

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on July 12, 2012

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman
Patricia L. Acampora
Maureen F. Harris
James L. Larocca
Gregg C. Sayre

- CASE 07-M-0548 - Proceeding on Motion of the Commission
Regarding an Energy Efficiency Portfolio
Standard.
- CASE 08-E-1129 - Petition of New York State Electric & Gas
Corporation for Approval of Energy Efficiency
Portfolio Standard (EEPS) Utility-Administered
Electric Energy Efficiency Program.
- CASE 08-E-1130 - Petition of Rochester Gas and Electric
Corporation for Approval of an Energy
Efficiency Portfolio Standard (EEPS) Utility-
Administered Gas Energy Efficiency Program.
- CASE 09-G-0363 - Petitions for Approval of Energy Efficiency
Portfolio Standard (EEPS) Gas Energy Programs.

ORDER APPROVING RECOVERY OF PORTFOLIO COSTS

(Issued and Effective July 18, 2012)

BY THE COMMISSION:

INTRODUCTION

In this order, the Commission confirms that New York
State Electric and Gas Corporation and Rochester Gas and
Electric Corporation (NYSEG/RG&E or the companies) may recover
through the System Benefits Charge (SBC) general administrative
and program planning costs associated with the energy efficiency

programs they are administering as part of the Energy Efficiency Portfolio Standard (EEPS) program.

BACKGROUND

On June 23, 2008,¹ the Commission created the EEPS program for New York State to develop and encourage cost-effective energy efficiency programs. The Commission invited the New York State Energy Research and Development Authority (NYSERDA) and the six large investor-owned electric utilities to submit electric energy efficiency program proposals. Gas utilities serving more than 14,000 customers were directed to submit proposals for residential heating, ventilation and air conditioning (HVAC) "Fast Track" utility-administered gas energy efficiency programs and were authorized to establish surcharges to collect revenue to cover the associated costs.

In response to the June 2008 Order, the companies initiated their energy efficiency planning processes and submitted proposed program plans to the Commission for approval. The companies submitted their gas program plans in August 2008 and their electric program plans in September 2008. In compliance with the June 2008 Order, the gas program plans proposed residential HVAC programs, while the electric program plans included energy efficiency proposals addressing residential, small business and commercial and industrial sectors. In both filings, and subsequent EEPS filings, the companies distinguished the costs for non-program-specific activities conducted in support of their entire portfolio of electric and gas energy efficiency programs from direct program costs. The companies identified these costs as portfolio costs and asserted that the costs of these non-program specific

¹ Case 07-M-0548, Energy Efficiency Portfolio Standard (EEPS), Order Establishing Energy Efficiency Portfolio Standard and Approving Programs (issued June 23, 2008)(the June 2008 Order).

activities should be allocated among all programs that benefit from these expenditures and by offering an integrated portfolio of gas and electric savings programs, the share of these costs borne by each of these programs is reduced (economies of scope). However, because the individual programs were authorized over a long period of time, the companies were hesitant to allocate the general costs until such time as they had a full suite of programs over which to calculate the allocation. To date, the Commission has approved a number of electric and gas programs for NYSEG/RG&E. These include residential, commercial and industrial programs, and a multifamily program. NYSEG/RG&E's program approvals have varying dates, from the first in April 2009 (Residential gas HVAC) to the most current approval on January 25, 2011 (Home Energy Reports).

On June 25, 2010, the Commission issued an order² in response to comments filed by the companies requesting that the Commission address the recovery of their portfolio costs directing the companies to submit a petition describing specific amounts and circumstances regarding the costs in question and why these costs are not fully covered in base rate authorizations.

THE PETITION

On November 19, 2010, the companies submitted a petition requesting confirmation that they are appropriately recovering energy efficiency program portfolio costs via the

² Case 07-M-0548 et al., Order Approving Three New Energy Efficiency Portfolio Standard (EEPS) Programs and Enhancing Funding and Making Other Modifications for Other EEPS Programs (filed June 24, 2010)(June 2010 Order).

SBC.³ The companies state that portfolio costs include program start-up costs, such as general administration, EEPS program planning, contractor and consultant costs and costs incurred to participate in the EEPS proceeding, but also include ongoing costs for general administration and program planning. The companies explain that portfolio costs are not associated with any specific energy efficiency program but are common costs that support the complete suite of programs. The companies state that a methodology to allocate these costs to specific programs had not yet been developed because such an allocation depends on a complete set of programs, developed at the same time with a known scope and size. The companies claim that these costs would not have been incurred but for the EEPS proceeding. For this reason, the companies state that portfolio costs are incremental to costs recovered through base rates, and are properly recovered through the SBC.

NOTICE OF PROPOSED RULE MAKING

A Notice of Proposed Rulemaking concerning the NYSEG/RG&E petition under consideration here was published in the State Register on December 22, 2010 (SAPA07-M-0548SP29). The minimum period for the receipt of public comments pursuant to the State Administrative Procedure Act (SAPA) regarding that notice expired on February 5, 2011. No comments were received.

³ The petition states that, since the inception of EEPS the companies have recovered \$1,755,800 in electric and gas portfolio expenses for NYSEG and \$1,602,600 in electric and gas portfolio expenses for RG&E through the SBC charge. The companies continued to accrue portfolio costs subsequent to the petition; Staff's analysis examined portfolio costs incurred through December 31, 2011.

STAFF'S ANALYSIS

In response to the companies' petition, Staff performed an analysis of the portfolio costs incurred through December 31, 2011 to first determine whether the costs were incremental to those recovered through the base rates of the companies and then whether the costs were related to EEPS programs. Staff from Accounting and Finance agrees that the portfolio costs are incremental costs, not recovered through the companies' base rates. In addition, these costs were subsequently examined and determined by Staff to be costs incurred to develop, plan, start-up and administer EEPS programs.

As part of its analysis, Staff requested, and the companies provided, an allocation of the 2008-2011 portfolio costs to the General Administrative and Program Planning budget categories of each of the companies' approved programs.⁴ The allocated portfolio costs were then added to the reported expenditures and commitments for each program for the period ending December 31, 2011. The analysis shows that the addition of portfolio costs does not cause the companies to exceed the original Commission-approved budget for any of their programs.

In the course of Staff's analysis, it became apparent that there are salaries being recovered through base rates, as opposed to through the SBC, for employees performing work on EEPS programs. These expenditures are incremental to the companies' reported EEPS expenditures, commitments and portfolio

⁴ These costs would normally be allocated to the General Administrative and Program Planning categories in the EEPS reporting mechanism, the monthly, quarterly and annual scorecards. Because the companies did not have a full suite of programs over which to allocate, at the time of their November petition the companies had not yet reported any expenses in either the General Administrative or Program Planning categories.

costs. Because they are not being recovered through the SBC the companies are not recovering these costs twice. In order to determine the true cost of each of the companies' programs, Staff requested the allocation of these salaries to the appropriate EEPS programs. When allocated over the companies' portfolio of programs and added to the expenditures, commitments and portfolio costs of each program, the companies did not exceed the original Commission-approved budget for any of their programs. The following table outlines the currently approved budgets, expenditures and commitments for each of the programs currently administered by NYSEG/RG&E as of December 31, 2011, as well the allocation of portfolio costs and staff salaries to each of the companies' programs.

NYSEG and RGE Budgets and Portfolio Cost Comparison

NYSEG Electric Programs	Currently Approved Budget *	2009-2011 expenditures & commitments*	Portfolio Costs*	Staff costs**	Unspent \$
Multifamily	\$1,663,002	\$752,168	\$213,553	\$231,268	\$466,013
C/I Prescriptive	\$2,328,891	\$710,637	\$383,353	\$415,154	\$819,747
C/I Custom	\$4,387,517	\$2,846,989	\$364,940	\$395,213	\$780,375
SBDI	\$14,467,787	\$13,001,600	\$347,329	\$376,142	\$742,716
Block Bidding	\$3,189,131	\$2,896,938	\$69,218	\$74,960	\$148,015
Refrig/freezer Recycle	\$1,376,000	\$917,097	\$108,711	\$117,729	\$232,463
NYSEG Gas Programs					
Res Gas HVAC	\$3,702,200	\$3,383,559	\$152,976	\$165,666	(\$1)
C/I Prescriptive	\$860,027	\$345,312	\$247,108	\$267,607	\$0
C/I Custom	\$247,935	\$161,389	\$41,550	\$44,997	(\$1)
Total	\$32,222,490	\$25,015,689	\$1,928,738	\$2,088,736	\$3,189,327

RG&E Electric Programs	Currently Approved Budget	2009-2011 expenditures & commitments	Portfolio Costs	Staff costs**	Unspent \$
Multifamily	\$1,936,728	\$1,415,210	\$160,814	\$174,154	\$186,550
C/I Prescriptive	\$1,466,185	\$305,306	\$357,965	\$387,660	\$415,254
C/I Custom	\$2,011,947	\$1,301,644	\$219,027	\$237,196	\$254,080
SBDI	\$6,591,813	\$6,134,742	\$140,941	\$152,633	\$163,497
Block Bidding	\$3,196,487	\$2,943,776	\$77,925	\$84,390	\$90,396
Refrig/freezer Recycle	\$1,376,000	\$568,518	\$248,993	\$269,648	\$288,841
RG&E Gas Programs					
Res Gas HVAC	\$7,322,696	\$6,404,046	\$343,282	\$371,759	\$203,609
C/I Prescriptive	\$963,865	\$517,368	\$166,848	\$180,689	\$98,960
C/I Custom	\$137,293	\$108,466	\$10,772	\$11,665	\$6,390
Total	\$25,003,015	\$19,699,076	\$1,726,567	\$1,869,794	\$1,707,578

*Evaluation budgets and expenditures are not included in the analysis. Evaluation budgets for each program were approved at 5% of the program budget, but evaluation expenditures are examined on a portfolio level.

**Recovered in base rates.

Staff advises that the incremental portfolio costs are properly recovered through the SBC. Allowing the companies to appropriately recover these costs does not cause them to exceed their originally approved budgets and will not require any additional collections.

DISCUSSION

We have reviewed the requests and the Staff analysis and find them to be reasonable. NYSEG/RG&E are authorized to allocate the portfolio cost balances incurred through December 31, 2011 to General Administration and Program Planning budget categories for each EEPS program in their portfolios. Once the allocation is complete, the companies should update previously filed monthly, quarterly, and annual scorecards to reflect the distribution of these costs. Going forward, the companies should be allocating these costs as they are incurred to the appropriate budget categories of their energy efficiency programs.

In recent rate cases we have determined that it would be best if all energy efficiency program costs were differentiated from base rates. We expect that all EEPS costs be included in EEPS budgets and recovered through the SBC. For NYSEG/RGE, this issue should be addressed in their next rate case proceedings.

SEQRA FINDINGS

Pursuant to our responsibilities under the State Environmental Quality Review Act (SEQRA), in conjunction with this order we find that programs modified here are within the overall action previously examined by us in Case 07-M-0548 and will not result in any different environmental impact than that previously examined. In addition, the SEQRA findings of the June 23, 2008 order in Case 07-M-0548 are incorporated herein by reference and we certify that: (1) the requirements of SEQRA, as implemented by 6 NYCRR part 617, have been met; and (2) consistent with social, economic, and other essential considerations from among the reasonable alternatives available,

the action being undertaken is one that avoids or minimizes adverse environmental impacts to the maximum extent practicable.

CONCLUSION

For the reasons discussed above, the Commission confirms that NYSEG/RG&E are authorized to allocate the portfolio cost balances incurred through December 31, 2011 to General Administration and Program Planning budget categories for each EEPS program in their portfolios for recovery through the SBC.

The Commission orders:

1. New York State Electric & Gas Corporation and Rochester Electric and Gas Corporation are authorized to allocate portfolio costs incurred through December 31, 2011 for recovery through the System Benefits Charge (SBC) in the manner described in the body of this order. The companies should collect portfolio costs incurred subsequent to 2011 through SBC collections as described in the body of this order.

2. Within 30 days of the issuance of this order, NYSEG/RG&E shall submit revised monthly, quarterly and annual scorecard reports for the period 2009-2011.

3. The Secretary, at her sole discretion, may extend the deadlines set forth herein.

4. These proceedings are continued.

By the Commission,

(SIGNED)

JACLYN A. BRILLING
Secretary