February 21, 2017

Via Electronic Mail

Chair Audrey Zibelman
New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Dear Chair Zibelman:

As we approach the end of your tenure as Chair of the New York Public Service Commission (PSC or the "Commission"), we want to thank you for demonstrating tremendous leadership during your term. Your vision and commitment to accelerating the transition to a clean energy future through your Reforming the Energy Vision (REV) initiative has set the state on a path to a cleaner, more efficient and more reliable electricity system. The PSC is making significant progress in advancing a regulatory model for utilities of the future, and its bold thinking and creative approach to reform provide a national model for other states across the country.

Your groundbreaking policy establishing a binding 50 percent renewable energy requirement by 2030, Commission approval of the comprehensive Clean Energy Fund, prudent planning for the future clean replacement of the Indian Point nuclear plant, and the path you have laid out for performance-based ratemaking in New York are all part of your enduring legacy. We write now with the hope that, prior to your departure, the Commission will provide critical direction on one piece of your REV legacy that remains incomplete: **establishing a clear plan and regulatory framework to spur investment in all cost-effective energy efficiency**.

The Commission has recognized that "energy efficiency is a crucial and cost effective means to achieve clean energy objectives," and that it "is the cheapest and most effective manner to reduce carbon emissions in the energy sector." But to date, New York's achievement remains well short of 2% annual incremental reductions in load through energy efficiency, a level that many other states have demonstrated is achievable. In aggregate, New York's energy savings potential is vast, exceeding (in MWh) the amount of new renewables required to meet the state's goal of 50 percent of electric supply coming from renewables by 2030.

No rules have yet been adopted through REV, however, to advance energy efficiency at a meaningful scale and effectively harness this tremendous resource. Without an explicit framework to spur increased efficiency investments, the goals of REV and the Clean Energy Standard (CES) will be significantly harder, if not impossible, to achieve. At the same time, the CES's "50 by '30" renewables program demonstrates that targets and effective market-based approaches can work hand-in-hand.

Fortunately, there is still time for the Commission to act prior to your departure, ensuring that REV meaningfully advances energy efficiency and serves as a critical model for other states around the country, particularly at this pivotal time when actions to address climate and spur clean energy investment face great uncertainty at the federal level.

One potential path would be to issue an order regarding energy efficiency investment and planning based on the existing record in the Commission's Distributed System Implementation Plan (DSIP) proceeding, or to include a framework for energy efficiency as a component of a broader DSIP Order.

Such an order would:

- Require each utility to update its individual DSIP to include specific plans to invest in or otherwise advance all cost-effective energy efficiency resources, allowing cost-effective investments to be recoverable through rates. Such plans would be required to go significantly beyond existing approved budgets and targets.

- Require the Joint Utilities to issue a revised final Supplemental DSIP to incorporate information from each utility's individual DSIP update. This would provide the total aggregate level of savings to be achieved by the Joint Utilities and a comparison with Department of Public Service Staff's assumptions of energy efficiency achievement in the CES Order.

Requiring utilities to invest in all cost-effective energy efficiency would enforce the PSC's expectation, announced in its Order Authorizing Utility-Administered Energy Efficiency Portfolio Budgets and Targets for 2016 – 2018, that the utilities' DSIPs should "include energy efficiency efforts beyond those funded by the budgets authorized here." Despite the DSIP Guidance Order's directive to the utilities to "[d]escribe existing and future plans and programs to increase the quantity and value of [distributed energy] resources," none of the utility DSIPs set forth plans for new energy efficiency investments beyond those already authorized in the Commission's ETIP Order and rate cases.

The full details of an energy efficiency framework, including specific required targets and utility performance incentives, will need to be established through a more comprehensive process. But a Commission order, as outlined above, would provide much needed clarity regarding expectations for energy efficiency and thus send an important signal needed to maintain crucial market momentum.

Such a move would have broad support. The report issued by the Clean Energy Advisory Council Energy Efficiency Procurement & Markets Working Group notes shared agreement, including by the Joint Utilities, on the need for a ramp up in energy efficiency investment by utilities. An Order requiring utility procurement of all cost-effective energy efficiency is a missing link in REV. As articulated in the 'ramp-up strategy' in the Working Group report, utilities in other states have increased their rates of energy efficiency savings by roughly .4% per year, a goal that New York utilities could also achieve with the right policies.

Further, Synapse Energy Economics estimates that such an increase in savings levels could save New York customers billions of dollars in electricity costs. *See Aiming Higher: Realizing the Cost-Effective Energy Efficiency in New York* (2016). A separate forthcoming Synapse analysis commissioned by Riverkeeper and the Natural Resources Defense Council clearly demonstrates that adopting and implementing the policies needed to significantly scale up energy efficiency is central to a cost-effective strategy to replace the Indian Point Energy Center with clean energy.

As third-party market actors and advocates dedicated to advancing a clean, efficient, and affordable energy system in New York, we are excited about REV's promise of emerging market opportunities and are committed to seeing that energy efficiency plays a central role in that vision, as it must to ensure REV's success. Thank you for considering this strategy to achieve lasting savings by integrating energy efficiency into your powerful REV legacy.

Sincerely,

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