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Three Empire State Plaza, Albany, NY 12223-1350
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March 24, 2015

Ms. Kathleen Burgess Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case 07-M-0548 – Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard.

Dear Secretary Burgess:

On December 26, 2013, the Commission issued an order in Case 07-M-0548¹ that among other things, adopted several changes to its Energy Efficiency Portfolio Standard (EEPS) programs for 2014 and 2015 to ease administrative burden on both EEPS Program Administrators (PAs) and Staff. The Commission directed Staff to collaborate with PAs to develop guidance documents related to the various subject-specific notification and reporting requirement changes discussed in the order as expeditiously as possible, but in no case later than March 31, 2014. In addition, the Commission directed that guidance documents become effective upon filing with the Secretary and posting to the Commission's website, with existing approval and notification requirements remaining in effect until such time that alternate guidance becomes effective.

On February 14, 2014, Staff issued Guidance Document EE-06, which pertains to the reallocation of budgets and targets within sectors, and Guidance Document EE-07, which pertains to the reallocation of budgets and targets between sectors. Staff has worked with the E² Working Group to revise both Guidance Documents clarifying the manner in which PAs are expected to calculate the savings target adjustment to the source and target program.

In addition, on February 26, 2015, the Commission issued an order in case 14-M-0101² in which it granted program administrators the flexibility to reallocate uncommitted Evaluation, Measurement and

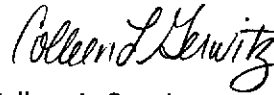
¹ Case 07-M-0548, Energy Efficiency Portfolio Standard (EEPS), Order Approving EEPS Program Changes (issued December 26, 2013).

² Case 14-M-0101, Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision, Order Adopting Regulatory Policy Framework and Implementation Plan (issued February 26, 2015).

Verification (EM&V) funds for non-EM&V purposes and directed Staff to work with the E² Working Group to supplement existing EE guidance to address this increased flexibility. Staff, in collaboration with the E² Working Group has developed the required guidance document, EE-11: Reallocation of Evaluation, Measurement & Verification Funds for Non-EM&V Purposes.

In accordance with the December 26, 2013 order, the new and revised guidance documents are enclosed herein, have been posted to the Commission's website, and are effective.

Sincerely,

A handwritten signature in cursive script, reading "Colleen L. Gerwitz".

Colleen L. Gerwitz
Director, Office of Energy Efficiency
and the Environment

cc: Theodore Kelly
Debra LaBelle
Peggie Neville

| EE-06: Reallocation of Budgets and Targets Within Customer Sectors | |
|---|--|
| New York State Department of Public Service Office of Energy Efficiency & the Environment Energy Efficiency Guidance | |
| Approval: Colleen Gerwitz | Title: Director, Office of Energy Efficiency & the Environment (OEEE) |
| Original Issuance Date: 2014-02-14 Revision Date: 2014-10-24 2015-03-23 | Effective Date: 2015-03-23 |

I. Purpose:

This Energy Efficiency Guidance document is developed to provide guidance to the Office of Energy Efficiency and the Environment (OEEE) Staff and to the Program Administrators (PAs) regarding notification required for program budget and target reallocations within a customer sector (or customer market segment).

Energy Efficiency Guidance documents are developed to clarify energy efficiency program issues and to provide guidance for PAs and OEEE Staff in consistently interpreting and uniformly applying Public Service Commission Orders.

All Energy Efficiency Guidance documents are in effect until revised, rescinded or superseded.

II. Background

By Order issued June 24, 2010, the Commission authorized the Director of OEEE to approve reallocations of up to 10% of a utility PA's total annual approved program budgets within their respective gas and electric portfolios.¹ By Order issued December 26, 2013, the Commission eliminated this approval requirement and the 10% cap for program budget and target reallocations *within a customer sector*, and allowed all PAs to reallocate program budget and targets within a customer sector upon notification of such reallocations.² Per the December Order, *reallocations between customer sectors*, capped at 10% of total annual approved program budgets, are authorized with the approval of the Director of OEEE.³

¹ 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, issued June 24, 2010, page 43-44.

² Case 07-M-0548 et al, Proceeding on Motion of the Commission Regarding and Energy Efficiency Portfolio Standard, Order Approving EEPS Program Changes, issued December 26, 2013, pages 37-38.

³ Guidance Document EE-07, outlines the Process for the Reallocation of Program Budgets and Targets Between Customer Sectors.

III. Guidance

PAs shall submit notification of budget and target reallocations within a customer sector in a filing to the Secretary in Case 07-M-0548. The calculation of savings targets resulting from the reallocation should be consistent with the following principle:

- The reduction in the source program savings target should be calculated using the cost/MWh or cost/Dth based on that program's total approved⁴ budget and target. The increase in the target program savings target should be calculated using the cost/MWh or cost/Dth based on the lower cost program's total approved budget and target.

The filing must include the following:

- A. The EEPS case number;
- B. The customer sector affected by the reallocation (Low Income, Residential, Multifamily or Commercial/Industrial);
- C. The names of programs which are affected by the reallocations;
- D. The total amount of dollars and energy savings to be reallocated. Electric-to-gas or gas-to-electric budget reallocations are prohibited;
- E. Tables showing the current and revised budgets and targets for each program involved in the reallocation submitted in the attached format ;
- F. The rationale for the reallocation;
- G. An affirmation that the reallocation (a) does not result in net reductions in aggregate energy savings;⁵ and (b) does not appear to be detrimental in any other manner to the EEPS program; and
- H. Any additional relevant information or analysis supporting the reallocation.

The budgets and targets should be revised such that historic years remain as ordered and the reallocation is spread across the current and future program years.

The revised budgets and targets, and any other material changes to the program operations should be submitted in a revised implementation plan in accordance with EE-03, Process for Amending Implementation Plan Guidance.

⁴ The approved budget and target reflect any prior reallocations.

⁵ A net reduction in aggregate energy savings is interpreted here to mean that the aggregate energy savings estimated to be achieved by making the change are lower than the estimated aggregate energy savings estimated to be achieved absent the change.

Example - Budget and Target Reallocation Table**Program Administrator**

Source Program for Reallocation:
Approved "Name 1" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |

Target Program for Reallocation:
Approved "Name 2" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |

Source Program for Reallocation:
As Revised "Name 1" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |

Target Program for Reallocation:
As Revised "Name 2" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |

| EE-07: Reallocation of Budgets and Targets Between Customer Sectors | |
|---|--|
| New York State Department of Public Service Office of Energy Efficiency & the Environment Energy Efficiency Guidance | |
| Approval: Colleen Gerwitz | Title: Director, Office of Energy Efficiency & the Environment (OEEE) |
| Original Issuance Date: 2014-02-14 Revision Date: 2014-10-24 2015-03-23 | Effective Date: 2015-03-23 |

I. Purpose:

This Energy Efficiency Guidance document is developed to provide guidance to the Office of Energy Efficiency and the Environment (OEEE) Staff and to the Program Administrators (PAs) regarding approval from the Director of OEEE for program budget and target reallocations between customer sectors (or customer market segments).

Energy Efficiency Guidance documents are developed to clarify energy efficiency program issues and to provide guidance for PAs and OEEE Staff in consistently interpreting and uniformly applying Public Service Commission Orders.

All Energy Efficiency Guidance documents are in effect until revised, rescinded or superseded.

II. Background

By Order issued June 24, 2010, the Commission authorized the Director of OEEE to approve reallocations of up to 10% of a utility PA's total annual approved program budgets within their respective gas and electric portfolios.¹ By Order issued December 26, 2013, the Commission eliminated this requirement for all PAs, as well as the 10% cap, for program budget and target reallocations *within a customer sector*, but required notification of such reallocations.² The December Order maintained the requirement that reallocations between customer sectors of up to 10% of the total annual approved program budgets be approved by the Director of OEEE.³ Staff interpreted the June 24, 2010 Order to allow PAs the ability to reallocate up to 10% of an annual portfolio budget on an annual basis. Due to

¹ 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, issued June 24, 2010, page 43.

² Guidance Document EE-06, outlines the Process for the Reallocation of Program Budgets and Targets Within Customer Sectors.

³ Case 07-M-0548, Order Approving EEPS Program Changes, issued December 26, 2013, pages 37-38.

provisions in the December 2013 Order that eliminated the “banking and borrowing” requirements of the October 25, 2011 Order,⁴ this guidance document revises and clarifies this earlier interpretation.

III. Guidance

PA approval requests for reallocating budgets and targets between customer sectors shall be submitted to the Director of OEEE in a filing to the Secretary in Case 07-M-0548. The calculation of savings targets resulting from the reallocation should be consistent with the following principle:

The reduction in the source program savings target should be calculated using the cost/MWh or cost/Dth based on that program’s total approved⁵ budget and target. The increase in the target program savings target should be calculated using the cost/MWh or cost/Dth based on the lower cost program’s total approved budget and target.

The filing must include the following information:

- A. The EEPS case number;
- B. The customer sectors affected by the reallocation (Low Income, Residential, Multifamily or Commercial/Industrial);
- C. The names of individual programs affected by the reallocation;
- D. The total amount of dollars and energy savings to be reallocated. Individual or multiple electric-to-electric reallocations may not exceed 10% of the respective PA’s total approved electric portfolio budget (including EM&V) for a specified approved program period (i.e. EEPS2). Individual or multiple gas-to-gas reallocations may not exceed 10% (including EM&V) of the respective PA’s total approved gas portfolio budget for a specified approved program period.⁶ Electric-to-gas or gas-to-electric budget reallocations are prohibited;
- E. A listing of previous reallocations between customer sectors during the currently approved program period, including the dollar amounts and energy savings reallocated;
- F. Tables showing the current and revised budgets and targets for each program involved in the reallocation, submitted in the attached format;
- G. The rationale for the reallocation;
- H. An affirmation that the reallocation (a) does not result in net reductions in aggregate energy savings;⁷ (b) does not materially affect the overall balance between customer market segments; and (c) does not appear to be detrimental in any other manner to the EEPS program; and

⁴ Case 07-M-0548, Order Authorizing Efficiency Programs, Revising Incentive Mechanism, and Establishing a surcharge schedule, issued October 25, 2011, page 27.

⁵ The approved budget and target reflect any prior reallocations.

⁶ The December 2013 order allows PAs to borrow from future EEPS2 program years without approval or notification requirements, effectively creating aggregate four year program budgets. Therefore, for the purposes of this guidance, the 10% is calculated on the aggregate portfolio budgets during the current program period (EEPS2).

⁷ A net reduction in aggregate energy savings is interpreted here to mean that the aggregate energy savings estimated to be achieved by making the change are lower than the aggregate energy savings estimated to be achieved absent the change.

- I. Any relevant information and analysis supporting the reallocation that would assist Staff's decision or that may affect the program implementation as a result of the reallocation.

The budgets and targets should be revised such that historic years remain as ordered and the reallocation is spread across the current and future program years.

The reallocation may be implemented upon approval by the Director of OEEE. The revised budgets and targets, and any other material changes to the program operations should be submitted in a revised implementation plan in accordance with EE-03, Process for Amending Implementation Plan Guidance. Reallocations between customer sectors exceeding 10% of the total approved portfolio budgets (including EM&V) for a specified approved program period require Commission approval.

Example - Budget and Target Reallocation Table**Program Administrator**

Source Program for Reallocation:
Approved "Name 1" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |

Target Program for Reallocation:
Approved "Name 2" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |

Source Program for Reallocation:
As Revised "Name 1" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |

Target Program for Reallocation
As Revised "Name 2" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |

| EE-11: Reallocation of Evaluation, Measurement & Verification Funds for Non-EM&V Purposes | |
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| New York State Department of Public Service Office of Energy Efficiency & the Environment Energy Efficiency Guidance | |
| Approval: Colleen Gerwitz | Title: Director, Office of Energy Efficiency & the Environment (OEEE) |
| Original Issuance Date: 2015-03-23 | Effective Date: 2015-03-23 |

I. Purpose:

This Energy Efficiency Guidance document is developed to provide guidance to the Office of Energy Efficiency and the Environment (OEEE) Staff and to the Program Administrators (PAs) regarding approval from the Director of OEEE for reallocations of Energy Efficiency Portfolio Standard (EEPS) evaluation, measurement & verification (EM&V) funding to program budgets.

Energy Efficiency Guidance documents are developed to clarify energy efficiency program issues and to provide guidance for PAs and OEEE Staff in consistently interpreting and uniformly applying Public Service Commission Orders.

All Energy Efficiency Guidance documents are in effect until revised, rescinded or superseded.

II. Background

By Order issued February 26, 2015, the Commission authorized EEPS PAs to reallocate uncommitted EEPS EM&V funding to increase program budgets with the understanding that there will be a corresponding increase in energy savings targets.¹

¹ Case 14-M-0101, Case 14-M-0101, Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision, Order Adopting Regulatory Policy Framework and Implementation Plan (issued February 26, 2015).

III. Guidance

PA approval requests for reallocating uncommitted EEPS EM&V funds to program budget(s) shall be submitted to the Director of OEEE in a filing to the Secretary in Case 07-M-0548. The increase in energy savings target of the program receiving the funding should be calculated using the cost/MWh or cost/Dth based on that program's approved² non-EM&V budget and total savings target.³ The filing must include the following information:

- A. The EEPS case number;
- B. The names of the individual programs affected by the reallocation;⁴
- C. The EEPS phase (1 or 2) of the source program;⁵
- D. The total amount of dollars to be reallocated and the calculated additional energy savings target to be achieved with the reallocated funding;
- E. Electric-to-gas or gas-to-electric funding reallocations are prohibited;
- F. Tables showing the current and revised budgets and targets for each program involved in the reallocation, submitted in the attached formats (Format 1 should be used for program to program reallocations, Format 2 should be used for reallocations within a program);
- G. The rationale for the reallocation, including why there is currently no viable alternative to transferring EM&V funding from within its portfolio;
- H. Any relevant information and analysis supporting the reallocation that would assist Staff's decision or that may affect the program implementation as a result of the reallocation.

The budgets and targets should be revised such that historic years remain as ordered and the reallocation is spread across the current and future program years.

The reallocation may be implemented upon approval by the Director of OEEE. The revised budgets and targets, and any other material changes to the program operations should be submitted in a revised implementation plan in accordance with EE-03, Process for Amending Implementation Plan Guidance.

² The approved budget and target reflect any prior reallocations.

³ The reallocation of EM&V funds will not reduce the savings target of the source program.

⁴ Although in its October 25, 2011 Order the Commission granted flexibility to expend EM&V funds as needed across a portfolio, for data tracking purposes, EM&V budgets are still associated with specific programs. Therefore, for the reallocation of EM&V funds for non-EM&V purposes, Staff requires Program Administrators to state from which programs EM&V funds will be reallocated.

⁵ EEPS1 EM&V funds may be reallocated for non-EM&V purposes. However, to the extent possible, Program Administrators should reserve EEPS1 EM&V funding for EM&V activities and use EEPS2 EM&V funding for reallocation purposes.

FORMAT 1**Example - Budget and Target Reallocation Table****Program Administrator**

Source Program for Reallocation:
Approved "Name 1" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |

Target Program for Reallocation:
Approved "Name 2" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |

Source Program for Reallocation:
As Revised "Name 1" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |

Target Program for Reallocation
As Revised "Name 2" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |

FORMAT 2**Example - Budget and Target Reallocation Table****Program Administrator**

Program for Reallocation:

Approved "Name" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |

Program for Reallocation:

As Revised "Name" Program Budgets and Targets

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | Total <u>2012-2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|---------------------------|
| Net Savings (Dth or MWh) | | | | | |
| Program & Admin Costs | | | | | |
| EM&V Costs | | | | | |
| Total Costs | | | | | |