

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on January 19, 2010

COMMISSIONERS PRESENT:

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

CASE 08-E-1014 - Petition of Niagara Mohawk Power Corporation  
for Approval of an Energy Efficiency Portfolio  
Standard (EEPS) "Fast Track" Utility-  
Administered Electric Energy Efficiency  
Program.

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

ORDER REJECTING NIAGARA MOHAWK POWER CORPORATION'S PROPOSED  
RESIDENTIAL HIGH EFFICIENCY CENTRAL AIR CONDITIONING PROGRAM FOR  
2010 AND 2011

(Issued and Effective January 20, 2010)

BY THE COMMISSION:

INTRODUCTION

In this order, the Commission rejects Niagara Mohawk  
Power Corporation's (Niagara Mohawk) proposal for its  
residential high efficiency central air conditioning (HVAC)  
program for 2010 and 2011. Although, we recognize Niagara  
Mohawk's efforts in developing the proposal, we are not  
convinced that the program can be administered cost-effectively  
in the utility's territory.

BACKGROUND AND SUMMARY

On August 22, 2008, Niagara Mohawk submitted a proposal for a "Fast Track" utility administered electric energy efficiency program in response to a June 23, 2008<sup>1</sup> Commission order inviting such proposals from the six large investor-owned electric utilities. The proposal contained budget amounts and savings projections that were well below those listed in the June 23, 2008 order. On January 16, 2009, the Commission authorized Niagara Mohawk to proceed with implementing its program.<sup>2</sup> However, because of concerns regarding the cost-effectiveness of the program and the low energy savings proposed, the Commission directed Niagara Mohawk to file a new residential HVAC program proposal by April 1, 2009 for potential Commission approval for calendar years 2010 and 2011. Specifically, we directed the company to significantly increase projected energy savings and cost effectiveness or to provide documentation supporting the company's original savings projections.

In April 2009, Niagara Mohawk submitted a proposal revising the Residential High Efficiency Air Conditioning Program for 2010 and 2011 to include attributes of the "Cool Smart" program offered by National Grid's New England affiliates. The updated proposal contains a total budget of \$812,778 with projected savings of 394 MWh. The budget is \$739,736 less than Niagara Mohawk had originally proposed for the years of 2010 and 2011 but the savings projections remain the same.

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

<sup>2</sup> Case 08-E-1003 et al., Electric "Fast Track" Energy Efficiency Programs, Order Approving "Fast Track" Utility-Administered Electric Energy Efficiency Programs with Modifications (issued January 16, 2009).

**Comparison of January 2009 Fast Track Order  
and April 2009 Proposed Budget**

	<b>January 2009 Fast Track Order Budget</b>	<b>April 2009 Proposed Budget</b>	<b>% difference</b>
<b>2010</b>	\$768,600	\$406,389	-53%
<b>2011</b>	\$768,600	\$406,389	-53%
<b>Total</b>	\$1,537,200	\$812,778	

**Comparison of Niagara Mohawk's Residential  
HVAC Program Filing Budgets (2010 and 2011)**

	<b>August 22, 2008 Residential HVAC Program</b>	<b>April 1, 2009 Revised Residential Program</b>
Program Planning and Administration	\$100,000	\$80,000
Program Marketing & Trade Ally	\$100,000	\$30,000
Customer Incentives or Services	\$1,104,000	\$582,170
Program Implementation	\$100,000	\$80,000
Evaluation and Market Research	\$70,200	\$40,608
<b>Total Utility Cost</b>	<b>\$1,474,200</b>	<b>\$812,778</b>

Niagara Mohawk projects that the program would attract 648 participants annually. The company states that it is concerned that the current economic climate could result in fewer customers installing new and replacement central air conditioning systems that are generally considered discretionary items in Niagara Mohawk's territory because of the local climate conditions. The company proposes to monitor the participation levels and if they become unachievable, it would recommend discontinuing the program and diverting the resources to other energy efficiency program where more savings can be achieved. The company's revised program proposal offers the same incentives as the Fast Track Program offered to Niagara Mohawk customers in 2009:

Measure Name	Incentive Level
CAC SEER 15 install with QI	\$400
CAC SEER 16 install with QI	\$600
ECM Furnace Fans – new units	\$200
Heat Pump DHW > 2.0	\$400
Central Air Source HP SEER 15	\$400
Central Air Source HP SEER 16	\$600
Air and Duct Sealing	\$600
Energy Star Programmable Thermostat	\$25
Contractor Payment for QI	\$200

Niagara Mohawk's April 2009 proposal indicated an overall program TRC ratio of 1.03 (including the CO<sub>2</sub> adder) for 2010 and 2011. Upon reviewing the company's program and measure TRC calculations, Staff discovered a number of discrepancies involving measure costs, long run avoided cost estimates and savings estimates. In response to Staff's concerns, Niagara Mohawk submitted two updates with various adjustments to its TRC calculations. However, Staff remains concerned that Niagara Mohawk continues to underestimate various incremental measure cost estimates and overestimate central air conditioning savings.<sup>3</sup> Specifically, the company used the incremental costs reported in a California Energy Commission's Database for Energy Efficiency Resources (DEER) study for the equivalent of one-ton

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<sup>3</sup> Niagara Mohawk's measure cost inputs were originally equal to the measure rebate amounts. However, as indicated in the January 16, 2009 order, the rebate amounts represent only 70% of the expected average incremental costs. Four other measures erroneously retain the January 2009 order rebate levels at measure costs.

of cooling capacity<sup>4</sup> while calculating the savings for a five-ton unit. When more appropriate measure costs are included for central air conditioners and heat pumps – the main components of the program – the TRC ratio falls well below 1.0, indicating that the program will not be cost-effective in Niagara Mohawk's territory.

#### NOTICE OF PROPOSED RULE MAKING

A Notice of Proposed Rulemaking concerning Niagara Mohawk's April 2009 proposal was published in the State Register on August 19, 2009 [SAPA 08-E-1014SP2]. The minimum time period for the receipt of public comments pursuant to SAPA regarding that notice expired on October 3, 2009. No public comments were received.

#### DISCUSSION

Given the low TRC ratio and continuing concerns regarding measure costs and anticipated participation levels, we conclude that approving Niagara Mohawk's April 1, 2009 residential HVAC program proposal for calendar years 2010 and 2011 would not be an appropriate use of ratepayer funds. Therefore, the Commission rejects Niagara Mohawk's proposal and directs the company to terminate its existing residential "Fast Track" HVAC program by March 31, 2010. Niagara Mohawk shall reduce its EEPS surcharge annual collection rate by \$576,450 for 2010 and by \$768,000 for 2011 to reflect the cancellation of the program.

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<sup>4</sup> One ton of cooling capacity is equal to 12,000 BTU per hour.

SEQRA FINDINGS

Pursuant to our responsibilities under the State Environmental Quality Review Act (SEQRA), in conjunction with this order we find that rejection of the programs here is 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 rejects Niagara Mohawk's April 1, 2009 residential HVAC program proposal for calendar years 2010 and 2011.

The Commission orders:

1. Niagara Mohawk shall discontinue its Residential "Fast Track" electric energy efficiency programs by March 31, 2010.
2. Niagara Mohawk shall reduce its annual EEPS electric collection rate by \$576,450 for 2010 commencing by April 1, 2010 and by \$768,600 for 2011.
3. The Secretary at her sole discretion may extend the deadlines set forth in this order.

4. These proceedings are continued.

By the Commission

(SIGNED)

JACLYN A. BRILLING  
Secretary