

# NIXON PEABODY

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August 22, 2008

## VIA HAND DELIVERY

Hon. Jaclyn A. Brillling  
Secretary  
New York Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223-1350

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

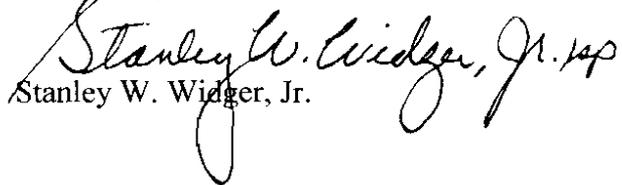
Dear Secretary Brillling:

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Copies of this filing are being provided simultaneously to the Administrative Law Judges and Staff Counsel assigned to this proceeding, as well as to counsel for the Village of Bath Electric, Gas and Water Systems and Multiple Intervenors, the two parties who regularly participate in matters pertaining to Corning Natural Gas Corporation.

Any questions regarding this filing should be addressed to me.

Very truly yours,

  
Stanley W. Widger, Jr.

Enclosures

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Anthony Belsito, Esq.  
Ashley Priscott, Esq.  
Danielle Rathbun, Esq.  
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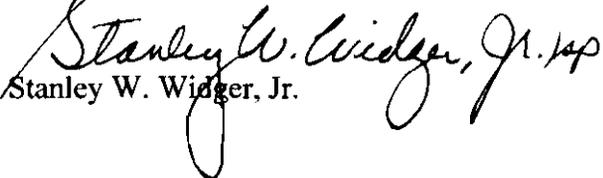
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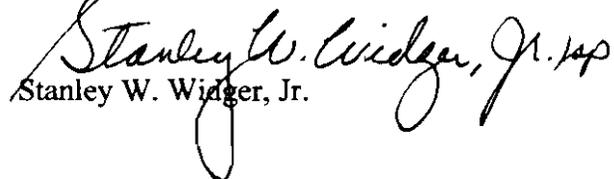
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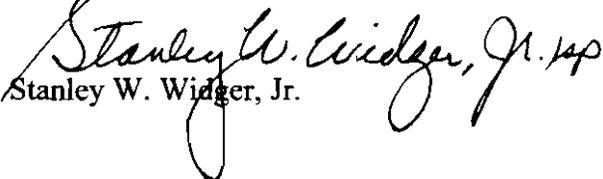
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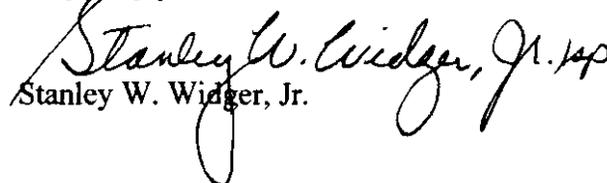
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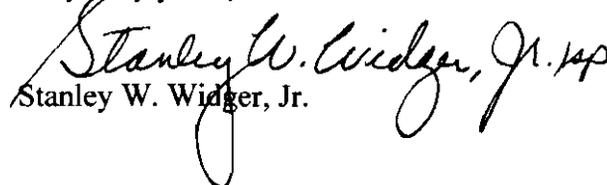
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**CORNING NATURAL GAS CORPORATION**

**RESIDENTIAL  
ENERGY EFFICIENCY  
PORTFOLIO STANDARD PROGRAM**

**Case 07-M-0548**

August 22, 2008

CORNING NATURAL GAS CORPORATION

RESIDENTIAL  
ENERGY EFFICIENCY  
PORTFOLIO STANDARD PROGRAM

Case 07-M-0548

August 22, 2008

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## INTRODUCTION

On June 23, 2008, the New York Public Service Commission (the "Commission"), in Case 07-M-0548, issued an Order Establishing Energy Efficiency Portfolio Standard and Approving Programs (the "June 23 Order"). The June 23 Order required, among other things, that each gas utility to which the Order applied submit plans for a residential energy efficiency program as described in the June 23 Order (the "Program"). Initially, it appeared that Corning Natural Gas Corporation ("Corning" or the "Company") was not subject to the June 23 Order because the Company was not included in Table 18 of Appendix 1, which identified the amounts each gas utility would be permitted to charge its customers. However, on July 3, 2008 an Errata Notice was issued to include Corning. The Errata Notice established a revised Table 18 and fixed the amount to be collected from customers. The June 23 Order, as corrected, authorizes Corning, effective October 1, 2008, to begin collecting a Gas System Benefit Charge "GSBC" for each unit of natural gas on each residential customer's monthly bill. The unit cost will be determined based on the total GSBC to be collected divided by the total residential volume supplied.

This document sets forth the Program for development and implementation of Corning's initiative to encourage and give impetus to residential customers on the Company distribution system to conserve natural gas by means of using high efficiency appliances. The Company Program is fully consistent with the overall effort of the Commission and the Governor's office to encourage conservation of resources.

Corning's Program is directed to residential customers and consists of three parts:

The first consists of customer education and outreach. The Company will attempt to provide educational materials through its website and through links to other sources, including the New York State Energy Research and Development Authority ("NYSERDA"), the United States Environmental Protection Agency ("USEPA") and local organizations, to expand customer knowledge about energy consumption.

The second part of the Program consists of customer incentive (rebate) measures to offset a portion of the implementation costs associated with energy-saving appliances installed in homes within the Company's distribution network.

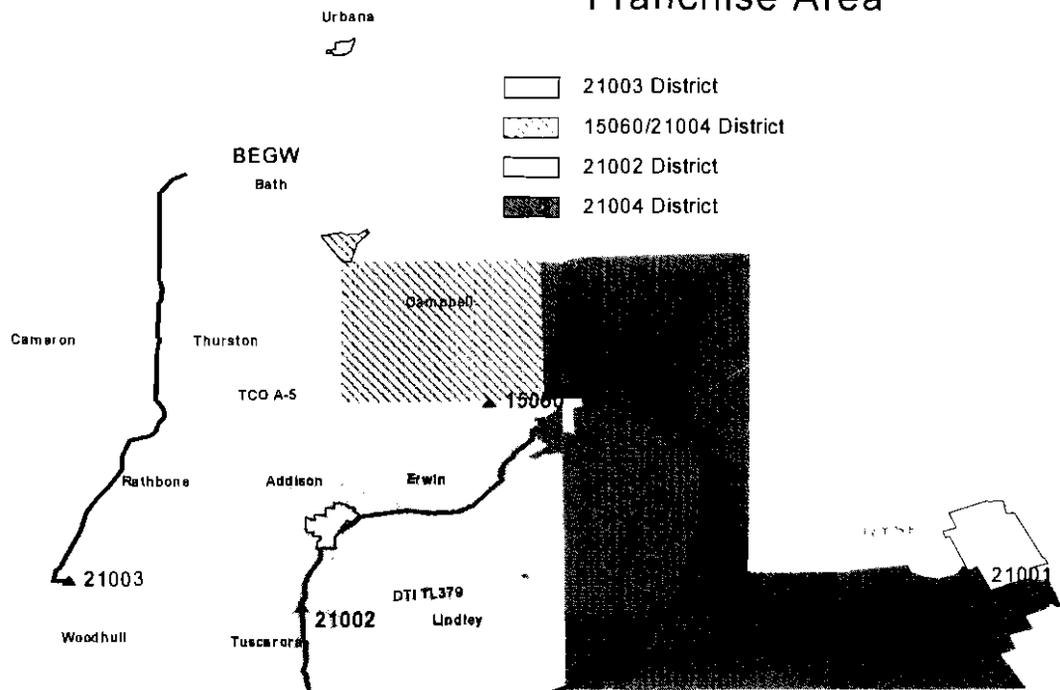
The third part of the Program consists of administration and monitoring. Corning will coordinate with other agencies such as NYSERDA and other parties to address best practices, Total Resource Costs ("TRC") and monitoring of results in an attempt to maximize the benefit/cost ratio of the Program.

In developing its Program, Corning has participated in, and benefited from, the collaborative efforts of the various stakeholders in Case 07-M-0548, as required by the June 23 Order. Specifically, the Company initially participated in discussions held on July 28 and further discussions between Corning and St. Lawrence Gas as a liaison providing information from NYSERDA calls throughout the process.

This Program document, upon approval by the Commission, will serve as the Company's guideline for education, awareness, incentives/rebates and administration to encourage customers on the Corning system to replace appliances and to reduce consumption of natural gas.

Corning operates a natural gas distribution network throughout southeastern Steuben County and southwestern Chemung County, including several Towns and Villages and the City of Corning. A general overview of the Company's franchise area is shown on the map below.

## Corning Natural Gas Corporation's Franchise Area



The Program will be made available to all residential customers served by Corning Natural Gas Corporation.

### PROGRAM GOALS AND ELIGIBILITY

The Program is intended to comply with the Commission's June 23 Order establishing energy efficiency standards to reduce energy consumption across the State. A further goal of the Program is to reduce the barriers which exist for customers who may need financial assistance to obtain energy efficient equipment in order to reduce their energy costs over the long term.

To be eligible to participate in the Program, the customer must qualify under current tariff guidelines as a residential customer and have a current account with the Company. The rebates/incentives are available for new construction and existing homes. The installation must occur after October 1, 2008 for all high-efficiency space heating, water heating and programmable thermostats which meet the ENERGY STAR program ratings.

The Company will require documentation prior to issuance of any rebates to customers. The documentation for space heating rebates will include:

- Documentation regarding the equipment that is being removed, including the make, model, Btu rating and the most recent efficiency rating test data that can be obtained on the unit. In the absence of a test, information must be provided as to the estimated date of installation and the Btu rating of the unit.
- Documentation regarding the unit that is being installed, including the make and model of the appliance, receipt for payment which shows the Annual Fuel Use Efficiency ("AFUE") rating and the contractor's name, address, telephone number and Federal Tax ID number.

Case 07-M-0548 Residential Energy Efficiency Portfolio Standard  
Program for Corning Natural Gas Corporation

The Documentation for water heating rebates will include:

- Documentation regarding the equipment that is being removed, including the make, model, burner rating and size of the unit and the approximate date that the unit was originally installed.
- Documentation regarding the unit that is being installed, including the make, model and AFUE of the unit. The size of the unit may not exceed 75 gallons. The name, address, phone number and Federal Tax ID number of the contractor must also be provided.

The documentation related to the appliance being removed will be used to estimate the efficiency and rate of consumption of natural gas, enabling comparison to the new high-efficiency unit that is installed.

The approved rebate amount will be credited to the residential customer's natural gas account after all required documentation has been processed by Corning.

### EDUCATION and OUTREACH

Corning will provide educational and promotional material to customers through a variety of methods in an effort to promote customer interest in making more efficient and effective use of natural gas. This part of the overall Program will include many different means of communication and correspondence with customers regarding the benefits of conservation measures. Much work has already been done by the USEPA, NYSERDA and the ENERGY STAR program on a national, state and local level to increase customers understanding of the need to curb energy consumption. It is an objective of this Program to further emphasize that necessity.

#### Programs and Sources

USEPA - Corning has entered into a voluntary partnership with the USEPA as a member of the Natural Gas STAR Program. The commitment on the Company's part is threefold. The primary commitment is to establish practices that will reduce methane emissions. The Company is also entering into a program of infrastructure upgrades to make more efficient use of resources. Finally, the Company is committed to increasing the educational material available to customers. Corning is also beginning a program establishing and sharing "best practices" with other utilities.

NYSERDA – Through links to the NYSERDA website, the Company will make available NYSERDA conservation material to its customers. In addition, the Company will collaborate with NYSERDA to review funding sources which may help customers avail themselves of educational, informational or financial tools in order to get the most impact from energy conservation improvements they choose to undertake. The information will be passed on to customers through bill inserts and website links in an effort to provide customers with a means of funding energy savings programs.

Southern Tier Central Regional Planning & Development Board ("STCRPDB") – This is a regional organization with access to many municipal government leaders and projects. This organization has access to resources related to funding sources that may be accessed to help with energy conservation programs at the municipal level for the region's residents. The organization will also provide an outlet for information that can be distributed through municipalities to natural gas customers. This can be a significant outlet for providing educational material relative to energy saving programs and may also be a source for promotion of programs used to educate consumers on the needs and methods of implementing conservation of resources.

Company information and educational material will be provided to customers through a Consumer Education kiosk in the lobby of the Company's office, as well as in material that may be sent to customers in bill inserts. It should be noted that approximately 25% of Corning's residential customers visit Corning's office every month. In addition to the kiosk, customer personnel will be trained to familiarize customers with our efficiency and conservation programs when they visit our offices. The Company's website will also be utilized to provide

Case 07-M-0548 Residential Energy Efficiency Portfolio Standard  
Program for Corning Natural Gas Corporation

information specific to the Program and to provide direct links to websites that will provide information on both technical matters and funding sources for energy conservation measures.

The Company will utilize its relationships with trade allies such as the Finger Lakes Homebuilders and Remodelers Association. The Company is a member and, in its capacity as a member, the resources of the organization will be used to encourage other members to utilize energy efficient appliances and construction methods in order to conserve natural gas. Corning will examine the feasibility of meeting with small groups of contractors in an educational/informational setting to promote the use of ENERGY STAR rated high efficiency natural gas appliances as a part of the building and remodeling process.

#### CUSTOMER INCENTIVES

Corning will utilize the measures which have been developed through the ENERGY STAR Program to promote the change to appliances that contribute to a reduction in consumption of natural gas. The commencement of the Company's Program as it pertains to purchase/installation measures will coincide with commencement of collection of the GSBC on October 1, 2008.

#### **Residential ENERGY STAR High Efficiency Heating System Incentive Program**

Effective October 1, 2008, Corning will begin providing rebates for the installation of high efficiency heating systems. The Program will include all residential customers in the Company's service territory.

##### Description

The Program is designed to promote the conservation of energy by the installation of ENERGY STAR-rated natural gas furnaces in eligible residential properties. The Program offers rebates for new construction and replacement equipment. The objective of the Program is to overcome financial barriers to energy efficient equipment through rebates, education and awareness of customers, builder/developers, and HVAC contractors.

Qualifying customers are eligible to receive a \$400 rebate per unit installed for ENERGY STAR-rated high efficiency gas furnaces or boilers. ENERGY STAR requirements with respect to AFUE ratings will be in accordance with standards that apply as of the date of the purchase of the heating system. In order to qualify, the unit must have a minimum AFUE of 90% for hot air furnaces and 85% for hot water boilers.

##### Promotion/Education/Administration of the Program

The Program will be promoted through bill messages, customer newsletters on the Company's website and general advertisements. Information will be provided to vendors and contractors through direct mail campaigns and through communications with local contractors who interact with the Company on a routine basis. Educational flyers will be distributed through customer mailings and at a kiosk in the main lobby of the Company's office. The Program will be administered by Company personnel in collaboration with NYSERDA and Commission Staff to provide the required reports and details of Program implementation.

#### **Residential ENERGY STAR High Efficiency Water Heating Rebate Program**

Effective on October 1, 2008, Corning will begin providing rebates for the installation of high efficiency water heating systems. The Program will include all residential customers in the Company's service territory.

##### Description

The Program is designed to promote the conservation of energy by the installation of ENERGY STAR-rated water heating equipment. The Program offers rebates for new construction and replacement equipment. The objective of the Program is to increase the demand for high-efficiency natural gas water heaters through rebates,

Case 07-M-0548 Residential Energy Efficiency Portfolio Standard  
Program for Corning Natural Gas Corporation

education and increased customer, builder/developer and HVAC contractor awareness regarding the benefits of this technology.

Qualifying customers are eligible to receive a \$150 rebate per unit installed for an ENERGY STAR rated high efficiency water heater and \$400 for a tankless water heater with a minimum 82% efficiency rating. To qualify for the rebate, water heaters must meet the ENERGY STAR requirement standards that are applicable as of the date of the purchase of the water heating unit.

Promotion/Education/Administration of the Program

The Program will be promoted through bill messages, customer newsletters on the Company's website and general advertisements. It will be provided to vendors and contractors through direct mail campaigns and through communications with local contractors who interact with the Company on a routine basis. Educational flyers will be distributed through customer mailings and at a kiosk in the main lobby of the Company's office. The Program will be administered by Company personnel in collaboration with NYSERDA and Commission Staff to provide the required reports and details of Program implementation. The rebate may only be applied by one party per property address.

**Residential ENERGY STAR Setback Clock Thermostat Rebate Program**

Effective on October 1, 2008, Corning will begin providing rebates for the installation of setback clock thermostats. The Program will include all residential customers in the Company's service territory.

Description

The Program is designed to promote the conservation of energy by the installation of an ENERGY STAR-rated setback thermostat. The Program offers rebates for new construction and replacement equipment. The objective of the program is to increase effectiveness of the heating and cooling equipment in response to periods of occupancy or vacancy. The demand for increasing conservation is directly in line with the ability of the occupant to program heating/cooling needs to be as efficient as possible. Research has shown that the use of setback thermostats can result in energy savings when utilized to lower the heating/cooling demands when the premises are not occupied.

The eligible ENERGY STAR setback thermostat must meet the criteria established to include:

- Separation of weekend and weekdays, as well as occupied and unoccupied periods.
- An advance recovery feature which allows temperature maintenance within preset time periods.
- Specific requirements to maintain a set temperature accurately within a specific range (+/-2 degrees)
- Hold/override features to allow for suspension of the program mode.

Qualifying customers are eligible to receive a \$25 rebate per unit installed for ENERGY STAR-qualified setback thermostats. To qualify for the rebate, the thermostat must meet all ENERGY STAR requirement standards that are applicable as of the date of the purchase of the thermostat.

Promotion/Education Opportunities

The Program will be promoted through bill messages, customer newsletters on the Company's website and general advertisements. Information will be provided to vendors and contractors through direct mail campaigns and through communications with local contractors who interact with the Company on a routine basis. Educational flyers will be distributed through customer mailings and at a kiosk in the main lobby of the Company's office. The Program will be administered by Company personnel in collaboration with NYSERDA and Commission Staff to provide the required reports and details of Program implementation.

ADMINISTRATION/BUDGET

Conring has established an initial budget for the Program of \$150,000 which will be utilized primarily to provide incentives for customers who meet the requirements to qualify for the Program rebates.

Below is an estimate of the financial assets that will be directed to the full-year implementation of the program. Beginning October 1, 2008 and for the last quarter of the calendar year, the assets directed to the Program will be 25% of the annual allocation. The Program will be monitored quarterly to assess whether the funds are being allocated in the most effective way possible. Should the need arise, from time to time, budgeted amounts may be reallocated to areas that are identified as higher need areas of the Program. In addition, as part of the trade ally program, feedback will be solicited from the trade ally community to determine if redirecting resources to other products is warranted.

**ANNUAL BUDGET**

	<b>Education and Outreach</b>	<b>Customer Incentives</b>	<b>Administration/ Evaluation/Reporting</b>
High Efficiency Heating System Rebate Program	\$6,500.00	\$70,000.00 (25% dedicated to low-income)	\$16,500
High Efficiency Water Heating Rebate Program	\$5,500.00	\$28,000.00 (25% dedicated to low-income)	\$15,000
Setback Clock Thermostat Rebate Program	\$2,000.00	\$4,500.00 (25% dedicated to low-income)	\$2,000
	<b>\$14,000.00</b>	<b>\$102,500.00</b>	<b>\$33,500.00</b>

Conring understands that a major barrier to low-income residential customers replacing appliances using high efficiency models is the difference in the initial cost of the high efficiency units. In that regard, attempts will be made to assist interested low income customers and to work with them to connect them with other programs, through agencies such as NYSERDA and others, so the project may become affordable and enable them to save on their energy costs in the long term.

Conring will utilize existing personnel to manage the Program. Assistance will be sought and collaboration will take place with NYSERDA and Commission Staff to assure compliance with the reporting requirements.

EVALUATION AND REPORTING

Coning will develop evaluation procedures in collaboration with NYSERDA and other interested parties over the first quarter year of Program implementation. The TRC methodology will be utilized in the cost/benefit evaluation, and to the degree that the Company is able to recover data from the equipment that is being replaced, the savings will be calculated, evaluated and reported on a quarterly basis as directed in the June 23 Order.

Coning also will review the process in the initial phase of the Program to assure that the Company is receiving appropriate data and that the Program is being managed efficiently.

Coning will provide the Commission with quarterly reports to show the extent of implementation and resulting benefits of the Program. As directed in the June 23 Order, Coning will maintain records that will be reported quarterly and compiled in an annual report showing the total amount of GSBC collected, as well as information on the number of customers utilizing the Program, expenses incurred in all phases of the Program (Education/Outreach, Incentives and Administration) and the estimated savings calculated from the data collected.

The annual report will be filed not later than June following the reporting year end. The annual report will reconcile the costs and collections related to the GSBC. The over/under collections will then be used to establish any adjustments in the GSBC that will be collected during the current year.