CASE 07-M-0548 - EPS PROCEEDING

RESPONSE TO NOTICE SOLICITING COMMENTS issued May 30, 2008 in Case 07-M-0548

EarthKind Energy, Inc. is pleased to respond to the NOTICE SOLICITING COMMENTS issued May 30, 2008 in Case 07-M-0548. EarthKind Energy's Comments to the 5 areas are as follows:

a) *Whether incentives are necessary.*

EarthKind believes that properly designed incentives are essential to a successful EPS. There is significant record in this proceeding and evidence from around the county that supports the use of incentives to achieve energy efficiency objectives.

b) *Reasonableness of the recommendation*.

The recommendations are very reasonable, especially in light of dramatically escalating energy prices and the growing impacts of climate change.

c) *Any other specific issues not encompassed within the guidelines.*

EarthKind believes there are other issues that need to be included in the guidelines. (These comments use solar thermal in the examples but they apply to other measures as well.)

1. Incentives should reflect the different life of the measures

Energy Efficiency measures differ dramatically on the length of time they are effective and the amount of consumer action required to maintain the measures' effectiveness. For example, light bulbs have a limited life, and long term effectiveness is dependent upon the consumer replacing a worn out bulb with the same or superior product.

There are measures such as solar thermal for heat that last 20 to 25 year, operating with no change in performance, and requiring minimal maintenance.

The EEPS should provide an incentive that recognizes the continued benefit of measures that last 20 years. This could be accomplished several ways, such as recognizing higher initial savings or repeating the incentive in future years.

2. Incentives should encourage on the bill financing of measures.

Some measures require the customer to make significant expenditures to realize the long term benefit. "On the bill" financing of these measures would remove a significant obstacle from consumers interested in measures that provided long term benefits. Solar thermal hot water systems are such a measure. While the initial outlay by a customer is $8 to $10,000, Federal and state tax credits are equal to ~1/2 have the cost. Dependent upon their usage, site conditions, and fuel rates, customer can experience a 6 to 7 year payback (longer with current natural gas prices). However, even with this level of tax incentives, the solar thermal market has still not taken off. With the federal tax credit currently due to expire at the end of 2008, there is the need for longer-term and easier mechanisms for customers to adopt this cost saving energy technology.

For instance, spreading the $10,000 installed cost of a solar hot water system over its 25 year life saves an average of 150 gallons of oil per year, and results in an amortized price equivalent to a fixed rate of $2.67 per gallon.

"On the bill" financing would reduce this impediment to wide scale acceptance of these types of measures. It would make these "fuel-free" technologies available to a broader range of income groups at a time when consumers are coping with dramatically increasing fuel costs.

3. Administrative costs can be reduced through the use of standard performance data

Some measures are subjected to a certification process that utilizes standard testing to assess performance. Solar thermal systems are normally tested by the SRCC (Solar Research Certification Corporation) to a standard set of requirements. SRCC ratings rank the relative performance of collectors and predict performance for a specific solar resource. Measurements at residential scale units can be very costly. Utilizing SRCC ratings as part of the verification process can be used to provide an estimate of performance that can be used to calculate incentives.

d) *The strengths and weakness of the three incentives models.*

No Comment.

e) *The range of incentive levels that will accomplish the objectives identified in the guidelines*

California's Solar Hot Water program aims to install 200,000 systems over 10 years at a total public cost of $250 million = $1,250 per system. In NYS, this would translate into ~32 cents per 1st year kwh savings, with ~3,900 kwh produced per 2 collector average installed system in NYS). While the California incentive structure is still being finalized, the initial concept is that incentives will be higher at the beginning of the program, and will scale down over the 10 years, thereby kick-starting the market and creating a viable, self-sustaining industry at its conclusion.

Germany has a similar structure, although the incentives there are based on a percentage of installed cost (currently ~ 10%). In addition to solar hot water, the Germans recognize the extra cost of control integration and provide more incentives for solar space heating projects.

New York State should consider the same type of incentive structure as California for solar hot water, and provide additional incentives for solar heating systems as per the German model.