

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on October 14, 2010

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman
Patricia L. Acampora
Maureen F. Harris
Robert E. Curry, Jr.
James L. Larocca

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

CASE 08-G-1010 - Petition of Corning Natural Gas Corporation for
Approval of an Energy Efficiency Portfolio
Standard (EEPS) "Fast Track" Utility-
Administered Gas Energy Efficiency Program.

CASE 08-G-1021 - Petition of St. Lawrence Gas Company, Inc. for
Approval of an Energy Efficiency Portfolio
Standard (EEPS) "Fast Track" Utility-
Administered Gas Energy Efficiency Program.

CASE 09-G-0363 - Petitions for Approval of Energy Efficiency
Portfolio Standard (EEPS) Gas Energy Efficiency
Programs.

ORDER APPROVING SMALL COMMERCIAL GAS ENERGY EFFICIENCY REBATE
PROGRAMS WITH MODIFICATION

(Issued and Effective October 18, 2010)

BY THE COMMISSION:

INTRODUCTION

In this order, the Commission approves with
modifications, the Energy Efficiency Portfolio Standard (EEPS)
Small Commercial gas programs proposed by Corning Natural Gas
Corporation (Corning) and St. Lawrence Gas Company, Inc. (St.
Lawrence). The proposed programs were submitted in response to
a June 21, 2010 Commission order relieving the two companies of

their obligation to fund statewide programs administered by the New York State Energy Research and Development Authority (NYSERDA) and directing them to submit their own proposals for small commercial energy efficiency rebate programs.¹ St. Lawrence submitted its proposal on July 20, 2010 and updated it on July 21 and September 28, 2010. Corning submitted its proposal on July 26, 2010 and updated it on September 28, 2010.

BACKGROUND AND SUMMARY

By an order dated June 23, 2008, the Commission created an Energy Efficiency Portfolio Standard (EEPS) for New York State to develop and encourage cost-effective energy efficiency programs.² In various orders, the Commission authorized numerous NYSERDA and utility-administered EEPS programs to be funded through the utility-collected System Benefit Charge (SBC). In those orders, the Commission established annual SBC collection amounts representing each utility's share of funding for NYSERDA-administered programs. The orders obligated St. Lawrence and Corning to transfer to NYSERDA \$630,637 and \$903,400 respectively through 2014. This amount represented approximately 1.5% of NYSERDA's gas EEPS funding.

By an order dated June 21, 2010, in response to petitions filed by Corning and St. Lawrence, the Commission relieved the companies of their obligation to fund NYSERDA-

¹ Case 07-M-0548, et al., Energy Efficiency Portfolio Standard (EEPS), Order on Rehearing Denying in Part and Granting in Part Petitions for Reconsideration (issued June 21, 2010).

² Case 07-M-0548, supra, Order Establishing Energy Efficiency Portfolio Standard and Approving Programs (issued June 23, 2008).

administered gas EEPS programs.³ The Commission also directed Corning and St. Lawrence to submit proposals for small commercial gas rebate programs in order to offset any potential diminution in energy savings due to the small decrease in NYSERDA's statewide budget. The June 21, 2010 Order limited eligibility for the programs to commercial customers with average annual use of 5,000 dekatherms or less, and provided a list of eligible cost-effective measures and associated rebate levels. The June 21, 2010 Order also provided program budgets and energy savings goals for both companies which are listed below in Appendix A.

Corning's Proposal

On July 26, 2010, Corning submitted its proposal for a small commercial energy efficiency rebate program. On September 27, 2010, Corning submitted an update to its proposal making minor corrections to the previous proposal. Corning's proposed budget and savings goals are in accordance with the June 21, 2010 Order. However, Corning states that it is unable to provide quality assurance and evaluation activities within the authorized budget. Corning seeks clarification that the previously granted authority to defer up to \$100,000 for administrative and marketing costs for potential later recovery in rates is applicable to the company's quality assurance and evaluation activities.⁴ Corning indicates that if the deferral is available and once the scope of such activities is

³ Case 07-M-0548, supra, Order on Rehearing Denying in Part and Granting in Part Petitions for Reconsideration (issued June 21, 2010), p. 12.

⁴ Case 08-G-1004, et al., Orange and Rockland Utilities, Inc. - "Fast Track" Energy Efficiency Portfolio Standard (EEPS) Programs, Order Approving "Fast Track" Utility-Administered Gas Efficiency Programs with Modifications (issued April 9, 2009).

established, it will issue a request for proposals in order to contract for a third-party to provide these services. Corning also proposes to provide the customer incentives in the form of bill credits. Finally, Corning requests that the shareholder incentive mechanism not apply to this program.

St. Lawrence's Proposal

On July 21, 2010, St. Lawrence submitted its proposal for a small commercial energy efficiency rebate program. St. Lawrence submitted updates to the proposal on July 21, 2010, and again on September 28, 2010. St. Lawrence proposes to offer rebates to eligible small commercial customers in both existing structures and new construction, who install qualifying equipment on or after October 1, 2010. St. Lawrence's proposed budget and savings goals are in accordance with the June Order and listed in Appendix A. St. Lawrence also proposes to defer any lost revenues resulting from the new small commercial program until the company's next rate case. Finally, St. Lawrence requests that the shareholder incentive mechanism not apply to this program.

NOTICE OF PROPOSED RULE MAKING

A Notice of Proposed Rulemaking concerning the Corning and St. Lawrence petitions for approval of separate small commercial energy efficiency programs was published in the State Register on August 11, 2010. The minimum time period for the receipt of public comments pursuant to the State Administrative Procedure Act (SAPA) regarding that notice expired on September 27, 2010. No comments were received.

DISCUSSION

Although the proposals submitted by Corning and St. Lawrence generally accord with the June 21, 2010 Order, the

proposals are incomplete regarding quality assurance and evaluation plans and propose program features not contemplated by the June 21, 2010 Order. With the intention of allowing for implementation of these programs prior to the greater part of the upcoming heating season and adhering to our prior determination regarding program design, we authorize Corning and St. Lawrence to implement the programs in the modified manner described below.

The quality assurance and evaluation plans submitted are incomplete. However, it is our understanding that Corning and St. Lawrence are currently developing requests for proposals for a third-party contractor to carry out these functions. As we have stated numerous times before, quality assurance and evaluation are vital for the success of individual energy efficiency programs, as well as determining the outcome of EEPS programs overall. Therefore, we direct Corning and St. Lawrence to file complete quality assurance and evaluation plans for their respective small commercial energy efficiency programs that comply with the supplemental guidance on this matter we have previously provided.⁵

Corning proposes to use some or all of \$100,000 deferral allowance to fund Quality Assurance and Evaluation activities. As we have indicated previously,⁶ this allowance may be utilized for necessary expenditures related to the administration of the energy efficiency program including evaluation and quality assurance. Therefore, Corning and St. Lawrence may defer up to \$100,000 for possible recovery in rates in order to administer quality assurance and evaluation

⁵ Case 08-G-1021, St. Lawrence Gas Company Inc. - "Fast Track" Energy Efficiency Portfolio Standard (EEPS) Program, Order Clarifying and Amending Prior Order (issued June 23, 2010).

⁶ Id.

activities. However, we caution that the companies must demonstrate that they worked to effectively manage their program budgets and that the costs being deferred are in fact reasonable as required in the April 2009 Order.⁷

Corning proposes to provide rebates via bill credits. However, we believe that it is likely that the credit will only be fully realized by many participating customers after several months of bills. This extended recoupment period could discourage participation by some customers, particularly if they financed the relevant equipment. In order to avoid this potential disadvantage, we will require that Corning provide participating customers the option of receiving the rebate in the form of a lump sum payment or as a bill credit.

Neither Corning nor St. Lawrence proposes to limit the maximum amount of incentive per project or customer. We are concerned that without a cap on rebates, a disproportionate amount of benefits could potentially be directed to just a few projects, especially considering that these programs have relatively small budgets and will be available for new construction. To avoid this potential problem and to encourage broad participation, we will require that Corning and St. Lawrence set a maximum incentive payment for individual customers and/or projects of \$5,000.

St. Lawrence proposes to offer rebates to eligible commercial natural gas customers who install qualifying natural gas equipment beginning with installations made on or after October 1, 2010. However, we will authorize approval for both Corning and St. Lawrence to administer the small commercial programs on or after the effective date of this order to prevent

⁷ Case 08-G-1004, et al., supra, Order Approving "Fast Track" Utility-Administered Gas Efficiency Programs with Modifications (issued April 9, 2009).

providing rebates to "free riders" who purchased equipment prior to approval and implementation of the programs. We also direct the companies to indicate in their respective implementation plans those service classes within their territories that contain customers eligible for the small commercial programs as well as those service classes without eligible customers. Finally, St. Lawrence and Corning are invited to submit proposals for a set of metrics to calculate net lost revenues resulting from the expected reduction in usage associated with implementation of the small commercial energy efficiency programs.

CONCLUSION

For the reasons discussed above, the Commission approves, with modifications, the small commercial rebate programs proposed by Corning and St. Lawrence.

The Commission orders:

1. Corning Natural Gas Corporation (Corning) and St. Lawrence Gas Company Inc. (St. Lawrence) are authorized to implement small commercial natural gas energy efficiency rebate programs as modified in the manner described in the body of this order. The programs may be commenced immediately but shall be in operation by November 15, 2010. The shareholder incentive mechanism will not apply to these small commercial energy efficiency programs.

2. The program budgets and energy savings goals for the small commercial natural gas energy efficiency rebate programs shall be as set forth in Table 1, Appendix A attached to this order.

3. Corning and St. Lawrence shall track their deferred costs associated with the programs in a manner that may be reported and scrutinized in the future.

4. Within 30 days of the issuance of this order, Corning and St. Lawrence are directed to submit implementation plans in compliance filings that describe the programs and how they will operate. The implementation plans shall include detailed evaluation and quality assurance plans that conform with the discussion contained in this order.

5. Corning and St. Lawrence shall provide quarterly and annual reports as well as a monthly scorecard containing all the information previously required for other Energy Efficiency Portfolio Standard programs.

6. St. Lawrence and Corning are invited to submit proposals for a set of metrics to calculate net lost revenues resulting from the expected reduction in usage associated with implementation of the small commercial energy efficiency programs.

7. The Secretary at her sole discretion may extend the deadlines set forth in this order.

8. These proceedings are continued.

By the Commission,

JACLYN A. BRILLING
Secretary

Table 1
Small Commercial HVAC Rebate Program Costs and Savings Targets

	<u>2010</u>	<u>2011</u>	<u>2010-2011</u>	
<u>St. Lawrence</u>				
<i>Small Commercial Gas HVAC Program</i>				
Savings (Dekatherms)	2,531	10,122	12,653	
Measures Costs	\$45,168	\$180,672	\$225,840	78.0%
Admin & Mktg Costs	\$9,844	\$39,377	49,221	17.0%
<u>Eval., M&V Costs</u>	<u>\$2,895</u>	<u>\$11,582</u>	<u>14,477</u>	<u>5.0%</u>
Total Budget	\$57,907	\$231,631	289,538	100.0%
 <u>Corning</u>				
<i>Small Commercial Gas HVAC Program</i>				
Savings (Dekatherms)	1,265	5,601	6,326	
Measures Costs	\$22,584	\$90,336	\$112,920	78.0%
Admin & Mktg Costs	\$4,922	\$19,689	\$24,611	17.0%
<u>Eval., M&V Costs</u>	<u>\$1,448</u>	<u>\$5,790</u>	<u>\$7,238</u>	<u>5.0%</u>
Total Budget	\$28,954	\$115,815	\$144,769	100.0%

Table 2
Eligible Measures and Rebate Amounts for St. Lawrence and Corning
Small Commercial HVAC Rebate Program

<u>Measure</u>	<u>Rebate</u>
Furnace (<300 MBH) \geq 92% AFUE	\$140
Furnace (<300 MBH) \geq 92% AFUE & ECM	\$280
Condensing Unit Heater (151 to 400) MBH $>$ 90% thermal efficiency	\$500
Infrared Heaters (all sizes) Low Intensity	\$500
Steam Boiler (<300 MBH) \geq 82% AFUE	\$350
Hydronic Boilers (300 - 499 MBH) \geq 85% Thermal Efficiency	\$2,000
Condensing Boiler (<300 MBH) \geq 90% AFUE	\$1,400
Condensing Boiler (301 to 499 MBH) \geq 90% AFUE	\$1,400
Condensing Boiler (500 to 999 MBH) \geq 90% AFUE	\$1,700
Indirect-fired Water Heater (>50 gallon storage)	\$210