STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 07-M-0548 – Proceeding on Motion of Commission Regarding an Energy Efficiency Portfolio Standard

REPLY COMMENTS OF THE
NATIONAL ASSOCIATION OF ENERGY SERVICE COMPANIES

INTRODUCTION

The National Association of Energy Service Companies (NAESCO) submits these reply comments in response to comments submitted by various parties to this proceeding on April 10, 2008 in response to the "RULING ON STAFF MOTION FOR RECONSIDERATION AND REVISING SCHEDULE," issued on March 20, 2008 by Administrative Law Judges Eleanor Stein and Rudy Stegemoeller. NAESCO is limiting its reply comments to the issues specified in Judges Stein and Stegemoeller's "RULING CONCERNING REPLY BRIEFS AND UTILITY ENERGY EFFICIENCY PLANS," issued on April 14, 2008.

SUMMARY OF REPLY COMMENTS

NAESCO's reply comments are summarized as follows:

1) A number of parties appear to have positions similar to NAESCO's on the issue of utility administration – the utilities have unique capabilities to contribute to the achievement of the "15 by 15" target, but that they have to demonstrate that their potential organizational strengths to serve effectively as program administrators can be converted to accomplishments at a reasonable cost.

2) There appears to be significant support for the Fast Track direct install small C/I program proposal, even among parties opposed to the proposed Fast Track administration.

3) The analysis of program costs and benefits is in need of further refinement.

4) Many parties observe that the budget proposed for Market Development is inadequate to the task New York faces in meeting the "15 by 15" target, particularly in the market segments that have historically been hard to reach.

DISCUSSION

NAESCO's discussion of its comments is as follows.

1) A number of parties appear to have positions similar to NAESCO's on the issue of utility administration – the utilities have unique capabilities to contribute to the achievement of the "15 by 15" target, but that they have to demonstrate that their potential organizational strengths to serve effectively as program administrators can be converted to accomplishments at a reasonable cost.

In its Initial Comments, NAESCO urged that the utilities that are interested in administering programs prepare and submit detailed program plans that include their proposed costs and incentives, because the Commission would require such detailed proposals to make decisions about utility administration. Other parties, including NYSERDA (NYSERDA at 7), Multiple Intervenors (MI at 41) and Staff (Staff at 2-3) seems to express similar positions. Multiple Intervenors urges that the Commission compare the proposal of various Program Administrators (NYSERDA, utilities and ESCOs) offering the same or similar program proposals head-to-head (MI at 45). Staff urges the Commission to carefully consider the costs of utility incentives, and offers a calculation of the potential cost of incentives for ConEd, derived from filings in a recent ConEd rate case, which indicates that utilities may be expecting to capture a very high percentage of program net benefits (Staff at 26).

Parties also seem to support the core administrative concept of the Fast Track proposals – that NYSERDA has demonstrated significant capabilities, its programs should be expanded, and utility programs should be designed to enhance and expand the NYSERDA portfolio. (NMPC at 5-6, MI at 40, Staff 19).

Finally, NAESCO asks for clarification of recommendation from New York City (NYC at 3) that the Commission approve all utility proposals that are cost effective, using the TRC test. NAESCO assumes that NYC does not mean that the

Commission should approve higher-cost utility programs that would provide the same or similar services as lower-cost NYSERDA programs. For example, it would be possible for a utility to design a performance contracting program with a TRC score of 1.5 that would replace the NYSERDA Enhanced Commercial Industrial Performance Program (ECIPP) that has a TRC score of 3 (Staff at 14). NAESCO does not believe that the Commission should approve such a program replacement based on a single qualifying standard. NAESCO would agree that utility proposals should be at a minimum cost effective using the TRC test but that qualifier alone should not be considered sufficient to approve a program and certainly not to replace an existing well functioning program.

2) There appears to be significant support for the Fast Track direct install small C/I program proposal, even among parties opposed to the proposed Fast Track administration.

A number of parties appear to support the inclusion of the direct install program for small C/I customers, which is part of the Fast Track portfolio. NAESCO observes that even parties that are opposed to Fast Track, such as ConEd, are *de facto* in support of such programs. The current ConEd Targeted program is a small C/I direct install program: a single vendor in each distribution area that primarily installs a single technology (lighting) in a turnkey transaction. The Targeted Program, of course, packages this relatively simple delivery model in a rather cumbersome contract, which NAESCO believes unnecessarily increases the costs of the energy savings produced by the program. National Grid also has significant experience delivering very effective small C/I direct install programs in its New England service territories. Some of these programs have achieved remarkably high penetration rates in target customer groups because of their targeted deployment of a specific technology and innovative financing.

NAESCO therefore agrees with other parties who observe that a small C/I direct install program may be one of the first programs that utilities should implement. Assuming that the contract requirements as currently drafted are

simplified, the direct install program should be able to generate energy savings in a relatively short time frame.

3) The analysis of program costs and benefits is in need of further refinement.

NAESCO deferred comment on Question 3 in Judges Stein and Stegemoeller's March 20 ruling because it does not have any particular expertise in the issues in question. NAESCO notes that many parties have commented that the current analyses of program costs and benefits are understated. NAESCO therefore repeats its comment that program costs and benefits should by built bottom-up from the proposals of the various program administrators. The Commission might take a look at the National Action Plan for Energy Efficiency which reports on a range of typical project costs across the nation. Referring to this joint DOE and EPA sponsored report might be a helpful source of information for Commissioners and staff on typical program cost parameters before looking in more detail at specific New York program cost and benefit proposals. NAESCO takes note of the comment by New York City (NYC at 12-18) that the current analysis of program benefits understates the potential natural gas savings. As parties know, because of the rapid growth in the use of natural gas for power generation, the natural gas market is now year-round, rather than seasonal. Reductions in electricity usage, even summer electricity usage, can lower the price of natural gas for all consumers by lowering the overall demand for gas. NAESCO recommends that parties doing further analysis of this interaction may want to examine a study by the American Council on an Energy Efficient Economy (ACEEE), which attempts to quantify the potential natural gas savings from programs that reduce electricity usage in the New York City region[1].

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[1] "Natural Gas Price Effects of Energy Efficiency and Renewable Energy Practices and Policies," by R. Elliott, A. Shipley, S. Nadel and E. Brown, ACEEE Report Number E302, December 2003, available at www.aceee.org/energy/natlgas.htm

4) Many parties observe that the budget proposed for Market Development is inadequate to the task New York faces in meeting the "15 by 15" target, particularly in the market segments that have historically been hard to reach.

The achievement of the "15 by 15" target will require that comprehensive energy efficiency measures be adopted by customer segments, like Class A office buildings, that have to date been resistant to the program offerings of NYSERDA, utilities and ESCOs. Several parties have observed (NYC at 6, NYSERDA at 5-6, Staff at 8) that the proposed Fast Track Market Development budget is inadequate to achieve significant penetration in these hard-to-reach segments. New York, as the marketing capital of the world, has access to the best available resources, and should try some innovative approaches to marketing the range of customer benefits of pursuing energy demand reduction at their facilities as well as the specific benefits of the programs being offered.

CONCLUSION

NAESCO appreciates the opportunity to offer these reply comments and urges the Commission to act quickly to adopt the Fast Track program portfolio and to facilitate the development and implementation of complementary, cost-effective programs by the utilities.

Respectfully submitted by,

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