New York, NY – 12/14/05 – The New York State Public Service Commission today voted unanimously to approve a five-year extension of a statewide energy efficiency and research program that was created in 1998. Citing the benefits accrued to New York ratepayers as a result of the program, concerns over the impact of higher energy prices on low-income consumers, and the need to ensure the program has adequate resources to remain effective in the future, the Commission voted to increase the funding level for the nationally recognized System Benefits Charge (SBC) program from $150 million to $175 million.

The SBC program was created to ensure that certain public benefit energy efficiency and energy research programs were adequately maintained during the transition toward a more competitive electric market. Prior to 1998, individual utilities operated their own energy efficiency programs. Creation of the SBC program consolidated energy efficiency and energy research activities under one roof where these efforts could be administered on a consistent, statewide basis. The SBC program has been administered by the New York State Energy Research and Development Authority (NYSERDA) as the New York Energy $mart℠ Program, and was scheduled to expire at the end of June, 2006. Today's decision commits $875 million in funding for energy efficiency and research between July, 2006 and June, 2011.

"As evidenced by the accomplishments of the program and the overwhelming support for it among the more than 160 parties active in our evaluation and assessment of the SBC, there is little debate as to the energy, economic and environmental benefits produced by the SBC
programs," said Chairman Flynn. "The program has clearly encouraged consumers to choose efficiency when building, renovating or purchasing equipment."

From 1998 through the end of September, 2005, SBC-funded programs invested $812.6 million toward efficiency and research and development activities. On average, the program leveraged $2.20 in co-funding from program participants for every $1 invested from the program, stimulating more than $1.7 billion in additional investments in energy efficiency and research activities. Based on evaluation reports of the program, the SBC program has:

- Lowered annual energy bills for participants by nearly $230 million,
- Reduced the statewide peak demand for electricity by 1,000 megawatts (enough power for as many as 1 million homes),
- Funded installation of more than 100 megawatts of customer-sited cogeneration facilities,
- Reduced annual emissions of nitrogen oxides by 1,500 tons, sulfur dioxides by 2,700 tons, and carbon dioxide by more than 1 million tons (the equivalent of removing more than 200,000 vehicles from the state's roads), and
- Supported the creation/retention of 4,800 jobs per year.

"New York's energy efficiency and research programs are recognized as being among the most effective programs in the nation because they produce results," said William M. Flynn, Chairman of the Public Service Commission. "Today's decision provides much needed certainty to customers and efficiency service providers at a time when global economic forces and natural disasters have cast uncertainty over supply adequacy and asserted tremendous upward pressure on energy prices. Energy efficiency is a critical resource to mitigate the impacts of higher prices, and the SBC programs have proven to be highly successful in creating incentives for customers to invest in this resource."

In 1998, the program was created to ensure support for efficiency initiatives and clean energy technologies during the transition to competitive energy markets. The program was funded for three years at a level of roughly $78 million per year. In 2001, the program was extended for an additional five years with an annual funding level of $150 million. Due to concerns at the time about the adequacy of electricity supplies in the New York City region, the
program emphasized investments in peak demand reduction measures that could help to maintain system reliability during critical periods of peak electricity use. Those peak demand reduction programs supported by the SBC were widely recognized as having contributed toward the state's rapid recovery following the August 14, 2003 blackout in terms of helping the New York Independent System Operator and utilities carefully balance load and demand as generation and transmission facilities were brought back on-line.

The SBC program allows the Commission to adjust program priorities and shift funds to address emerging energy challenges. In September, for example, the Commission directed the reallocation of $500,000 to support outreach and education efforts that could increase awareness of the program and provide customers with information on how to better manage energy costs in the face of record high energy prices. Further, the Department of Public Service staff worked with NYSERDA to identify an additional $7 million that could be used immediately to support programs for low-income customers this winter.

According to Chairman Flynn, "The program's structure and administrative approach afford the Commission tremendous flexibility in adjusting priorities. It is difficult to predict where energy prices will be in five years or what our supply situation will look like. The SBC program allows the Commission to quickly and efficiently make proper adjustments to the program to address changing circumstances."

The SBC program also helped to increase public awareness and encourage greater purchasing of Energy Star-labeled products such as air conditioners, refrigerators, and clothes washers. Products carrying the Energy Star label are typically at least 30% more efficient than comparable products without the label. The programs helped to significantly increase the market share for Energy Star-labeled products sold in New York State across several categories. Energy Star-labeled room air conditioners, for example, accounted for 33% of air conditioner sales throughout New York State in 2003 versus only 10% in 1999. The market share for Energy Star-labeled clothes washers more than tripled in that time frame to account for 22% of sales in 2003, while the market share of Energy Star-labeled dishwashers and refrigerators more than doubled to account for 15% and 22% of sales of those products respectively in 2003.
The Commission's decision to extend the program and increase annual funding to $175 million was the result of a collaborative proceeding that began last January. At that time, staff of the Department of Public Service (DPS) issued a series of questions about the accomplishments of the program and whether it should be continued beyond June, 2006. More than 160 interested stakeholders filed comments to help shape the program's future and they overwhelmingly supported increased funding. After analyzing program evaluation reports and considering comments from the parties, DPS staff issued a recommendation for public comment in August. That recommendation called for extending the program for five additional years at the same funding level of $150 million per year.

In its decision, the Commission unanimously determined that an adjustment for inflation was warranted to maintain the program's effectiveness. Furthermore, the Commission noted that the state's low-income and elderly populations are disproportionately impacted by higher commodity prices, prompting it to increase annual funding for low-income programs by approximately $11 million. These programs support permanent efficiency installations that produce long-term savings for income-eligible customers.

The Commission will issue a written decision detailing today's vote. The decision in Case 05-M-0090, when available, can be obtained from the Commission's Web site at http://www.dps.state.ny.us by accessing the Commission documents section of the homepage. Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14th Floor, 3 Empire State Plaza, Albany, New York, 12223 (518-474-2500).