

STATE OF NEW YORK

# Public Service Commission

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## **PSC SETS ENERGY EFFICIENCY INCENTIVES FOR UTILITIES**

— Commission Kick-Starts Utility Energy Efficiency Programs —

Albany, NY—8/20/08— As part of its historic energy efficiency initiative, the New York State Public Service Commission (Commission) today agreed to set aside up to \$27 million that would be given to electric utilities as an incentive to develop cost-effective programs designed to assist consumers in improving energy efficiency and reduce anticipated increases in consumer electricity bills.

“The unprecedented rise in energy prices we have seen in recent months is a call-to-action for utilities to find ways to improve energy efficiency and reduce energy consumption,” said Commission Chairman Garry Brown. “By creating these utility incentives, the Commission is providing a valuable incentive for utilities to find ways to improve energy efficiency, which is the most cost-effective, and most immediate, way to reduce the burden of rising energy and environmental costs on residential and business customers.”

Chairman Brown added: “Incentives are valuable in securing a long-term commitment by utilities to achieving efficiency goals. The Commission has established energy efficiency as a high priority, due to the benefits that it provides related to customer bills, system reliability, environmental impacts, energy security, and economic development. For that reason, incentives are warranted if they increase the likelihood of achieving our efficiency goals in a cost-effective manner. This new policy — taking the carrot and stick approach — holds utilities accountable to meet targets.”

The utility incentives that are being provided are part of an overall energy efficiency proceeding designed to forestall an expected rise in energy consumption. At current trends, by 2015 electric energy usage in New York is estimated to be 11 percent higher than current levels. These factors, combined with expected fuel price increases and supply uncertainty, and the need to reduce greenhouse gas emissions, make it necessary to create energy efficiency programs and quickly find ways to reduce energy use.

The goal of the incentive program is to reduce consumption by up to 693,951 megawatt-hours (MWhs) annually, representing a portion of the Commission's share of the statewide goal to reduce electricity consumption by 15 percent by 2015. The following table shows the application of the maximum incentive amount to the levelized targets by each utility's service territory:

<b>Service Territory</b>	<b>Potential MWhs Reduction</b>	<b>Maximum Potential Incentive</b>
Central Hudson	40,478	\$1.57 million
Con Edison	255,316	\$9.92 million
NYSEG	97,769	\$3.80 million
National Grid	223,270	\$8.67 million
Orange & Rockland	29,939	\$1.16 million
RG&E	47,179	\$1.83 million
<b>Totals</b>	<b>693,951</b>	<b>\$26.96 million</b>

The incentives outlined above would only be paid if the utility meets its goal. Failure to substantially meet the goal would subject the utility to a similarly sized negative financial adjustment. Meanwhile, an additional \$5 million is being made available as an incentive for meeting demand reduction goals in New York City. The table above does not include a potential target to be met by the New York State Energy Research and Development Authority, initially representing 335,570 megawatt-hours annually. Final MWhs target and incentive targets have yet to be determined.

The ultimate energy efficiency program when fully funded is expected to provide more than \$4 billion in benefits to customers through 2015. In addition, it is anticipated that thousands of jobs will be created to support the new energy efficiency programs — retrofitting outdated, inefficient residential, commercial and industrial properties, installing new energy efficient equipment, and informing the public about the new opportunities for savings on energy bills — by 2015.

The Commission's action today establishes policies for awarding incentives to electric utilities for the performance of energy efficiency services. The new policy creates a series of incentives and goals for utilities that will promote better program performance. The overall objective is to encourage superior performance and deter weak performance and align utilities' financial interests with energy efficiency as a resource option. The new policy applies to electric utilities. Gas utilities will continue to negotiate incentives on a case-by-case basis with the Commission.

Because utilities lack a large amount of recent experience with efficiency programs it is difficult at this early stage to predict with precision the ability to meet the ambitious program targets established in this proceeding. The Commission's incentive policy will begin at modest levels, and it may be adjusted as utilities gain experience in program planning.

The Commission's decision today, when issued, may be obtained from the Commission's [www.dps.state.ny.us](http://www.dps.state.ny.us) Web site by accessing the Commission's File Room section of the homepage and referencing Case 07-M-0548. Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).