

II. Utility Incentives

As we noted in our previous comments in this proceeding, we find it reasonable for the Commission to implement an incentive/penalty structure for utilities as part of program implementation with the caveat that adequate measurement and verification will be essential to ensure the utilities do not “game” the system and inflate their achievements. ACE NY also strongly believes any incentive structure must be based on verified efficiency gains and not on programmatic milestones or simply an expenditure of funds.

In addition, consumers should see a real benefit in the form of reduced energy costs – relative to what they otherwise would have been – as a result of increased energy efficiency. Therefore, any incentive structure used to reward utilities for meeting or exceeding efficiency targets should not take away the important economic benefits that should properly accrue to the consumer. In other words, the majority of the cost savings resulting from reduced energy use should remain with New York consumers and not be offset by program expenditures used to provide “rewards” to utilities.

ACE NY also would like to note that while efficiency gains provide benefits across the board, demand reduction at times of peak power use provides additional benefits. Therefore, we believe it would be wise for the programs to explicitly include demand response programs and to ensure they are considered separately.

III. Advisory Staff Incentive Guidelines

The Advisory Staff Incentive Guidelines included in the May 30, 2008 Notice Soliciting Comments appear reasonable. However, the conclusion of Guideline 1, which reads: “...without placing an excessive burden on ratepayers.” Implies that consumers

will not see economic benefits from the implementation of efficiency programs whereas quite the contrary should be the case. We realize that these programs will require a large investment to realize, however, the goal should be for a return on that investment rather than simply minimizing the burden.

In addition, Guideline 7 includes mention of peak reduction targets as a possibility. Areas of the State experiencing peak demand growth disproportionate to overall load growth should definitely be required to include peak demand reduction programs and be evaluated accordingly.

IV. Conclusion

In summary, we support using a utility incentive/penalty structure to promote efficiency investments providing it is used in conjunction with appropriate and adequate measurement and verification and providing the majority of the savings from efficiency measures accrue to the consumers. In addition, demand response programs that reduce the need for power at peak use periods should be an integral part of efficiency goals and should be incorporated explicitly into the programs and incentive programs.

Respectfully Submitted,

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