations on NYSERDA's ability to mobilize third-party providers that are apparently critical to NYSERDA's

⁹ See also, Central Hudson Initial Brief at note 9, and related text.

operations. By identifying the specific causation for the lag, NYSERDA corroborates its admitted existence.

The likely inability of NYSERDA to achieve more than about 10% of the "fast track" savings level assumed by Staff for 2008 undercuts Staff's claim that its "enhanced" NYSERDA programs are the "fastest way" to decrease demand this summer. Staff has done no analysis that demonstrates that Central Hudson could not be implementing its energy efficiency programs as fast, or faster, than NYSERDA can ramp up the newly revised, significantly "enhanced" Staff programs to achieve the cost-effectiveness levels estimated by Staff.

Staff created an inconsistency between funding and savings, rendering incorrect its calculations of both. In contrast, the programs that Central Hudson has submitted reflect consistent assessments of ramping up both the funding level and the savings, thereby, unlike Staff, matching savings and funding in each year. The Central Hudson forecasts are consistent and reliable; the Staff forecasts are inconsistent and are not reliable.

II. The Absence of Development of Reliable Information Concerning NYSERDA's Historical Record of Costs and Effectiveness, or a Reliable Mechanism for Determining NYSERDA's Future Costs and Effectiveness, With the Same Degree of Reliability as Analyses of Utility Costs and Effectiveness, Prevents Other Staff Positions From Being Realistic or Achievable and Frustrates the Degree of Accountability Generally Sought by the Commission

By recommending large increases in ratepayer funding for NYSERDA energy efficiency programs to the substantial exclusion of utility energy efficiency programs, Staff has made recommendations for very large ratepayer funding commitments without adequate substantiation. It has also proposed the establishment of unrealistic hurdles to future utility program administration.

It will be impossible to meet the standards proposed in Staff's Initial Brief (at 3), where Staff states:

In assuming a larger role in efficiency program delivery, utilities (or any new program administrators) must be able to demonstrate that they can administer a program as efficiently and effectively as the current administrator (in the case of an existing program) before such programs should be approved for alternative administration,

and (at 22), where Staff states:

Staff suggests that NYSERDA costs be used as the benchmark for program administration costs, particularly the administration of existing NYSERDA programs. If utilities are proposing higher administrative costs, the onus should be on them to demonstrate that their programs achieve proportionally higher results to justify the higher costs.

Absent reliable information on NYSERDA's fully allocated costs and effectiveness down to a program-by-program level, with the same quality routinely required in utility rate cases, fully audited and developed in a transparent fashion from cost records that are as reliable as those the Commission requires of utilities, these are simply unachievable, impossible hurdles. Furthermore, by deliberately keeping the utilities from developing and implementing their own programs to address all market segments where they feel they can be competitive with or superior to NYSERDA, Staff's approach would block them from demonstrating their actual capabilities in comparison to NYSERDA, and from refining and improving programs on a continual basis through market-driven innovation.

Over the last decade, NYSERDA has received about \$1.3 billion in ratepayer provided funds, but has never been

audited by the Commission to Central Hudson's knowledge.¹⁰ Meanwhile, the Commission's Staff has pursued investigations of utility costs in rate cases down to levels of tens of thousands of dollars. This is not to say that the pursuit of those utility costs has been inappropriate in any way, but that the lack of equivalent investigation of NYSERA's costs and savings production has not been appropriate. Absent an analysis of actual costs and operating efficiencies that is as intensive, detailed, and reliable as those Staff conducts of utilities in rate cases before ratepayers are asked to provide increased funding, it is not reasonable to provide large increases in ratepayer funding to the incumbent governmental monopoly energy efficiency supplier and simultaneously establish hurdles to customer choice.

When the Commission wishes to understand fully the costs that its decisions will impose on consumers, it has a standard approach: It investigates the activities of interest and the actual historical costs for the activities under review, it requires a "verifiable link" between the

¹⁰ The committee that reviews NYSEDA's annual reports does not have an investigative staff, or any audit trail information that Central Hudson is aware of, to permit independent investigation or substantiation of either costs or savings claims.

historic period and the future period, and it evaluates the reasonableness of the forecast costs and describes the performance it expects. These investigations are typically conducted by the Commission's Staff. The standard approach has not been followed in this case, even though the amounts of ratepayer funds being discussed are very substantial and, if similar amounts were requested by a utility, would produce an extensive Staff investigation. The absence of the requisite factual investigation commensurate with \$4 billion in public costs is not consistent with the high level of accountability sought generally by the Commission.

III. There is No Analysis Supporting
Staff's "Ground Up" Programs Other
than Staff's Flawed Cost-
Effectiveness Calculations

Staff's initial brief (at 19 et seq.) claims that only Staff's "ground up" approach is "sensible" or "well-accepted."

Insofar as the record reveals, however, Staff did not actually do what it claims it did. Staff did not actually create a "ground up" approach. It simply took the existing NYSRDA suite of programs as its starting point without considering any other alternatives (the record reveals no alternatives considered and rejected). Staff then made

very significant embellishments from there, many of which originated with utility-designed and operated programs, all the while complimenting the very NYSERDA programs Staff felt necessary to alter to incorporate utility "best practices".

Therefore, there was no synthesis, construction, or, indeed, analysis by Staff of programs to develop a true "ground up" approach, because Staff did not analyze the known and available alternatives, and in particular those filed by Central Hudson.¹¹ Instead, Staff selected NYSERDA on an *a priori* basis and then sought to justify that decision in its initial brief on an *ex post* basis.

Even though Staff did not actually do a "ground up" approach, if a true "ground up" approach was actually superior to a statewide apportionment, as was done by Central Hudson in its Statewide Plan, then the Staff approach would have had superior cost-effectiveness value to the Central Hudson approach. However, just the reverse

¹¹ An irony is that Central Hudson's energy efficiency programs were truly developed in a ground up fashion, driven by market research and customer preference data, best practices from New York and other jurisdictions, and realistic penetration, cost and savings assumptions to create comprehensive, market-based programs. Because of the Commission's requirements for allocating programs among electric and gas lines of business, the programs were then divided along those lines, but they were actually developed more fundamentally.

is true, as shown by the superior cost-effectiveness values compared to Staff's approaches in both in Central Hudson's original Statewide Plan based on the assumptions presented in Staff's December 2007 Proposals, and the updates it developed and presented in Central Hudson's Initial Brief and this Reply Brief, based on the assumptions presented in Staff's March 25 Proposals.

IV. Staff's Proposals Do Not Satisfy Staff's Own Criteria, But the Central Hudson Programs Staff Ignored Do Satisfy Staff's Criteria

As demonstrated by Table 1 in the Appendix, Staff's supposed "ground up" approach did not satisfy the criteria that Staff claimed it applied in developing its proposals. In contrast, as demonstrated by Table 2 in the Appendix, Central Hudson's programs actually do satisfy those criteria (but Staff never analyzed Central Hudson's programs, much less established that Central Hudson's programs did not meet Staff's criteria).

V. Permitted Scope of Briefing and Violations Thereof

On March 28, and April 9, 2008, the Secretary issued two letters stating, in effect, that Central Hudson's Statewide Plan is a fast track proposal within the scope of

the matters available for consideration pursuant to the ALJs March 20 Ruling.

On April 14, 2008, the ALJs issued *sua sponte* a Ruling Concerning Reply Briefs and Utility Energy Efficiency Plans ("April 14 Ruling"). The April 14 Ruling states that the ALJs had repeatedly restricted "bridging programs to 'already existing, proven cost-effective energy efficiency programs that were oversubscribed, or for which there were waiting lists, that were capable of scaling up once additional funding was made available.'" The April 14 Ruling also states that "the current briefing process is limited to those issues identified in our March 20, 2008 ruling and is not the forum for consideration of new suites of energy efficiency programs."

A. Central Hudson's Energy Efficiency Programs

Central Hudson's energy efficiency programs (as incorporated into Central Hudson's Statewide Plan) are not "new" energy efficiency programs within the April 14 Ruling; they are legitimate "fast track" programs. However the April 14 Ruling might be applied to other utility energy efficiency programs, it cannot be applied to Central Hudson's energy efficiency programs (as incorporated into

Central Hudson's Statewide Plan) except by concluding that the Secretary's letters are nullities.

B. Violations of the Permitted Scope of Briefing

The principle that briefing is limited to the four identified issues, as reflected in both the March 25 Ruling and the April 14 Ruling, has been violated by portions of other initial briefs than the Con Edison/Orange & Rockland initial brief referred to in the April 14 Ruling.

As noted in Central Hudson's Initial Brief at 4, Staff's March 25 Proposals attempt to change the "fast track" concept into a set of "default" programs.¹² The ALJs March 20 Ruling (at 11) stressed that "this round of proposals and briefs only applies to the four issues proposed above for early Commission action."

Central Hudson submits that the following portions of Staff's Initial Brief go beyond the four issues identified for briefing at this time:

- Staff proposed Commission decisions numbers 2, 5, 7, 8, 9, 10, 11, 12 and 15;

¹² Staff's Initial Brief goes further and seeks to impose unachievable hurdles to later expansion of utility program, as discussed above.

- The text at pages 15-18;
- The discussion of "incentives" at pages 23-32;¹³
- The discussions of "governance" commencing at page 34 and continuing in Attachment 1; and
- Pages 37-on.

These portions of Staff's Initial Brief are entirely or predominantly beyond the scope permitted for this round of briefing, and Central Hudson reserves the right to address them at such time as that may be authorized.

Conclusion

The Staff model of ratepayer-supported energy efficiency is not desirable. Staff's proposal to increase NYSERDA's hegemony over ratepayer-funded energy efficiency excludes competition, denies market-based competitive innovation and creativity, increases risk and frustrates the Commission's pro-consumer choice policies. Staff's cost-effectiveness calculations are flawed and Staff's

¹³ Similarly, the discussion of utility incentives at 4 of NYSERDA's Initial Brief is also beyond the scope of issues identified for briefing at this time.

claims of quick implementation have been vitiated by NYSERDA's admissions against interest.

Central Hudson's energy efficiency programs are legitimate "fast track" programs with equivalent or superior cost-effectiveness that can ramp up as quickly as NYSERDA's, but Staff refused to analyze the Central Hudson programs before advocating NYSERDA-based programs. Simultaneously with blocking substantial utility "fast track" programs, however, Staff also advocates "enhancements," a euphemism for required changes, to the NYSERDA programs to conform them to current utility "best practices," and the establishment of insuperable hurdles to future utility energy efficiency programs.

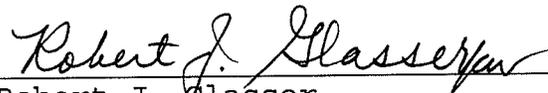
In contrast, Central Hudson's Statewide Plan presents a balanced model for ratepayer funded energy efficiency that allows NYSERDA to participate where desirable to seek to establish a competitive standard of comparison. Unlike Staff's approach, Central Hudson's Plan minimizes risk and furthers competitive choice.

Central Hudson initiated the development of a comprehensive group of electric, gas and low income energy efficiency programs of its own volition. These programs are based on market research and customer preferences for

Central Hudson energy efficiency programs. Central Hudson's programs reflect "best practices" and are ready for immediate implementation. Central Hudson is ready to proceed and requests that the ALJs allow it to proceed to assist in achieving the 15x15 goals with its full suite of proposed programs as fast track programs.

Dated: New York, New York
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Central Hudson Reply Brief – Appendix – Work Paper for Program Table

	Agency Authority Letter Report (November 30th)	Central Hudson Statewide Plan	ALJs Straw Proposal	Staff March 25 Proposals	Updated Central Hudson Statewide Plan
Cost per MWh	\$308	\$269	\$305	\$275	\$238
Utility Savings (GWh)	7,130	8,887	3,963	2,151	8,892
Existing NYSERDA (GWh)	3,008	3,008	3,734	2,975	3,008
Existing Other Agencies (GWh)	1,732	1,732	596	1,712	1,732
NYSERDA Savings (GWh)	7,380	5,659	3,843	10,661	5,659
Codes & Standards	8,250	8,250	6,562	10,000	8,250
GWh Savings Targeted	27,500	27,536	18,698	27,499	27,541
% Utility Savings	25.9%	32.3%	21.2%	7.8%	32.3%
% NYSERDA Savings	37.8%	31.5%	40.5%	49.6%	31.5%
% Other Savings (i.e., Agencies, Codes & Standards)	36.3%	36.2%	38.3%	42.6%	36.2%
Unmet Portion of 2015 Target (GWh)	0	0	8,802	0	0

**Attachment I: CECAA Electricity Savings Spreadsheet
Ratio to Split Existing Programs between SBC & Other Agencies**

	Current Savings	GWh	Ratio
NYSERDA SBC		3,499	0.635
Other Agencies		2,014	0.365
Total		5,513	

Note: This ratio is used for the Agency Letter Report and Central Hudson Statewide Plans columns of this table. The ratios are multiplied by the original 4,740 GWh from the Agency Letter Report, to receive 3,008 GWh for existing NYSERDA programs and 1,732 GWh for existing other agencies.

Staff March 25 Proposals Break Down - Measurements from Page 16, 17 & 18 of Staff Initial Reply

	Page 16 Measured Inches	% of Residential and C&I Programs	GWh Subtotal		GWh Saved Total
C&I NYSERDA	1.9375	78.6%	9,688	C&I NYSERDA	7,612
C&I Utility		21.4%		C&I Utility	2,076
Residential NYSERDA	0.625	97.6%	3,125	Residential NYSERDA	3,050
Residential Utility		2.4%		Residential Utility	75
Codes & Standards	2			Codes & Standards	10,000
Current State	<u>0.9375</u>		4,688	NYSERDA SBC	2,975
				Other Agencies	1,712
Total Programs	5.5				27,500
	<u>GWh Saved</u>	<u>% of Total</u>			
Total Utility	2,151	7.8%			
Total NYSERDA	13,636	49.6%			
Codes & Other Agencies	11,712	42.6%			
Totals =	27,500	100			

Note: Multiplied by above ratios to split between NYSERDA SBC and Other agencies for current state programs.

Table 1 – Fast Track Programs

Program	Quick Implementation	Programs are effective and useful to customers, easy understand and encourage participation	Build on existing successful programs and fill existing gaps	Provide sufficient funding to expand current successful programs that are oversubscribed	Contain a significant role for a variety of market players	Build the needed infrastructure for expanded program delivery in a systematic and logical way	Develop an overall framework of programs that, taken together, form a logical and comprehensive world class energy efficiency approach
1. New Building Construction – Single and One to Four Unit Multi-family Housing (electric and gas)	No analysis of the time and resource commitments was developed and no formalized plan to administer training was created.	States that realtors and builders need to be trained. No analysis of the time and resource commitments was developed and no formalized plan to administer training was created.	No analysis of why expanding existing NYSERDA programs is superior to other alternatives; alternatives do not appear to have been evaluated	No data provided in Staff proposal to substantiate	Incomplete: Incentives targeted at builders only	Enhancements to current programs are not concrete; i.e, “doing more” to promote efficient appliances, “exploring” new methods to encourage efficient building	No articulation of the logic
2. Statewide Residential Point-of-Sale Lighting Program (electric)	No analysis of ramp up or schedule provided	Potential enhancements such as short term in store coupons were not defined, and are only in the consideration phase	Successful expansion is dubious: During 1999-2005, percent of ENERGY STAR models on display at NYSERDA partner stores, increased only 8% (May 2006 NYSERDA report)	No data provided in Staff proposal to substantiate	Incomplete: Incentives targeted at retailers	Does not have roadmap for lighting catalog, or provide specifics	Anticipated sales based on utility programs in the northwest and New England, not state entities; see item 1
3. Residential ENERGY STAR® HVAC and Efficient Gas Equipment	Generic state-wide approach to eligibility and incentive levels will take time to develop and delay commencement	Unclear as to whether incentives would be provided to customer or upstream, or both	No analysis of why expanding existing NYSERDA programs is superior to other alternatives; alternatives do not appear to have been evaluated	Currently only offered by subset of NY gas utilities	No data provided in Staff proposal to substantiate	No data provided in Staff proposal to substantiate	Based on KeySpan (utility) programs; see item 1

<p>Program</p>	<p>Quick Implementation</p>	<p>Programs are effective and useful to customers, easy understand and encourage participation</p>	<p>Build on existing successful programs and fill existing gaps</p>	<p>Provide sufficient funding to expand current programs that are oversubscribed</p>	<p>Contain a significant role for a variety of market players</p>	<p>Build the needed infrastructure for expanded program delivery in a systematic and logical way</p>	<p>Develop an overall framework of programs that, taken together, form a logical and comprehensive world class energy efficiency approach</p>
<p>4. Home Performance with ENERGY STAR® (electric and gas)</p>	<p>Would require training of additional contractors to meet projected budget; no analysis of requirements or schedule</p>		<p>No analysis of why expanding existing NYSERDA programs is superior to other alternatives; alternatives do not appear to have been evaluated</p>	<p>No data provided in Staff proposal to substantiate</p>	<p>No data provided in Staff proposal to substantiate</p>	<p>No data provided in Staff proposal to substantiate</p>	<p>See item 1</p>
<p>5. Low Income Residential Energy Efficiency and Weatherization (electric and gas)</p>	<p>Requires workforce development; see item 4</p>	<p>Unclear how programs would be marketed or participants reached / encouraged</p>	<p>Suggested meeting between DHCR, NYSERDA, DPS Staff and weatherization to gap fill and coordinate services, but no definitive substantive proposals that demonstrate compliance with the criterion. No analysis of why expanding existing NYSERDA programs is superior to other alternatives; alternatives do not appear to have been evaluated</p>	<p>No data provided in Staff proposal to substantiate</p>	<p>No data provided in Staff proposal to substantiate</p>	<p>No data provided in Staff proposal to substantiate</p>	<p>See item 1</p>

Program	Quick Implementation	Programs are effective and useful to customers, easy understand and encourage participation	Build on existing successful programs and fill existing gaps	Provide sufficient funding to expand current successful programs that are oversubscribed	Contain a significant role for a variety of market players	Build the needed infrastructure for expanded program delivery in a systematic and logical way	Develop an overall framework of programs that, taken together, form a logical and comprehensive world class energy efficiency approach See item 1
6. Multifamily Building Home Performance with an Emphasis on New York City (electric and gas)	Requires workforce development; see item 4	Program features not well defined; no assessment can be made	No analysis of why expanding existing NYSERDA programs is superior to other alternatives; alternatives do not appear to have been evaluated	No data provided in Staff proposal to substantiate	No data provided in Staff proposal to substantiate	No data provided in Staff proposal to substantiate	See item 1
7. New Commercial Buildings – Whole Building Design (electric and gas)	Tech assistance providers need to be developed; see item 4	Program features not well defined; no assessment can be made	Criterion not met: Staff Proposal indicates that current programs need to be re-viewed to evaluate “potential” increase in market penetration and level of per unit savings	No data provided in Staff proposal to substantiate	No data provided in Staff proposal to substantiate	No data provided in Staff proposal to substantiate	See item 1
8. Small Business Direct Installation Program (electric and gas)	Development of statewide protocol would hinder quick start	Description of eligible measures and applied rebates / incentives unclear	Criterion not met: Staff Proposal recommends design team, consisting of utilities, NYSERDA, and DPS be formed to develop specific program implementation plan,	No data provided in Staff proposal to substantiate	No data provided in Staff proposal to substantiate	No data provided in Staff proposal to substantiate	Savings estimates based on successful utility programs (CL&P and SCE)

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		principles, and plans to be submitted to the Commission." In effect, start from nothing.					
9. Existing Commercial Buildings (electric)	Need to enhance current Commercial/Industrial Performance Programs		Increase focus on retro-commissioning buildings. Program change.	No data provided in Staff proposal to substantiate	Staff Proposal indicates "NYSEDA should review lessons on sector targeting from programs in Northwest, California, Vermont, and Rhode Island."	No data provided in Staff proposal to substantiate	See item 1
10. Flex Tech Including Industrial Process Improvements (electric and gas)	Increase of budget for existing program.		Approach too vague: Increase number of service providers	No data provided in Staff proposal to substantiate		No data provided in Staff proposal to substantiate	See item 1

Table 2

Central Hudson Program	Quick Implementation	Programs are effective and useful to customers, easy understand and encourage participation	Build on existing successful programs and fill existing gaps	Build the needed infrastructure for expanded program delivery in a systematic and logical way	Develop an overall framework of programs that, taken together, form a logical and comprehensive world class energy efficiency approach
1. Residential Lighting	Can be implemented quickly.	Coupon amounts and market penetrations defined. Marketing and education plan designed, with clear guidelines	Based on Efficiency Maine programs	<p>In its 53-page program description filing, Central Hudson has provided detailed programs that encompass the electric and gas residential customer, lower income, and commercial sectors.</p> <p>The comprehensive suite of initial programs and business case was driven by 1) customer focus groups and survey, 2) market research inclusive of an appliance saturation survey, and 3) successful industry program best practices. In addition, a detailed plan for outreach, education and marketing was created to run in parallel with the efficiency programs, to overcome the market barriers found during the market research, and increase penetration of programs.</p>	
2. Residential Appliance	Can be implemented quickly.	Rebate levels specified for residential appliances based on efficiency and ENERGY STAR guidelines	Included in Central Hudson portfolio for societal reasons – Specifically to encourage the removal of old appliances from closet use	<p>Specific program details such as incentive levels and corresponding equipment performance levels were tailored to meet the needs and wants of Central Hudson customers, as developed from the market data, based on analysis of existing successful real world efficiency programs that have been measured and evaluated, with reasonable and supported assumptions for energy savings and penetration rates.</p>	
3. Residential HVAC	Portions such as bounty program for A/C units implemented quickly. Other components on larger units follow directly behind.	Specified rebate levels and equipment performance levels	Based on successful utility programs downstate and in New England	<p>Overall, the presented business plan provides well designed guidance for successful implementation of energy efficiency programs. The energy efficiency programs submitted in September 2007 are able to be implemented quickly, are flexible in nature, and are adaptable and expandable as the programs are measured and evaluated, or market changes occur.</p>	
4. Residential Low Income	Preliminary work by Central Hudson shows that some implementation forces are available now; additional workforce development anticipated.	Clear program guidelines with specified subsidies.	Included in Central Hudson portfolio for societal reasons; enables central Hudson to leverage low income services it already provides	<p>Overall, the presented business plan provides well designed guidance for successful implementation of energy efficiency programs. The energy efficiency programs submitted in September 2007 are able to be implemented quickly, are flexible in nature, and are adaptable and expandable as the programs are measured and evaluated, or market changes occur.</p>	

Central Hudson Program	Quick Implementation	Programs are effective and useful to customers, easy understand and encourage participation	Build on existing successful programs and fill existing gaps	Build the needed infrastructure for expanded program delivery in a systematic and logical way	Develop an overall framework of programs that, taken together, form a logical and comprehensive world class energy efficiency approach
5. Commercial and Industrial Programs	Preliminary work by Central Hudson shows that some implementation forces are available now; additional workforce development anticipated.	Clear program incentives unitized and paid based on energy saved.	Based on best practice utility programs, and Central Hudson experience with Dollar Savers program in 1990's.		