STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

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Proceeding on Motion of the Commission Regarding an :
Energy Efficiency Portfolio Standard : Case 07-M-0548
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INITIAL BRIEF OF THE
NORTHEAST ENERGY EFFICIENCY COUNCIL – NEW YORK CHAPTER
(NEEC-NY)

The Northeast Energy Efficiency Council – New York Chapter (NEEC-NY) commends Staff on its reconsideration of Home Performance with ENERGY STAR as a Fast Track proposal and its reinstatement of the program into the plan. It's a proven program poised to have a large impact given the proper resources. We'll give more detailed analysis on this program below.

Role of Utilities

We support renewed utility involvement in programs under well-defined rules. Staff suggestions for programs primarily involving small commercial/industrial direct installation programs make sense, as do incentive programs for gas and HVAC equipment and marketing support. The call for utilities to establish a proposal for additional programs within an established time frame is reasonable.

Still to be developed, however, is clarification as to the tiers of incentives involved – for customers, vendors, and administrators (utility or authorities) themselves. We would support a reasonable level of incentives and administrative costs that are calculated as part of the overall cost-benefit of the program and are incorporated as part of initial program filings and adjusted over time based on performance. We support incentives to help the utilities ramp up new programs but would also recommend that the design include penalties for underperformance, along the lines of the California incentive rules. New programs will need to be designed on the same playing field as current ones with all costs (including incentives and administrative costs) incorporated for comparison purposes.

We support the goals and parameters that have been laid out by Staff for coordination and interface between utility and NYSERDA/LIPA programs. Yet to be determined are the best forum and vehicle for evaluating and negotiating the design and implementation issues during the review process and implementation phase. Both stakeholder involvement and third-party review need to be incorporated to ensure transparency and effectiveness.

To further the effectiveness of the programs and cooperation among parties, utilities should also be directed to make available to NYSERDA (and its implementation contractors) customer end-use data for use in marketing and measurement and verification. Current policy is that implementation contractors must ask customers to provide their utility account numbers and individual authorization to access the utility data on-line – a process that is inefficient, burdensome, and time-consuming, and which increases administrative expenses without increasing energy savings. Most importantly, this process means that existing programs cannot identify and reach out to the customers who use the most energy and therefore lose an important savings opportunity. Utilities have legitimate concerns and responsibilities about the confidentiality of customer data, but methods should be found to respect these concerns while still permitting the targeting of particularly high-use energy consumers.

Cost Effectiveness Test

How to measure cost effectiveness is another important question now before the ALJs, Staff, and stakeholder community. This was raised by CSG in its initial comments and continues to be only partially addressed. As we see it, relying solely on Total Resource Cost (TRC) methodology as it has been used to date is too restrictive for the goals that EPS is addressing. The TRC compares the cost of a measure or program to the value of energy saved at a projection of price increases.

One key missing element is that TRC doesn't take into account environmental benefits. Given the high-profile role of environmental objectives in the 15 X 15 policy, we do not see how environmental impacts can be ignored. The absence of environmental impacts in the calculation creates a bias against measures that capture the increasing value of carbon reductions over time. Many economic investment and business models are incorporating carbon risk as an important calculable factor. New York should not continue to ignore that aspect of our energy policy. The Regional Greenhouse Gas Initiative (RGGI) in New York State will soon be a method to value either reduced costs for compliance and/or a value for carbon reductions from non-electric measures projected over time. In addition to valuing carbon emission reduction in the RGGI market, a methodology to incorporate non-electric and gas-resource savings and non-energy benefits needs to be devised so that programs that include leveraged customer payments and benefits are not disadvantaged. We urge the ALJs and Staff to convene an expedited Task Force on TRC so that New York can make sure its cost-benefit methodology is sound and based on robust policy that doesn't fall short of all the stated goals.

Gas Funding

No Gas SBC dollars are specifically called for, which will put pressure on electric ratepayer funding when significant gas benefits are achieved. NEEC-NY would like to see money for gas programs come from gas customers as well to help fund fuel-neutral programs. Since many existing programs save gas using SBC funds raised on electric sales, the Gas SBC would in part defray existing budgets and allow more customers to be served. In those instances in which gas efficiency collaboratives have already been initiated by an order of the Commission, NEEC-NY recommends that new gas program initiatives build upon the work already completed through these collaboratives.

Expansion of Low-Income WAP & EmPower Programs

NEEC-NY commends Staff's proposal to include $42.63 million from the new gas energy efficiency collection mechanism for the expansion of the Weatherization Assistance Program administered by DHCR. We also approve of the plan to channel the SBC funds to New York State Housing Trust Fund Corporation (HTFC) in a manner that will ensure that SBC funds are used exclusively for WAP and would not go into the general fund. This expansion with gas funds will allow other funding sources to be used for non-gas heating opportunities and expand the total amount available for this low-income program. NEEC-NY supports these gas low-income funds being administered by DHCR according to the policies and procedures governing WAP in New York State and also commends Staff for expanding NYSERDA'S EmPower NY program.

Demand Response and Other Demand Resources

This proceeding has excluded Demand Response technologies, but demand response in the context of energy efficiency presents an opportunity to address both energy and capacity as linked problems. Integrating demand response programs into a broader array of technologies, such as CHP and DG, should be included. Third-party vendors are already participating in DR programs and should be able to participate in efficiency program delivery to maximize delivery efficiency.

Multifamily Programs

NEEC-NY commends staff on its proposal for expanding a robust multifamily program with emphasis on New York City, targeting $21.35 million in 2008 and $21.80 million in 2009 for Con Edison's electric service territory in NYC and Westchester County. In principle, we support Staff's suggestion that the Mayor's office be involved with the long-term design and administration of multifamily programs in NYC, in conjunction with NYSERDA and its existing programs. However, in Staff's proposal, the door is left open to shifting multifamily buildings programs to the Economic Development Corp. (EDC) after 18 months. Rather than inject uncertainty into the administration of the programs at this stage of program expansion downstate, the Multifamily Performance Program should continue to be administered by NYSERDA. Its new multi-family market rate program is just starting to have an impact in NYC. Many groups are now introducing the program through a series of meetings and trade shows. Diversion from this private sector initiative could slow down progress and unnecessarily complicate the new program. Over time, however, the City could play an expanded role in program implementation planning and execution. The Mayor should be invited to designate a lead office or agency to work with NYSERDA over the next 12 months to develop a plan for future involvement in the Multifamily Performance Program in New York City.

Transition from Fast Track to Modified Programs

Funding for incremental Fast Track is only for 18 months. This is too short a time period to get serious traction. NEEC-NY recommends that rather than fall off a cliff after 18 months, programs be considered open to modification and enhancement in that time frame. Plans for any changes and transitions should be completed by July 2009, so that renewed or revised programs can be up and running by 2010. If transition plans cannot be made by July 1, 2009, the transition deadline of 18 months should be extended to avoid disruptive shifts in program design.

Unspent Funds

Staff's statement (Issues Pertinent to Bridge Programs, page 16) that there would be an annual true-up to ensure that annual unspent funds are returned to ratepayers is at odds with Staff comments at the March 5 Technical Conference (and precedent) that unspent funds be rolled over and back into programs. We support the roll-over of unspent funds.

Possible Typo

On page 23 (Marketing, Outreach, and Education for Customers), report states that funds be made available to utilities "for energy efficiency monitoring." We think the meaning was marketing. Please clarify.

Workforce Development

NEEC-NY supports Staff emphasis on development and training of energy efficiency practitioners. We support more aggressive efforts to promote training and education, including changes to curricula across the New York State educational system. Grants and support of mentorship and apprenticeship programs that helped prepare workers for the industry even before they left school would be effective measures. NEEC-NY would gladly participate on a Workforce Task Force to identify a skills inventory to help target such training dollars. What's more, well-established trades training and building training programs run by existing NYSERDA partners should be supported and expanded with SBC funds.

Utility Marketing

We concur with Staff that marketing will be increasingly critical to meet the state's ambitious energy efficiency goals. We note that Staff recommends $3 million each to NYSERDA and to the utilities to market the proposed Fast Track programs and $20 million for market development.

NEEC-NY recommends a three-track approach to marketing. One track is a general marketing/educational effort to inform the public about the problem NY and the nation face about energy issues and the general approach that the state is taking to deal with it. The second should be aggressive mass media marketing of the programs that consumers can participate in directly – HVAC, Home Performance with ENERGY STAR, and ENERGY STAR appliances and lighting. To be effective, marketing these programs should be treated like a mass market product roll-out so that the message is visible through the clutter of other messages consumers receive. This could be a joint effort among the program managers (NYSERDA, LIPA, the various electric and gas companies) and possibly co-funded by manufacturers of ENERGY STAR appliances and builders of ENERGY STAR homes. In our view this campaign should be aggressive and will cost more than the $6 million allocated for marketing in the staff plan. Finally, the utilities are in a unique position to market these programs to their customers through bill stuffers and direct mail.

NEEC-NY recommends targeting high-use customers with customized messages about the programs they are most likely to benefit from (customers with high summer use get a message about the air conditioner program), as well as general notification about program availability to all customers. Marketing can be done well or badly, but good marketing is going to be key to informing rate payers about these programs, and, more importantly, marketing will be critical in motivating customers to seek out the energy saving options that the EPS process is creating.

On-Bill Financing

NEEC-NY endorses on-bill financing methods as an important way to fund efficiency projects without further burden on ratepayers. Utilities are logical players, given their collection abilities and direct relationship with customers. However, the design of the system needs to be sensitive to the added burden to utilities' balance sheets and to consumer privacy concerns.

Specific Programs:

New Construction

NEEC-NY supports efforts to influence construction decisions at the early stages of building planning and design, when opportunities abound to choose among modern framing techniques, HVAC sizing, and distribution-system efficiency. The New York effort, driven by NYSERDA, has had a huge impact on similar ENERGY STAR Programs nationally.

Staff's proposal indicates that the incentive structure of the existing NYSERDA program should be reviewed to ensure that it can achieve results comparable to those of the best programs of this type. Given program growth in recent years, it seems doubtful that future growth will be driven by significant increases in incentives. Program growth may well come from greater awareness of less tangible incentives, such as higher market values of the properties as a result of their lower energy costs, better indoor environment, and improved quality. This awareness would be a helpful forerunner to bringing building codes more in line with current Program standards, as is envisioned.

NEEC-NY supports Staff's short-term program goal of capturing savings in homes being built now by using practices that will likely become mandatory later. We also like such suggestions as energy efficient construction practices and the establishment of training and certificate programs for designers and strategic partnerships with trade associations to foster market transformation. Increased technical support and financial incentives to HERS raters will also help drive increased savings. This is also supported by promoting efficient appliances, lighting, advanced energy systems, and renewable energy. Continued focus on two- to four-family projects will also drive increased savings per unit and market penetration.

Staff's suggested enhancements to existing program components like expanded marketing to builders, builder incentives, use of utilities, municipalities, etc. as front line marketers, cooperative marketing, and independent Rater verification of program compliance are only the beginning of efforts to increase market penetration, however. More customer awareness will require increased marketing resources. Customer demand is driven by perceived value that comes from increased knowledge and enhanced sales techniques employed by participating realtors and builders.

Home Performance with ENERGY STAR

NEEC-NY applauds Staff's proposal that Home Performance with ENERGY STAR® be restored to the Fast Track list. Plans to double the program's output in two years can be addressed in a variety of ways that will both increase the number of jobs and the total energy savings per job.

The program's processing of energy efficiency projects coming into the program must match the complexity of the treatments employed. More comprehensive treatments—the "soup-to-nuts" measures involving significant energy savings—should receive higher incentives. More limited jobs should be more easily processed without compromising the foundations of a program built on quality, health and safety, and advocating the best application of the customer's—and the Program's—investments.

A higher volume of work can be achieved through enhanced marketing that leads to better customer awareness. We also must not underestimate the value of effectively targeting that message toward customers who could realize the most benefits from the program (high energy users). Contractor recruiting, training, and enhanced technical assistance should also continue to support growth. There is also growth opportunity in the newly designed remodeler component, which the NYS Builders Association has been working on. A pilot is expected by year's end.

The most significant contribution to output, however, lies within the sales cycle that starts with a motivated customer and ends with a completed project. A number of methods can be employed to bring more customer projects into the Program through:

- Assessments focused on improvement measures that produce the highest savings
- Job scopes that achieve the customer's energy savings, comfort, and building longevity goals
- Improved focus on critical health and safety issues even though they may produce little or no energy savings
- Optimization of the customer's contribution, funds from other sources, and available financing to achieve those goals.

There are significant savings to be had in the downstate market. Several boroughs of NYC are comprised of thousands of small buildings of two to four units that can benefit from a building science-supported Home Performance program. NEEC-NY supports discussions with utilities and other program administrators to optimize energy savings and financial performance through integrating Home Performance and other programs to meet the varied needs of New Yorkers.

CFL program

Staff projections of savings of 94 kwh/year for 7 years appear to be overstated by about 40%-50%, based on most industry experience. The funds allocated to increase bulb purchases by 1.8 million and then 3.6 million may also be high, based on the best practice for CFL participation-rate increases. However, these same funding levels could increase the level of participation if utilities employed a direct education/promotion/distribution campaign to support downstream and upstream programs. A free CFL for customers who request one through a bill-insert response or web response could lead to large-scale, low-cost distribution as well as support greater customer awareness of where and how to secure more product. This approach to a potential utility program would have the added benefit of supporting existing NYSERDA programs.

Residential HVAC

NEEC-NY supports the general approach outlined by Staff for enhanced program offerings for high efficiency central air conditioners, heat pumps, furnaces, and boilers. Some specifics will improve the programs:

- The single statewide eligibility levels should include a requirement of proper sizing of equipment. This is industry best practice but not widely practiced. Refrigerant-based systems (central air conditioners and heat pumps) need standards that require proper charging and proper air flow according to manufacturers' standards. This requirement is critical to the best HVAC programs in California, is a key part of the LIPA program sited by Staff, and is being piloted in New Jersey. The California experience shows that systems to verify proper charge and air flow can be established and produce results quickly. At a minimum, NEEC-NY strongly recommends establishing the principal that incentives to contractors are contingent on both the SEER and EER rating of the equipment that they install and on ensuring proper charge and air flow. There is ample evidence that these proper installation practices are not the industry norm, which NEEC-NY can provide if requested.

- The staff recommendation includes promoting low-flow showerheads and aerators in the HVAC section of the program measures. NEEC-NY is unaware of any program promoting low-flow showerheads and aerators as part of an HVAC program. Programs that promote these devices often suffer on evaluation because so many people have already installed flow-restricting showerheads, and so many nominally high-flow showerheads are clogged with sediment or rust that installation of new showerheads may actually increase flow. These are cautions in program design that deserve review before a program is rolled out on a large scale.