STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of Albany on January 21, 2016

COMMISSIONERS PRESENT:

Audrey Zibelman, Chair
Patricia L. Acampora
Gregg C. Sayre
Diane X. Burman, concurring

CASE 15-M-0252 – In the Matter of Utility Energy Efficiency Programs.

ORDER AUTHORIZING UTILITY-ADMINISTERED ENERGY EFFICIENCY PORTFOLIO BUDGETS AND TARGETS FOR 2016 - 2018

(Issued and Effective January 22, 2016)

BY THE COMMISSION:

INTRODUCTION

In this Order, the Commission authorizes 2016-2018 energy efficiency budgets and targets for Central Hudson Gas & Electric Corporation (Central Hudson), Consolidated Edison Company of New York, Inc. (Con Edison), KeySpan Gas East Corporation (KEDLI), The Brooklyn Union Gas Company (KEDNY), National Fuel Gas Distribution Corporation (NFG), New York State Electric & Gas Corporation (NYSEG), Niagara Mohawk Power Corporation d/b/a National Grid (Niagara Mohawk), Orange and Rockland Utilities, Inc. (O&R), and Rochester Gas and Electric Corporation (RG&E) (collectively, the utilities). The Commission also authorizes the utilities to collect the approved budgets through the Energy Efficiency Tracker (EE Tracker) surcharge mechanism.

Utility energy efficiency efforts funded through the EE Tracker are critical components of the Reforming the Energy Vision (REV) initiative, New York’s comprehensive plan to reform the energy industry. The authorization of utility energy efficiency budgets and targets aligns with the four pillars of State policy design and implementation and the outcome-oriented standards discussed in detail in the Commission's order authorizing the Clean Energy Fund (CEF) Framework issued on January 21, 2016.[1] Within this policy and outcome framework, utility energy efficiency efforts in the 2016-2018 period, for which budgets and targets are authorized herein, will contribute to efficient and effective deployment of energy efficiency in concert the State's many other clean energy initiatives.

BACKGROUND

New York State's Energy Efficiency Portfolio Standard (EEPS) was established in 2007 and was authorized through the end of 2015.[2] Under EEPS, utility efficiency programs have typically been resource acquisition programs, oriented toward direct rebates and subsidies to encourage individual customers to employ more efficient end-use equipment and systems, thereby acquiring energy savings as a resource. In a February 26, 2015 order, the Commission adopted a regulatory policy framework and implementation plan for a reformed retail electric industry in its REV proceeding,[3] taking steps to reorient the electric industry and the ratemaking paradigm toward a consumer-centered

[1] Cases 14-M-0094 et al., Proceeding on Motion of the Commission to Consider a Clean Energy Fund, Order Authorizing the Clean Energy Fund Framework (issued January 21, 2016) (the CEF Order).

[2] Case 07-M-0548, Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard, Order Instituting Proceeding (issued May 16, 2007).

[3] 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) (the February REV Framework Order).

approach that harnesses technology and markets. As part of that reform, the Commission established a new framework for the energy efficiency programs of investor-owned electric utilities, and adopted that framework for the efficiency programs of investor-owned gas utilities in an order issued June 19, 2015.[4] Under the new framework, utilities were granted increased responsibility for their energy efficiency programs beginning in 2016 and directed to begin using more market-based approaches to drive greater value for customers, and during subsequent years, to gradually evolve to align with REV approaches and the new market transformation focus of the New York State Energy Research and Development Authority (NYSERDA).

The new framework adopted in the February REV Framework and June Orders provides utilities with more flexibility in designing and managing their programs within authorized portfolio budgets, as opposed to specific program authorizations, to achieve energy efficiency objectives in support of overall REV outcomes through the use of new and innovative approaches. The Commission directed that with this flexibility utilities should develop programs that are market-based and include market mechanisms that combine resource acquisition with third-party activities to drive greater value for customers, achieve greater market-wide efficiency savings, target specific system needs, and depend less on direct ratepayer support.

The Commission commented that utility outcomes would not be limited to megawatt hour (MWh) and dekatherm (Dth) savings directly attributable to utility rebates, but instead

[4] Cases 07-M-0548, supra, and 15-M-0252, In the Matter of Utility Energy Efficiency Programs, Order Authorizing Utility-Administered Gas Energy Efficiency Portfolios For Implementation Beginning January 1, 2016 (the June Order).

would be measured with reference to the overall success of the strategy. In order to measure the true value of customer-funded efficiency efforts, the Commission stated that a different approach from that used for direct subsidies was required to measure the success of market-based approaches and market transformation programs, adding that market penetration rates and other indices of market transformation should be considered. The Commission therefore directed utilities to develop and propose metrics applicable to market transformation strategies, in consultation with Staff and NYSERDA.

In addition to granting increased flexibility, the Commission assigned increased responsibility to the utilities in the administration of their energy efficiency portfolios. The Commission required utilities, as a unified group, to maintain their own planning, evaluation, Technical Resource Manual (TRM), and benefit/cost analysis tools, to be uniform across the State to the extent possible, and noted that Staff would maintain a monitoring and auditing role. The Commission directed utilities to design and implement Evaluation, Measurement & Verification (EM&V) activities to yield timely information to be incorporated into the annual iterations of utility programs, resource manuals, and guidance, and stated that it was the utilities' responsibility to ensure that EM&V activities are planned to be used and useful and coordinated with NYSERDA EM&V activities to avoid duplicative efforts. The Commission directed a review and revision of current evaluation guidelines (that is, the New York Evaluation Plan Guidance for EEPS Program Administrators), as well as data tracking obligations and reporting requirements, to be undertaken in 2015.

The February REV Framework Order directed the utilities to work collectively to support the maintenance of a New York State TRM and to file a TRM Management Plan by no later than June 1, 2015, at which time the utilities would assume responsibility for the TRM from Staff. The Commission required the plan include processes ensuring each utility's and NYSERDA's input is considered, all changes to the TRM are transparent to Staff and stakeholders, and an updated TRM is filed annually. In addition, the Commission required the plan to include any intention for the use of contractor support, including the expected schedule for obtaining such support. On June 1, 2015, in compliance with the February REV Framework Order, the utilities filed a TRM Management Plan. In the June Order, the Commission directed that a revised TRM Management Plan be filed reflecting the responsibility of all gas utilities implementing energy efficiency programs in 2016 to participate in the maintenance of the TRM.

Noting that a new Benefit Cost Analysis (BCA) framework would be developed under REV that would eventually apply to energy efficiency and other distributed energy resources, the Commission retained the total resource cost (TRC) test as the primary benefit cost analysis tool for energy efficiency. While encouraging electric utilities to apply the TRC at varying levels of granularity, the Commission required the TRC to exceed 1.0 at the portfolio level.

Although the new framework provides increased flexibility for utilities in the design and implementation of their portfolios, the Commission directed Department of Public Service Staff (Staff), in consultation with the E^2 Working Group, to develop a REV Energy Efficiency Best Practices Guide (the Guide) outlining energy efficiency best practices under a REV framework, to ensure shared learning and the evolution of programs across service territories. The Commission required the first version of the Guide to be filed with the Secretary by February 1, 2016 and for it to include a process for revisions and updates such that information in the guide changes with the pace of technology and Commission directives.

In addition, the Commission required the electric utilities to include a Self-Direct Program in their electric energy efficiency portfolios no later than January 1, 2017 allowing large commercial and industrial customers to self-direct funds that would otherwise support the utilities' portfolios. The Commission directed Staff and the electric utilities to work in consultation with the large commercial and industrial customers to develop guidance regarding Self-Direct programs to be filed with the Secretary by August 3, 2015.[5]

With respect to low-income energy efficiency programs, the Commission stated that NYSERDA would remain the default provider of low-income programs, but encouraged utilities to develop innovative programs to expand the reach of measures that include energy efficiency within low-income communities, in concert with and not in competition with efforts of NYSERDA and private market activity.

For planning purposes, the Commission directed the E^2 Working Group to establish a three-year rolling cycle, to be filed by May 1, 2015, whereby on an annual basis, the Commission will approve the addition of a third year of energy efficiency funding and metrics, providing at least two years of market certainty and avoiding "cliff" years such as 2015.[6] As part of the three-year rolling cycle, the Commission directed utilities to file, on an annual basis for Commission approval, an Energy Efficiency Budget and Metrics (BAM) Plan containing proposed

[5] CE-03: Self-Direct Program Guidance was filed by Staff on August 3, 2015.

[6] CE-01: Utility Energy Efficiency Program Cycle Guidance was filed by Staff, on behalf of the E^2 Working Group, on May 1, 2015.

portfolio budgets and metrics on a three-year rolling cycle, and Energy Efficiency Transition Implementation Plans (ETIPs) as companion filings to the proposed portfolio BAM Plan to inform the authorization of such budgets and metrics, but not subject to Commission approval. The Commission directed Staff to develop ETIP Guidance, in consultation with the E^2 Working Group, to be filed with the Secretary by May 1, 2015, outlining the elements to be included in ETIPs.[7]

To initiate the first iteration of the three-year cycle, the Commission authorized utility portfolio budgets and metrics for 2016 at the 2015 levels, required utilities to propose budgets and metrics for the remaining years of the 2016 – 2018 cycle in a Budget and Metrics Plan by July 15, 2015, and to file, as a companion filing, proposed 2016 – 2018 ETIPs to inform consideration of the proposed budgets and metrics.

In order to support a smooth and effective transition to the new framework for utility efficiency programs beyond 2015, the February REV Framework and June Orders also authorized increased flexibility in the final year of EEPS, including the use of EEPS funds that are unspent as of December 31, 2015 to be retained by the utilities and used to offset the costs associated with post-2015 energy efficiency programs.

THE PROPOSED BUDGET AND METRICS PLANS

On July 15, 2015, Central Hudson, Con Edison, KEDLI, KEDNY, NFG, Niagara Mohawk, NYSEG/RG&E, Niagara Mohawk, and O&R (collectively, the Companies) filed proposed BAM Plans for Commission authorization in compliance with the February REV Framework and June Orders. In addition, to inform the Commission’s authorization of the BAM Plans, the Companies filed

[7] CE-02: ETIP Guidance was filed by Staff on May 1 2015.

ETIPs as companion filings on the same date.[8] The tables below contain the annual budgets and savings targets proposed for 2016 through 2018 for both electric and gas portfolios as filed in the BAM Plans.

Electric Portfolios:

	2016	2017	2018
Central Hudson			
Proposed Budget	$8,479,345	$8,479,345	$8,479,345
Proposed MWh Target	34,240	34,240	34,240
Con Edison			
Proposed Budget	$86,178,022	$86,178,022	$86,178,022
Proposed MWh Target	179,107	180,272	180,272
NYSEG			
Proposed Budget	$17,035,451	$18,993,914	$19,076,521
Proposed MWh Target	48,161	53,557[9]	53,5579
Niagara Mohawk			
Proposed Budget	$51,457,894	$66,984,357	$77,267,450
Proposed MWh Target	246,963	308,721	352,957
O&R			
Proposed Budget	$6,302,164	$6,302,164	$6,302,164
Proposed MWh Target	19,302	19,302	19,302
RG&E			
Proposed Budget	$10,482,077	$11,459,847	$11,512,052
Proposed MWh Target	29,290	31,776	31,776

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[8] On July 27, 2015, KEDLI, KEDNY, and Niagara Mohawk filed revised ETIPs; on September 11, 2015, Central Hudson filed a revised ETIP; and on September 23, 2015 Con Edison filed a revised Table 10 of its ETIP.

[9] NYSEG proposed 53,577 MWh in both its BAM Plan and ETIP in error. The correct number, as shown in the Table, should be filed in the company’s final ETIP.

Gas Portfolios:

	2016	2017	2018
Central Hudson			
Proposed Budget	$837,356	$837,356	$837,356
Proposed Dth Target	37,296	35,937	35,961
Con Edison			
Proposed Budget	$14,533,466	$14,533,466	$14,533,466
Proposed Dth Target	273,116	279,170	279,170
KEDLI			
Proposed Budget	$7,164,182	$11,167,218	$12,605,286
Proposed Dth Target	237,763	405,100	518,633
KEDNY			
Proposed Budget	$12,771,114	$13,102,152	$13,474,487
Proposed Dth Target	289,154	327,186	348,526
NFG			
Proposed Budget	$10,040,000	$10,040,000	$10,040,000
Proposed Dth Target	345,342	345,342	345,342
Proposed CO_2 Emission Reduction Target (Metric Tons)	18,310	18,310	18,310
NYSEG			
Proposed Budget	$2,038,215	$2,046,753	$2,055,470
Proposed Dth Target	72,480	72,480	72,480
Niagara Mohawk			
Proposed Budget	$10,549,263	$14,729,271	$15,395,966
Proposed Dth Target	481,954	612,456	644,297
O&R			
Proposed Budget	$536,946	$536,946	$536,946
Proposed Dth Target	14,691	14,691	14,691
RG&E			
Proposed Budget	$2,720,750	$2,732,331	$2,744,155
Proposed Dth Target	103,756	103,756	103,756

The specific ETIPs of each utility are described below.

Central Hudson

Central Hudson states that during the 2016-2018 cycle it will continue to offer residential and commercial customers programs that are currently established and familiar, while incorporating new concepts and measures.

Central Hudson plans enhancements to its residential electric and gas programs by: including a new subset of customers in its electric and gas behavioral modification programs; offering a customized web portal for behavioral program participants to access and track energy usage, energy savings tips, and energy savings; using the behavioral program to cross promote and market its Demand Side Management portfolio and other available energy management tools; introducing a whole-home program for its residential electric and gas customers to encourage whole house improvements to existing homes by providing home energy audits and promoting comprehensive retrofit services; partnering with retailers to incent the purchase of efficient lighting with a residential lighting point-of-sale (POS) program where instant rebates will be provided for qualifying LED light bulbs at the point-of-purchase; implementing an online lighting portal where customers will be taken through a process to inform them of the benefits associated with the selection of proper LED replacements for existing lighting fixtures and then provided the opportunity to purchase LEDs at a discounted price through the receipt of an instant rebate.

Central Hudson states that for its commercial and industrial (C&I) customers it will introduce both a new custom program to provide funding for custom projects that do not qualify for prescriptive rebates, and the online portal discussed above, where commercial customers will be taken through the same process to educate them on proper LED replacements and then also provided the opportunity to purchase LEDs at a discounted price through the receipt of an instant rebate. In addition, Central Hudson notes a Self-Direct Program will be implemented in January 2017 for C&I customers per Self-Direct Guidelines to be issued on August 3, 2015.

Although Central Hudson did not propose any secondary targets in its BAM Plan, it did include Carbon Dioxide (CO_2) reductions and program participation levels in its ETIP for all of its programs, as well as megawatt (MW) reductions for its electric programs.

Central Hudson intends to allocate 5% of its electric and gas portfolio budgets to fund EM&V activities including traditional process and impact evaluation studies, Market Analysis studies to better understand customer interest in the management of their energy use and energy efficiency programs, and a residential and commercial potential study.

Central Hudson estimates its portfolio level Total Resource Cost (TRC) ratios for 2016, 2017 and 2018 to be 3.17, 3.28, and 3.38, respectively for its electric portfolio. For its gas portfolio, Central Hudson estimates TRC ratios of 3.04, 3.15, and 3.25, for 2016, 2017, and 2018, respectively.[10]

Con Edison

Con Edison states that beginning January 1, 2016, it will implement both electric and gas portfolios for all customer sectors based upon a continuation of the current portfolios, but in addition, to better align with customer needs, improve cost-effectiveness, and begin to lay the foundation for a more integrated Demand Side Management (DSM) approach, will allocate funding to portfolio-level support initiatives as well as new program initiatives such as its intent to implement a “Test and Learn” (T&L) process to test new programs, program design, and implementation. Con Edison states that this new strategy will be used to identify new measures, uses and delivery mechanisms

[10] During Staff’s review, it was discovered that incorrect inputs to the TRC ratio calculation that resulted in extraordinarily high TRCs. Corrected TRC ratios will be included in the company’s final ETIP.

for existing offerings, and to identify and test new programs and initiatives before full scale implementation is undertaken. Con Edison outlines the key elements of the T&L process to be: idea screening and validation, market testing and refinement, planning, launch and management, feedback loop, and testing.

Con Edison describes that in its residential sector it will: use the T&L process to investigate additional program measures that enable better integration with demand response programs and technologies and to test additional programs and delivery; explore the creation of an online energy efficiency and load management e-learning web portal for customers, retailers and contractors to learn about general energy efficiency and its programs; explore alternative delivery methods including those that cost-effectively offer the opportunity for energy assessments, insulation, and weatherization measures; explore the addition of on-bill financing; and implement two new programs, the Retailer Incentive Program and the Smart Kids Energy Education Program. Con Edison describes the Retailer Incentive Program as an effort to increase adoption of the most energy efficient plug-load and appliance products in the market through incentive payments to retailers, and expects this program to enhance the effectiveness of its existing residential program. Con Edison states that it will engage national retailers through the ENERGY STAR® Retail Products Platform, an initiative facilitated by the U.S. Environmental Protection Agency. Con Edison describes the Smart Kids Energy Education Program as one which will provide fifth grade students with take-home kits of high efficiency water measures and LED lamps and also classroom instruction on behavior change that can lead to reduced energy use. Con Edison adds that along with the take-home kits, students will use a workbook to help their parents install the measures, document behavioral choices that reduce energy usage, and gather valuable information about their home to report back in a survey. Con Edison asserts that this type of program has been successfully and widely implemented elsewhere in the United States, shapes new behaviors and achieves immediate savings through an innovative mix of new measure installation and energy and water efficiency knowledge. Con Edison states that it will seek to establish a method to quantify savings associated with the behavioral changes and until enough data to support such quantification, it will only use savings attributed to the take-home kits for program design.

Con Edison describes changes to its multifamily programs to include: the expansion of program eligibility from buildings with between 5-75 units to all existing multifamily buildings within its service territory; expansion of the number of buildings eligible for enhanced energy efficiency services due to income status; the consolidation of its Multifamily electric, Multifamily gas and Multifamily Low Income programs into a single program offering to facilitate broader participation among low-to-moderate income (LMI) customers; use of the T&L process to explore the direct installation of common area measures and bulk-discounted purchase of prescriptive in-unit appliance measures for LMI customers and depending on what is learned, potential expansion of the availability of these measures to all multifamily customers.

Con Edison's ETIP outlines the following enhancements and additions to its programs for commercial customers: expansion of the number of customers eligible to participate in its Small Business Direct Install (SBDI) program; the elimination or reduction of lighting co-payments for low demand small businesses defined as customers with an average monthly usage of 60 kW or less; the establishment of a "Drop, Ship, Customer Install (DSCI)” component to its electric and gas C&I programs which will provide a lighting audit followed by direct shipment of lighting upgrade materials to be installed by the customer; the introduction of strategic energy management measures including building management systems, lighting controls and zoning for C&I customers in common areas for multifamily and mixed-use properties; efforts to develop and deploy an open bid approach for performance-based, market-driven, DSM initiatives with third-party business partners similar to the Request for Information approach taken in the Brooklyn Queens Demand Management program; and as REV evolves the market for energy products and services, the deployment of a platform to assist customers in identifying opportunities, developing an energy improvement plan, and contracting for services with third-party providers which will create an automated, easy-to-use project development tool to increase program penetration with smaller customers lacking professional energy staff.

As part of its ETIP, Con Edison outlines a Self-Direct program for large C&I customers that differs from the Self-Direct Guidance filed by Staff on August 3, 2015. However, in response to a Staff Information Request (IR), Con Edison confirms that it will implement its Self-Direct program in compliance with the Guidance, but recommends elimination of the requirement that specific dollars per MWh savings be at least 7.5% less than the utility-approved portfolio level dollars per MWh to administer its programs, as required by the Self-Direct Guidance.

Con Edison did not include any secondary targets in either its BAM Plan or ETIP and in response to a Staff IR states its belief that it is premature to determine if or what secondary targets should be included in the future until fundamental questions surrounding the Distributed System Implementation Plan (DSIP), earning impact mechanisms (EIMs) and other REV-related items are resolved.

Con Edison proposes that it be authorized to earn a performance incentive based on the incurred costs of achieving annual energy savings goals at or above 80% of the Commission ordered target, on an annual basis, and that the incentives be collected through the EE Tracker.

Con Edison intends to allocate 5% of its electric and gas portfolio budgets to fund EM&V activities including traditional process and impact evaluation studies, ongoing measurement and verification, quality assurance and control efforts, statewide studies, administration, and other activities such as ad-hoc requests to inform REV-aligned activities.

Con Edison estimates its portfolio level TRC ratio for 2016, 2017 and 2018 to be 1.75, 1.86, and 1.88, respectively for its electric portfolio. For its gas portfolio, Con Edison estimates TRC ratios of 2.17, 2.19, and 2.21, for 2016, 2017, and 2018, respectively.

KEDLI/KEDNY

KEDLI/KEDNY state they have redesigned their existing EEPS gas portfolios to allow for increased customer awareness and education of energy efficiency resources and to allow for the reduction of barriers to the adoption of early market technologies.

KEDLI/KEDNY describe enhancements and additions to their existing residential programs including: the addition of new technologies such as smart Wi-Fi thermostats and combined space and water heating equipment to their gas HVAC programs; the introduction of a new residential behavioral program to provide customers with personalized energy information, including a points and rewards program and an energy information platform using multiple channels (e.g. web, mail, email); and the implementation of a new residential efficiency platform in 2017 to increase customer engagement through education and an e-commerce website. KEDLI/KEDNY state that upon completion of an online assessment, the customer will receive a report providing energy efficiency recommendations, an assessment of potential savings, a clear call to action, and a breakdown of savings by energy use category. The report will then direct customers to an e-commerce website that will allow customers to take immediate action by purchasing energy efficiency measures, such as smart Wi-Fi thermostats, aerators and high efficiency gas appliances.

KEDLI/KEDNY explain improvements to their multifamily offerings including: the expansion of program eligibility from buildings with between 5-75 units to all existing multifamily buildings within their service territories; the addition of new technologies; the development of leads for in-home audits through an online assessment that will be made available to both multifamily residents and building owners; the potential offering of incentives for non-direct install measures; and the potential availability of on-bill financing to property owners to offset upfront costs associated with energy efficiency projects.

KEDLI/KEDNY state that they will enhance their existing C&I programs by: adding new measures and technologies; offering an online assessment and e-commerce website similar to that envisioned for residential customers for small and medium businesses beginning in 2018; introducing both the direct install and boiler tune-up components that have both been offered in KEDNY’s service territory to KEDLI’s C&I customers; seeking new and innovative ways to engage federal agencies and large C&I customers through strategic partnerships and existing initiatives (e.g. Green Button), stating that these initiatives will foster increased customer awareness of energy load shape and consumption, as well as long-term energy planning, to achieve comprehensive benefits.

Although KEDLI/KEDNY note in their ETIPs that they will monitor greenhouse gas (GHG) emission reductions, lifetime energy savings and customer engagement metrics, they do not propose any secondary targets in either their BAM Plans or ETIPs. In response to a Staff IR, the companies provide GHG emission reduction targets, but state that until the impacts of new programs are better understood they propose that no secondary metrics or targets be set for lifetime energy savings or customer engagement.

KEDLI/KEDNY propose a utility incentive mechanism for 2016 gas energy efficiency performance similar to the structure of the EEPS 2 shareholder incentive mechanism, but with certain modifications. KEDLI/KEDNY do not include a proposal for how any utility incentives for 2016 would be collected.

KEDLI/KEDNY intend to allocate approximately 5% of their gas portfolio budgets to fund EM&V activities including traditional process and impact evaluation studies, market potential studies, activities to improve the Technical Resource Manual (TRM) and benefit-cost inputs, as well as efforts to collect customer demographics.

KEDLI estimates its portfolio level TRC ratio for 2016, 2017 and 2018 to be 1.62, 1.53, and 1.72, respectively, while KEDNY estimates TRC ratios of 1.18, 1.23, and 1.26, for 2016, 2017, and 2018, respectively.

NFG

NFG states that it will continue its current program offerings for its residential, residential low income, and small commercial customers for the 2016 – 2018 program cycle. NFG describes minimal changes to its existing programs including: the addition of Wi-Fi thermostats to every program, and the addition of a furnace replacement component to its residential low income program (Low Income Usage Reduction Program or LIURP) to replace legacy heating equipment with high efficiency heating equipment. NFG explains that it modeled this initiative after the Home Energy Assistance Program (HEAP) Heating Equipment Repair and Replacement Program, which historically exhausts funding during the middle of the heating season.

NFG proposes in its BAM Plan and reflects in its ETIP carbon dioxide emission reduction goals as secondary targets.

NFG intends to allocate approximately 3% of its gas portfolio budgets to fund EM&V activities including traditional process and impact evaluation studies, impact evaluation field work for each of its programs and its outreach and education efforts, and TRM review and support.

NFG estimates its portfolio level TRC ratio of 1.77 for each year, 2016 through 2018.

NYSEG/RG&E

NYSEG/RG&E state they plan to continue to provide traditional electric and gas energy efficiency services to all customer sectors with the implementation of a residential, a multifamily and a C&I program in their electric and gas portfolios and each program will consist of one or more traditional program components. With the exception of the addition of a gas multifamily program, which NYSEG/RG&E state will offer a limited number of gas measures, and a Self-Direct program to be implemented 2017 for large C&I customers in compliance with the Self-Direct Guidance, NYSEG/RG&E do not present any significant changes to the electric or gas portfolios for the 2016-2018 program cycle. NYSEG/RG&E expect, however, that subsequent iterations of their ETIP will continue to be developed within the evolving REV framework, and in consultation with Staff, NYSERDA and the other New York utilities.

NYSEG/RG&E did not reflect secondary targets in their BAM Plan or ETIP, but state for this first ETIP planning cycle, they will collect and report, but not use initially for targets, both Demand Reduction in MW and Lifetime Savings in MWh at the program level, and will also consider GHG reduction metrics based on ongoing discussions with the E^2 Working Group.

NYSEG/RG&E propose recovery of shareholder incentives for EEPS 1 (2009 - 2011) through the EE Tracker beginning January 1, 2016, and anticipate recovery of shareholder incentives earned under EEPS 2 (2012 – 2015) via the EE Tracker surcharge in future years.

NYSEG/RG&E each intend to allocate approximately 5% of their electric and gas portfolio budgets to fund EM&V activities including traditional process and impact evaluation studies, market potential studies to quantify the potential for gas and electric energy savings and electric demand reduction in particular customer populations, and on-site metering efforts.

NYSEG estimates its portfolio level TRC ratios for 2016, 2017 and 2018 to be 1.34, 1.35, and 1.36, respectively for its electric portfolio. For its gas portfolio, NYSEG estimates TRC ratios of 1.45, 1.44, and 1.43, for 2016, 2017, and 2018, respectively.

RG&E estimates its portfolio level TRC ratios for 2016, 2017 and 2018 to be 1.60, 1.62, and 1.64, respectively for its electric portfolio. For its gas portfolio, RG&E estimates a TRC ratio of 1.43 for each year, 2016 through 2018.

Niagara Mohawk

Niagara Mohawk states that it has redesigned its existing EEPS electric and gas portfolios to allow for increased customer awareness and education of energy efficiency resources and to allow for the reduction of barriers to the adoption of early market technologies.

Niagara Mohawk describes enhancements to its existing residential programs for both electric and gas customers including: the introduction of an energy information platform using multiple channels (e.g. web, mail, email) to deliver personalized energy information and a points and rewards program to its behavioral modifications programs for electric and gas customers; the addition of new technologies including smart Wi-Fi thermostats, smart outlets for window air conditioning, LED lighting, and combined space and water heating equipment to its existing residential electric products and recycling program and its existing residential gas HVAC program; the addition of appliances not previously included in its residential electric program, such as pool pumps, dehumidifiers, and water saving products; the implementation of a new efficiency platform in 2016 for both its electric and gas portfolios to increase customer engagement through education and an e-commerce website where upon completion of an online assessment, including a solar photovoltaic (solar PV) component for electric customers, the customer will receive a report providing energy efficiency recommendations, an assessment of potential savings, a clear call to action, a breakdown of savings by energy use category, and the potential for solar PV. The report will then direct customers to an e-commerce website that will allow customers to take immediate action by purchasing energy efficiency measures, such as LED lighting, smart Wi-Fi thermostats, power strips, aerators and appliances.

Niagara Mohawk states that it will continue its electric and gas multifamily programs, but expand the availability from buildings with between 5-75 units to all existing multifamily buildings within its service territory, introduce new technologies to its direct install component, explore opportunities to offer incentives for non-direct install measures, and explore opportunities to provide on-bill financing to property owners to offset upfront costs associated with energy efficiency projects.

In its commercial sector Niagara Mohawk’s ETIP outlines the following changes to its offerings for small and medium businesses: the introduction of new technologies; the potential expansion of its electric Customer Directed Option, which provides small business customers the option of working with an independent contractor/vendor of their choosing to install certain energy efficient measures; the potential addition of an appliance recycling component and a behavioral component to its small business program; the implementation of an online assessment and e-commerce website similar to that envisioned for residential customers for small and medium businesses in both its electric and gas portfolio.

For larger customers, Niagara Mohawk will: enhance its existing electric and gas C&I retrofit programs with new measures, technologies and offerings to help increase energy efficiency of equipment with regular maintenance and tune-ups; seek new and innovative ways to engage federal agencies and large C&I customers through strategic partnerships and existing initiatives (e.g. Green Button) that foster increased customer awareness of energy load shape and consumption, as well as long-term energy planning to achieve comprehensive benefits; and the introduction of a new program in both its electric and gas portfolios designed for C&I and institutional customers who are building new facilities or engaging in major renovation of existing facilities to promote high performance building design, equipment selection and building operation. Niagara Mohawk states that the new program will offer both a whole building approach, designed for ground up new construction or major renovation projects where all energy saving opportunities are taken into consideration, and what it calls a systems approach, to offer incentives for one or more energy efficiency measures in buildings undergoing a remodel. In addition, Niagara Mohawk states it will implement a Self-Direct program for large C&I customers in 2017, informed by the Self-Direct Guidance to be filed on August 3, 2015.

Niagara Mohawk also states that in response to municipal customer requests for LED street lighting, it plans on introducing an LED energy efficiency offering for cost-effective street lighting projects starting in 2017.

Although Niagara Mohawk notes in its ETIP that it will GHG emission reductions, lifetime energy savings, customer engagement metrics, and peak demand reduction it does not propose any secondary targets in either its BAM Plan or ETIP. In response to a Staff IR, Niagara Mohawk provides GHG emission reduction targets, but proposes that until the impacts of new programs are better understood no secondary metrics or targets be set for lifetime energy savings or customer engagement. In addition, Niagara Mohawk points out that there are various scopes of measurement for peak reduction, and believes that more discussion is necessary before explicit metrics or targets are determined.

Niagara Mohawk proposes utility incentive mechanisms for 2016 electric and gas energy efficiency performance similar to the structure of the EEPS 2 shareholder incentive mechanism, but with certain modifications. Niagara Mohawk does not include a proposal for how any utility incentives for 2016 would be collected.

Niagara Mohawk intends to allocate approximately 5% of its electric and gas portfolio budgets to fund EM&V activities including traditional process and impact evaluation studies, market potential studies, activities to improve TRM and benefit-cost inputs, as well as efforts to collect customer demographics.

Niagara Mohawk estimates its portfolio level TRC ratios for 2016, 2017 and 2018 to be 1.42, 1.36, and 1.34, respectively for its electric portfolio. For its gas portfolio, Niagara Mohawk estimates TRC ratios of 1.25, 1.34, and 1.39, for 2016, 2017, and 2018, respectively.

O&R

O&R states that it will continue to implement its existing electric and gas programs, but will enhance its programs and begin to bring together currently separate demand side management programs and offerings with the ultimate goal being a more thorough integration of energy efficiency, permanent demand reduction, and demand response programs into a single regulatory framework. O&R describes the following changes to its residential programs: the addition of analytics software using a web-based platform to provide customer-facing energy management tools allowing electric and gas customers to effectively manage their total energy bills; and the integration of the platform with an on-line marketplace to create a streamlined experience where customers can learn how to reduce their energy use through simple lifestyle changes, purchase high efficiency equipment, obtain instant rebates or price discounts where applicable, and engage with third-party installers. O&R expects that its anticipated installation of AMI meters will make the software analytics more robust with more refined messaging to enable the utility to encourage both energy management and peak demand reduction during times of system need, and allow its electric customers to view the impact of their actions to reduce their energy use in near real-time. O&R also describes the addition of an elementary and middle school program that will integrate the value proposition of upgrading to energy efficient equipment into math and science curriculums, and encourage students to install energy savings kits with parents and explore the potential for additional equipment upgrades. O&R adds that it has had preliminary discussions with United Water of New York to investigate the possibility of partnering with them on this educational effort, including the contribution of United Water resources and funding, as the kits will include low-flow devices that will conserve both water and energy. O&R states it will continue to coordinate and collaborate with other utilities, as well as NYSERDA, and the retailer community to implement a statewide upstream retailer initiative designed to increase the stocking and adoption of energy efficient products in the residential marketplace.

O&R describes enhancements to its commercial program offerings, similar for both small businesses and larger C&I customers and including: the cross marketing of its demand response initiatives to customers within its energy efficiency efforts; the use of meter data and software analytics to deliver insights to customers through the use of detailed views of energy usage in order to engage customers to drive efficiency informed by personalized recommendations; and continued coordination with Con Edison, other utilities, NYSERDA and the distributor community to implement a statewide upstream distributor incentive initiative to increase the stocking and adoption of efficient equipment in the commercial marketplace. O&R states it will investigate the potential of pairing its C&I customers participating in its C&I electric program with low-interest financing available through NYSERDA’s Green Bank, the

New York Power Authority (NYPA) or other financial institutions. Also for its large C&I customers, O&R states it will implement a Self-Direct program in 2017 that will comply with the Self-Direct Guidance to be filed by Staff on August 3, 2015.

O&R did not set any secondary targets in its BAM Plan or ETIP, but indicates it will track GHG reductions and MW reductions. In response to a Staff IR, O&R states that it is premature to set secondary targets for both GHG and MW reductions when they are being addressed in parallel proceedings including the development of the Distribution System Platform and the Earned Incentive Mechanism proposed in Staff's Track 2 White Paper.

O&R anticipates earning a shareholder incentive for performance similar to the mechanism currently in place for EEPS programs, and indicates that when the REV Track 2 order is issued and the performance metrics identified, it will update its ETIP.

O&R intends to allocate approximately 5% of its electric and gas portfolio budgets to fund EM&V activities including traditional process and impact evaluation studies, measurement & verification, quality assurance/quality control, and future statewide studies.

O&R estimates its portfolio level TRC ratio for 2016, 2017 and 2018 to be 2.02, 2.03, and 2.04, respectively for its electric portfolio. For its gas portfolio, Niagara Mohawk estimates TRC ratios of 1.34, 1.34, and 1.35, for 2016, 2017, and 2018, respectively.

NOTICE OF PROPOSED RULE MAKING

Notices of Proposed Rulemaking concerning the proposed Budget and Metrics Plans under consideration here were published in the State Register on August 5, 2015 [SAPAs 15-M-0252SP1, 15-

M-0252SP2, 15-M-0252SP3, 15-M-0252SP4, 15-M-0252SP5, 15-M-0252SP6, 15-M-0252SP7, 15-M-0252SP8, 15-M-0252SP9, 15-M-0252SP10, and 15-M-0252SP11]. The minimum time period for the receipt of public comments pursuant to the State Administrative Procedure Act (SAPA) regarding those notices expired on September 21, 2015. In addition, the Secretary issued a Notice Soliciting Comments on both the BAM Plans and the ETIPs filed by the utilities on August 5, 2015. Initial comments were due on September 21, 2015 with replies due on October 2, 2015. On September 18, 2015, the Secretary issued a Notice Extending Comment Period to provide an opportunity for parties to review responses from the utilities to Staff Information Requests (IRs). The date for initial comments was extended to September 28, 2015 and that for replies to October 9, 2015.

DISCUSSION

The Commission received comments from Acadia Center (Acadia), The Advanced Energy Economy Institute[11] (AEEI), American Council for an Energy-Efficient Economy (ACEEE), Citizens for Local Power (CLP), The City of New York (City), Clean Energy Organizations Collaborative and Energy Efficiency for All[12] (CEOC/EE for All), Herbert E. Hirschfeld, P.E., Northeast Clean Heat and Power Initiative (NECHPI), and

[11] The Advanced Energy Economy Institute filed comments on behalf of Advanced Energy Economy, the Alliance for Clean Energy New York, the New England Clean Energy Council, and their joint and respective member companies.

[12] The Clean Energy Organizations Collaborative and Energy Efficiency for All represent the following members: Association for Energy Affordability, Citizens Campaign for the Environment, Citizens for Local Power, Environmental Advocates of New York, Natural Resources Defense Council, The Nature Conservancy, New York League of Conservation Voters, New York Public Interest Group, Pace Energy and Climate Center, Sierra Club, and WE Act for Environmental Justice.

Northeast Energy Efficiency Partnership (NEEP). Reply comments were received by AEEI and City. A summary of the comments is attached as Appendix A. To the extent comments are pertinent to the actions taken in this Order, they are addressed in the relevant sections below.

Budgets & Primary Targets

As discussed above, the Commission previously authorized 2016 budgets and targets for electric and gas energy efficiency portfolios in its February REV Framework and June Orders, respectively. All utilities reflect the authorized 2016 budgets in their BAM Plans. Central Hudson, Con Edison, NFG, and O&R also reflect the authorized 2016 savings targets in their proposals. KEDLI, KEDNY and Niagara Mohawk propose to increase their 2016 savings targets, while both NYSEG and RG&E propose to lower their 2016 targets.

Those providing comments generally agree that the Commission should increase both budgets and savings targets for 2017 and 2018. Specifically, CEOC/EE for All state that based on their review of the utility proposals, the proposed targets will not put New York on the path toward reaching the State Energy Plan (SEP) goals and for this reason recommend that the Commission require increased budgets and more aggressive investments by the utilities in energy efficiency. ACEEE recommends that the Commission establish higher targets for the utilities for 2017 and 2018, and NECHPI urges the Commission to direct the utilities to incorporate more aggressive goals and to file revised plans for 2016-2018.

The Commission reaffirms the 2016 utility budgets and targets as authorized in the February REV Framework and June Orders. While the Commission appreciates commenters support for increased deployment of energy efficiency, it notes that the budgets and targets established here are but one component of the energy efficiency efforts the Commission expects the utilities to pursue moving forward. The Commission was deliberate in the inclusion of energy efficiency in its definition of Distributed Energy Resources (DERs) in the REV Proceeding,[13] and to that end expects utility REV Demo Projects and DSIPs to include energy efficiency efforts beyond those funded by the budgets authorized here. As the utilities prepare their DSIPs and advance their plans to function as the Distributed System Platform Provider (DSP), for which the Commission anticipates developing an Earnings Incentive Mechanism in Track 2 of the REV Proceeding, the Commission expects significant utility investment in energy efficiency in a manner that best supports the local needs of their systems and advances energy efficiency as an operational resource rather than a regulatory mandate.

Consistent with its previously stated desire to cap and gradually decrease the System Benefit Charge (SBC) of which the EE tracker is a component,[14] the Commission finds that energy efficiency efforts funded through a surcharge should remain capped, and therefore maintains the 2016 budgets for 2017 and 2018.

As stated in the CEF Order, neither the CEF, the utility energy efficiency programs nor collectively the portfolio of surcharge-supported clean energy programs should be viewed as the total support for clean energy programs in New York State. The Commission recognizes that the achievement of New York’s goals will ultimately depend on the development of

[13] The February REV Framework Order, footnote 3, page 3.

[14] Cases 14-M-0094 et al., supra, Order Commencing Proceeding (issued May 8, 2014).

voluntary markets for clean energy technologies that require little or no out-of-market support.[15]

Although the Commission recognizes that some utilities propose increased savings targets, some requiring additional funding while others not, it will not set regulatory targets above those previously established for some utilities and not others during this time of transition. However, while targets are not increased here, the Commission expects utilities to make every effort to procure energy savings in more economical and efficient ways such that overachievement of targets is realized. In addition, to avoid market disruption and a decline in utility energy efficiency efforts, the Commission will not set regulatory targets below those previously established for any utilities. The Commission therefore also maintains the 2016 energy efficiency targets for 2017 and 2018. The authorized budgets and targets are included as Appendix B.

ETIPs/Program Design

In order to achieve the proposed savings targets, the utilities generally plan on administering many of the same programs as they did under EEPS, for residential, multifamily and commercial customers. Traditional residential programs include lighting and HVAC rebate, appliance recycling programs, behavioral modification programs, and in the case of NFG a residential low income program. Traditional multi-family programs provide prescriptive and/or direct install rebates for

[15] In its CEF Order, the Commission speaks to a comprehensive strategy to meet the State’s energy goals that includes utility energy efficiency programs and the associated self-direct programs, the CEF, the DSIPs, the LSR proceeding, REV-related initiatives such as Community Distributed Generation, Community Choice Aggregation, Dynamic Load Management, and other initiatives by NYSERDA, NYPA, LIPA and other state agencies. Cases 14-M-0094 et al., supra, Order Authorizing the Clean Energy Fund Framework (issued January 21, 2016).

in-unit and common area energy efficiency measures including but not limited to lighting, HVAC, domestic hot water measures, and in-unit appliances, and low income offerings. For commercial customers, traditional programs include lighting and HVAC rebate programs as well as custom programs designed to offer funding for projects tailored to meet the unique facility needs of commercial customers. While continuing more traditional approaches, utilities also plan to begin the implementation of more REV-aligned energy efficiency efforts.

There were many comments received expressing dissatisfaction with the level of innovation reflected in the utility ETIPs, ACEEE and NECHPI finding the ETIPs to be underwhelming, and AEEI describing the ETIPs to be largely business as usual. Parties also comment that the utilities did not go far enough in the integration of energy efficiency efforts with demand response, demand reduction, and other REV initiatives. AEEI states that “if the intent of the ETIPS is to transition to a new market model, then the ETIPs should take advantage of opportunities to integrate energy efficiency and demand response to create better overall value for NY customers consistent with the intent of the REV Proceeding,” while CEOC/EE for All note that the ETIPs lack a high level of detail regarding future, REV-based programs. NECHPI cites a Lawrence Berkeley National Laboratory (“LBNL”) report that discusses the importance of close coordination between utility energy efficiency and DR programs. In addition to the necessity for increased coordination between utility energy efficiency and DR programs, NECHPI comments on the need for increased coordination between electric and gas energy efficiency programs, stating that such coordination and planning provide an opportunity to improve the cost-effectiveness of both electric and gas programs.

The Commission agrees that the utilities' ETIPs generally reflect a continuation of EEPS programs. The Commission notes, however, that the utility plans do include changes reflecting an increased focus on new technologies and customer engagement which are fundamental first steps in the transition to the new paradigm the Commission envisions under REV.

The Commission is particularly pleased with the widespread adoption of customer engagement platforms among the utilities and encourages those utilities that do not have such platforms in their ETIPs to endeavor to develop them. In addition, in either their ETIPs or in responses to Staff IRs, utilities discuss their current efforts to align energy efficiency initiatives with REV activities, as well as their commitment to do more as REV is more fully developed. The Commission recognizes the circumstances under which the utility ETIPs were developed, including the timeframe in which they were expected to transform their energy efficiency portfolios to be more innovative and aligned with REV, the fact that NYSERDA's Clean Energy Fund (CEF) supplement was not filed until June 25, 2015 with the ETIP filings due only twenty days later on July 15, 2015, the continuing development of REV policies, and the need to work with Staff to prepare for the implementation of programs under the new framework established in the February REV Framework and June Orders and acknowledges that these constraints may have limited the utilities' ability to evolve their programs.

The Commission reiterates, however, that the utility ETIPs, by their very name are transition plans, and were established to ensure continued support for utility energy efficiency initiatives during the transition to energy efficiency programs envisioned in the February REV Framework and

June Orders. The Commission expects that future ETIP filings will incorporate a greater number of new technologies, innovative approaches, and alignment with REV. The ETIPs are to be filed annually, thereby providing the opportunity to incorporate innovative energy efficiency programs in alignment and on pace with Commission REV policy decisions.

Under REV, utilities will move away from traditional incentive payment programs toward an end-state that will rely on more market based procurement approaches. Toward this end, the Commission directs Staff to work with the utilities to create procurement mechanisms that appropriately value energy efficiency as a means of achieving permanent load reduction and load shaping, allowing third parties in the market to identify least cost solutions and to reduce total bills. Utilities should plan to provide energy efficiency enabling services to third party providers to enable greater market penetration, such as customer aggregation, marketing, on-bill recovery, and technical support. As utilities adopt these new approaches, integrating them into their business plans and incorporating them into their DSIPs, the need for ETIPs to ensure the continued support for energy efficiency will be reduced and the size and scope of ETIPs should be adjusted accordingly.

To the extent that a fuel neutral approach to the delivery of energy efficiency services benefits their customers and their system, the Commission authorizes and grants utilities the flexibility to deliver their energy efficiency programs in a fuel neutral fashion as long as an increased benefit can be demonstrated from displacing the alternate fuel and it does not jeopardize their ability to meet their individual fuel-specific energy efficiency targets.

Collaboration Between NYSERDA and the Utilities

While particular programs will not be explicitly approved or rejected, the Commission is concerned about the coordination of programs between utilities and NYSERDA moving forward. There were many comments received addressing the potential market gaps that may be created as NYSERDA transitions out of its current programs and moves toward market transformative approaches. ACEEE and NECHPI argue that the lack of a transition plan for both the NYSERDA and utility energy efficiency programs may result in gaps where utilities do not adopt programs formerly implemented by NYSERDA. By example, ACEEE comments that new construction for the C&I sector is an important market area that NYSERDA currently addresses and utilities do not, yet Niagara Mohawk is the only utility that included a new construction program for C&I customers in its ETIP. Mr. Herbert E. Hirschfeld, P.E. and NECHPI comment that although NYSERDA proposes to drop its Advanced Sub-Metering Program, there are no anticipated Sub-Metering programs in the utilities' ETIPs. City comments that in addition to coordination among the utilities and NYSERDA, collaboration among utilities could avoid duplication of efforts, allow for broader and more effective marketing campaigns, and reduce overlaps in utility spending on development of the same concepts or programs.

Comments were also received expressing concern regarding the general future planning of energy efficiency efforts in New York. Specifically, AEEI states that energy efficiency policy is in a state of flux, and needs direction, more stakeholder involvement and a clearer path forward. AEEI requests that a seminar or conference be held to which experts are invited to share potential market approaches and structures. CEOC/EE for All recommend that the Commission hold a technical conference or series of workshops to explore the future of energy efficiency in New York.

The Commission shares parties' concerns regarding potential market gaps. In addition, the Commission is concerned about potential overlap that may result absent a cohesive plan among NYSERDA and the utilities to coordinate activities moving forward. While ACEEE cites the C&I new construction program as a potential gap, the same example illustrates the potential for unintended overlap if Niagara Mohawk's program is implemented before NYSERDA's transition out of that program is complete. Other programs contained in utility ETIPs, such as education programs in schools, as well as POS and retailer incentive programs may be better suited to a statewide effort implemented by NYSERDA under a market transformation approach. Absent a statewide NYSERDA program, the Commission agrees with City that collaboration among utilities is also necessary.

As discussed more fully in the Commission's order authorizing the Clean Energy Fund Framework issued January 21, 2016,[16] the Commission is establishing a Clean Energy Advisory Council (CEAC or the Council) to be co-chaired by Staff and NYSERDA, with membership from all utilities operating energy efficiency programs, LIPA and NYPA, and a structure that will support meaningful engagement and participation of key stakeholder groups. The CEAC will serve as a venue to spur innovation and collaboration in addition to supporting an effective transition from current program offerings to post-2015 clean energy activities and effective on-going delivery thereafter, informing both NYSERDA's Investment Plan and the utilities' ETIP/BAM filings. The Commission states that as part of its efforts, the Council shall work to eliminate or reduce

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[16] Cases 14-M-0094 et al., supra, Order Authorizing the Clean Energy Fund Framework (issued January 21, 2016).

both market area gaps and duplicative efforts or overlap. The inclusion of key representative groups in the CEAC should address concerns of stakeholders regarding a public process for planning energy efficiency efforts moving forward.

With regard to secondary targets, the Commission notes that although NFG is the only utility to propose secondary targets in its BAM, all utilities discuss secondary targets in either their ETIPs or in responses to Staff IRs, discussed above. In the CEF Order, the Commission finds it appropriate to set the objectives of the CEF to be consistent with the SEP, and thus establishes the objectives of the CEF to be 1) GHG emission reductions, as measured in tons of CO_2 emissions reduced; 2) affordability, as measured by customer energy bill reductions; 3) Statewide penetration and scale of energy efficiency and clean energy generation, as measured by the total increase in energy efficiency savings and renewable energy generation (MWh, MMBTU, MW); and 4) growth in the State’s clean energy economy, as measured by total private investment in clean energy technologies and solutions, and sets targets for each of these objectives. For utility-run programs the Commission will not set explicit secondary targets here. However, in order to assess the performance of utility energy efficiency programs in their contribution to the overall achievement of SEP goals, the Commission finds it necessary to require the tracking of consistent metrics for both the CEF and utility programs. To that end, the Commission will require the utilities to track CO_2 emission reductions, customer bill reductions, reduction in MWs, and private investment in energy efficiency technologies and solutions, in addition to progress against their MWh and Dth targets.

In addition to the tracking of these metrics, the Commission believes, as it stated in the February REV Framework and June Orders, that utilities should work, in consultation with Staff and NYSERDA, to develop and propose metrics applicable to market transformation strategies, and as discussed in the CEF Order, the CEAC is the forum that shall be used to develop these metrics.

Utility ETIPs contain a variety of EM&V activities designed to measure both energy efficiency potential and effectiveness of planned programs, however there is little discussion about the coordination of EM&V activities either among utilities or between utilities and NYSERDA. AEEI comments that with the lack of integration among the ETIPs, customers will fail to realize the benefits of shared learning and program accountability that is present in other states where utilities undertake joint program planning. CEOC/EE for All recommend that the Commission establish a process to independently evaluate the utilities' goals, including the development of independent evaluation studies of energy efficiency potential in each service territory.

The Commission agrees that such collaboration and coordination is necessary. The February REV Framework and June Orders require that utility EM&V activities be complementary, not duplicative of NYSERDA efforts, inform improvement to individual utility energy efficiency efforts, but more importantly be shared and integrated to improve the reliability of foundational tools, such as the TRM. The Orders also state that it is the Joint Utility's responsibility to ensure that utility EM&V activities are planned to be used and useful, and in addition, coordinated with NYSERDA to avoid duplicative efforts, and requires the review and revision of current evaluation guidelines. In the CEF Order, the Commission finds the CEAC to be the appropriate venue for these efforts.

With regard to the REV Energy Efficiency Best Practices Guide, as discussed in the CEF Order, the Commission also finds the CEAC to be the appropriate venue for this effort.

Self-Direct Program

As required by the Commission's February REV Framework Order, electric utilities indicate, in either their ETIP or in response to a Staff IR, their intent to include a Self-Direct Program for large industrial electric customers beginning in 2017.

Comments concerning the Self-Direct Program for large electric C&I customers were submitted by CEOC/EE for All, City, and CLP. City is troubled that the Self-Direct Guidance was developed without opportunity for interested parties to provide comment and that it includes burdensome requirements that may limit participation, including the requirement that projects be at least 7.5% lower in cost than the rest of the utility's electric portfolio and that projects are limited to energy efficiency offerings, despite the REV emphasis on peak-shaving and demand reduction, and it precludes renewable power and other initiatives. City also takes exception to the Self-Direct Program included in Con Edison's ETIP as it is inconsistent with the Self-Direct Program Guidance. CEOC/EE for All express concern with the reporting requirements contained in the Self-Direct Guidance and Con Edison's recommendation to eliminate the requirement that projects be at least 7.5% lower in cost than the rest of the utility's electric portfolio. CLP recommends that Community Choice Aggregation (CCA) Programs be permitted to use the funds collected from customers within their municipal boundaries to administer their own energy efficiency programs.

The Self-Direct Guidance outlines a starting point for the implementation of a Self-Direct Program as ordered by the Commission for large commercial and industrial customers. It was developed under the expectation that Self-Direct programs achieve savings at a lower cost than traditional energy efficiency programs and as such required that the target for each company's Self-Direct Program be calculated on program cost per MWh of at least 7.5% less than the like costs per MWh of the company's portfolio excluding the Self-Direct Program. The Commission maintains this requirement here despite the objection of City and the recommendation of Con Edison to remove it, to ensure that the Self-Direct Programs produce more savings than would have otherwise been realized under traditional programs. The Commission repeats that the Guidance represents a starting point, and until such time as more experience is gained regarding Self-Direct Programs in New York the Guidance will serve as the parameters within which such programs are implemented, including limiting its availability to energy efficiency offerings of large commercial and industrial customers. With regard to City's concern that the Self-Direct Program contained in Con Edison's ETIP is inconsistent with the Guidance, the Commission recognizes that Con Edison's ETIP was filed on July 15, 2015, and at that time, the Self-Direct Guidance was not finalized. Staff has since confirmed with Con Edison that it will implement its Self-Direct Program consistent with the filed Guidance. The Commission adds that Self-Direct Programs shall be carved out from the electric portfolios so as not to penalize utilities for the underperformance by program participants until sufficient experience is gained to enable the development of reliable savings and their associated costs. Utilities are directed to include Self-Direct Programs consistent with the Guidance and the directive here in their final ETIPs.

Although City comments that the Guidance was developed without the opportunity for parties to comment, the Commission notes that it was developed through a collaborative process by Staff and the utilities that involved large commercial and industrial customers[17] in compliance with the Commission's February REV Framework Order. In addition, the collaborative process was undertaken through the use of a subcommittee of the E^2 Working Group, whose charter allows for input from parties.[18]

New York State TRM

The TRM Management Plan (the Plan) filed on June 1, 2015 provides a general framework for the utilities' responsibilities through the creation of a TRM Management Committee (TRM MC) and identifies several processes required to support the maintenance of the TRM. Since its establishment, the TRM MC has elected officers, completed an initial prioritization of workload, filed a record of revision incorporating TRM updates and new measures into the TRM that the utilities intend to offer on January 1, 2016 but that had not previously been included, and began the development of tools for tracking and supporting its work.

Despite these achievements, the Commission is concerned, based on Staff's monitoring of the TRM MC, that the TRM MC may lack the dedicated resources necessary to fully support the proper and ongoing maintenance of the TRM. By way of example, although the Plan states that the utilities will work to acquire administrative support needed to maintain the TRM within the first six months following the transition of responsibility of the TRM from Staff to the utilities, the necessary administrative support has not yet been acquired. In

[17] Large commercial and industrial customers were represented by Multiple Intervenors.

[18] Any party to Case 15-M-0252, including City, could have availed themselves the opportunity to participate in the development of the Self-Direct Guidance as part of the E^2 Working Group subcommittee.

order for a contractor to be secured to provide these services, a clear articulation of a potential contractor’s role and responsibility, as well as an agreed upon cost-sharing mechanism, are necessary.

The primary purpose of the TRM is to provide a standardized, accurate, fair, and transparent approach for estimating energy and demand savings. In order for energy efficiency to be realized as a reliable and credible distributed energy resource, as envisioned under REV, increased accuracy of the savings estimates contained in the TRM is necessary. To that end, the Commission will periodically identify areas that the TRM MC should focus on in order to further the goals of REV. In this order, the Commission identifies the estimates of demand savings, compliance with applicable industry standards and codes, and emerging technologies, such as geothermal systems and low-temperature air-source heat pumps, as areas deserving greater attention than previously received. The Commission also clarifies here that the responsibility of the utilities, with regard to the TRM, is to ensure an unbiased technical review of the estimated energy and demand savings included in or proposed for inclusion in the TRM, and that every vote is premised on the technical merits of the estimated energy and demand savings calculations without regard to whether or not the voting member endorses the measure for which the calculations or language are proposed.

The Commission directs the utilities to revise the TRM Management Plan, in consultation with Staff, to address the concerns described above. The revised Plan shall be filed with the Secretary by March 31, 2016 and shall include: the method the JU will use in cost-sharing contractor support (e.g., utilities proportional share of gross revenues); and, a schedule for the review and necessary updates to demand savings assumptions with priority given to the most common measures, applicable and current industry standards and energy conservation codes, and emerging technologies such as those mentioned above. In addition, the revised Plan shall clearly articulate how the interaction of stakeholders and Staff with the TRM MC will occur and the process by which stakeholders and Staff will have the ability to propose new measures and/or revised language to be incorporated into the TRM. Finally, the revised Plan shall reflect the responsibility of all gas utilities implementing energy efficiency programs in 2016 to participate in the maintenance of the TRM, as directed in the June Order and discussed above.

The Commission directs Staff to continue to monitor the progress of the TRM MC and, following a review of the utilities' consolidated TRM filing to be filed on March 15, 2016, report to the Commission on progress made along with any recommendations for improvement.

Low Income Programs

As stated above, the Commission previously recognized NYSERDA's role as the default provider of low-income energy efficiency services, but encouraged utilities to develop innovative programs to expand the reach of measures that include energy efficiency within low-income communities, in concert with and not in competition with efforts of NYSERDA and private market activity. In their ETIPs, NFG states that it will continue and enhance its residential low income program, administered by NYSERDA under the EmPower Program, and Con Edison states it will combine its electric, gas, and low-income multifamily programs into a single program offering to facilitate broader participation among low-to-moderate income (LMI) customers.

Several comments were received regarding energy efficiency offerings for LMI customers. AEEI comments that the Commission should consider continuing to assign the utilities budgets and targets to reach low-income customers, as a market-based approach may not be effective at addressing energy efficiency opportunities with customers that are hard to reach and engage. CEOC/EE for All states that investment in energy efficiency in multifamily buildings encourages energy and housing affordability for LMI households, and serves an important sector of the population that may find it difficult or impossible to directly and individually engage in clean energy via the market. CLP provides comments specific to Central Hudson’s ETIP, stating that it would have liked to see a greater focus on programs specifically designed to meet the needs of LMI customers. In the CEF Order, the Commission states that delivering services to LMI customers is an area that it will require NYSERDA and the utilities to actively evaluate in terms of possible alternative approaches.

Collections

As discussed above, the June Order directed the establishment of an EE Tracker surcharge mechanism, to be effective on January 1, 2016, to recover the costs of utility energy efficiency efforts other than those associated with employees working directly on energy efficiency programs. The February REV Framework and June Orders allowed electric and gas utilities to use unspent EEPS program and EM&V funds to offset the costs of post-2015 energy efficiency programs. As allowed by those orders, the utilities indicate in their ETIPs the use of unspent EEPS funds to offset the costs to be recovered through their EE Trackers in 2016, 2017, and 2018. Upon further consideration, as the unspent funds are not recurring and would therefore lower the EE Tracker surcharge mechanism on only a temporary basis, the Commission directs the utilities to retain the unspent EEPS funds to be considered for future ratepayer benefit, such as an offset to EEPS Shareholder Incentives, finding this to be a better use of such one-time funds. Carrying charges shall be applied to these funds using the Other Customer Provided Capital Rate.

The Commission therefore authorizes utilities to recover the full budgets outlined in Appendix B through the EE Tracker surcharge mechanism. The Commission clarifies here that as the EE Tracker surcharge mechanism was established to separate the necessary collections for utility-administered energy efficiency programs beginning on January 1, 2016 from those required for EEPS and future NYSERDA-run programs, the EE Tracker surcharge rate shall not include a reconciliation for over/under collections due to differences between forecasted and actual sales for any period prior to 2016, for either utility or NYSERDA-run programs. Such reconciliations for any period prior to January 1, 2016 shall be included in the portion of the SBC rate calculated to collect funds for NYSERDA-run programs. Beginning on January 1, 2017, the annual EE Tracker surcharge rate will include a reconciliation for over/under collections due to differences in actual and forecasted sales during the previous calendar year for utility-run energy efficiency programs, as well as for interest accrued during the same period.[19] The Commission also clarifies here that the EE Tracker surcharge mechanism shall apply to all customer classes, with the current NYPA exemptions maintained. The Commission directs the utilities to file, on not less than 15 days' notice, tariff

[19] Interest shall be accrued at the Other Customer Provided Capital Rate.

revisions and/or revised tariff statements to reflect the directives above, to become effective on March 1, 2016.

Utility Performance Incentives

With regard to utility performance incentives for post-2015 programs, the Commission rejects the various utility proposals at this time. CEOC/EE for All comments, and the Commission agrees, that this issue should be considered in Track 2 of REV, alongside related questions such as EIMs. The Commission also agrees with CEOC/EE for All's comment urging the Commission to develop incentives that encourage overachievement of targets, and therefore directs that the development of utility performance incentives for energy efficiency efforts consider those that drive achievement beyond set targets. The proposal of NYSEG/RG&E to begin the recovery of EEPS 1 shareholder incentives through the EE Tracker beginning on January 1, 2016 is rejected. Shareholder incentives for EEPS 1 will be considered at a later date.

Regulatory Administration

The Commission clarifies that unless explicitly maintained, a rule established for EEPS programs will not be applicable to utility energy efficiency programs beyond 2015. Under the new framework outlined in the February REV Framework and June Orders, utilities were intentionally granted an abundance of flexibility in the implementation of their energy efficiency programs. To the extent that a rule established under the EEPS framework remains effective moving forward, it was specified in those orders, in guidance developed in compliance with those orders, or here.

As required under EEPS, the New York State TRM shall be used in the calculation of energy savings. In addition, requirements previously ordered related to customer data, contained in the New York Evaluation Plan Guidance for EEPS Program Administrators and the Commission's December 3, 2010 and January 25, 2011 orders[20] will also remain in effect until a more comprehensive regulatory framework associated with the handling of customer data is developed under REV.

The Commission is concerned with the administrative difficulties associated with the assessment of utility performance on an annual basis as contemplated with the authorization of annual budgets and targets. While the February REV Framework and June Orders adopted a framework for post-2015 energy efficiency programs that includes the annual authorization of an additional year of budgets and targets in order to avoid the cliff years experienced with EEPS, efforts by Staff and the utilities to prepare for the new framework have highlighted the administrative difficulty that one year budgets and targets create in both the implementation of programs and evaluation of performance against annual targets. The Commission therefore clarifies that while it will annually authorize an additional year of budgets and targets, utility performance will not be measured against rigid annual metrics, thus allowing for a multi-year approach. To that end, the Commission authorizes utilities to borrow from authorized future year funding and also to use unspent or uncommitted funds that remain available at the end of the year for which they were originally budgeted in subsequent years, but expects utilities to properly modulate the delivery of programs to safeguard against market interruptions. Details of specific timeframes

[20] Cases 07-M-0548 et al., supra, Order on Rehearing Granting Petition For Rehearing (issued December 3, 2010), and Cases 07-M-0548 et al., supra, Order Approving Residential Gas and Electric Energy Efficiency Programs With Modifications (issued January 25, 2011).

(or program period) in which utility performance shall be measured should be addressed concurrently with the establishment of utility performance incentives.

The Commission maintains the reporting frequency of utility-run energy efficiency programs to be on a quarterly and annual basis, as outlined in Guidance EE-10: Reporting Requirements Guidance, developed in compliance with the Commission’s December 26, 2013 order,[21] but reiterates that the content of such reports shall be determined in the review and revision of data collection and reporting requirements required by the February REV Framework and June Orders, currently underway through efforts of the E^2 Working Group. Although in the CEF Order the Commission states that the CEAC can support the development of a common method for tracking and reporting metrics,[22] current efforts to develop an interim template for utility quarterly reporting shall continue. This interim template shall be used until such time that the CEAC develops a replacement. In addition, although the utilities will have the flexibility to modify programs and specific program budgets and targets within their authorized portfolio budgets and targets, the requirement to file quarterly updates to ETIPs will be maintained as is currently required for Implementation Plans, per EE-03: Process for Amending Implementation Plans, to be incorporated into the quarterly reporting requirements, in order

[21] Case 07-M-0548, supra, Order Approving EEPS Program Changes (issued December 26, 2013).

[22] At a minimum, the annual report developed by the CEAC should be designed to enable a straight-forward comparison between what was planned in the ETIP and the actual performance of the utility programs during the program period, and contain qualitative information summarizing the year for which the report is filed.

to ensure transparency to both Staff and stakeholders regarding current utility offerings.

SEQRA FINDINGS

On October 24, 2014, the Commission issued a Draft Generic Environmental Impact Statement relating to REV and the CEF for comment. Fifteen comments were received, and on February 6, 2015 the Commission adopted the Final Generic Environmental Impact Statement. In accordance with the State Environmental Quality Review Act, a Findings Statement prepared by the Commission as lead agency in this action is attached to this Order as Appendix C.

The Commission orders:

1. Utility Energy Efficiency Program Budgets and Targets for 2016-2018 are established at the levels previously approved for 2016 for Central Hudson Gas & Electric Corporation (Central Hudson), Consolidated Edison Company of New York, Inc. (Con Edison), KeySpan Gas East Corporation (KEDLI), The Brooklyn Union Gas Company (KEDNY), National Fuel Gas Distribution Corporation (NFG), New York State Electric & Gas Corporation (NYSEG), Niagara Mohawk Power Corporation d/b/a National Grid (Niagara Mohawk), Orange and Rockland Utilities, Inc. (O&R), and Rochester Gas and Electric Corporation (RG&E) (collectively, the utilities), as described in the body of this order and shown in Appendix B.

2. To the extent that a fuel neutral approach to the delivery of energy efficiency services benefits their customers and their system, the utilities may deliver their energy efficiency programs in a fuel neutral fashion as long as an increased benefit can be demonstrated and it does not jeopardize their ability to meet their individual fuel-specific energy efficiency targets.

3. In implementing energy efficiency programs, the utilities shall track CO_2 emission reductions, customer bill reductions, reduction in MWs, and private investment in energy efficiency technologies and solutions, in addition to progress against their MWh and Dth targets.

4. Central Hudson, Con Edison, NYSEG, Niagara Mohawk, O&R, and RG&E are directed to include Self-Direct Programs consistent with the Guidance and the discussion in the body of this order in their final ETIPs.

5. The utilities shall retain the unspent EEPS funds to be considered for future ratepayer benefit, such as an offset to EEPS Shareholder Incentives.

6. The utilities shall recover the full budgets outlined in Appendix B through the EE Tracker surcharge mechanism.

7. The Commission directs each utility affected by this Order to file, on not less than 15 days' notice, tariff amendments and/or revised tariff statements to reflect the directives contained herein, to become effective on March 1, 2016.

8. The requirements of §66(12)(b) of the Public Service Law concerning newspaper publication of the tariff amendments described in Ordering Clause No. 7 are waived.

9. In the Secretary's sole discretion, the deadlines set forth in this order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least one day prior to the affected deadline. These proceedings are continued.

By the Commission,

KATHLEEN H. BURGESS
Secretary

SUMMARY OF COMMENTS

Acadia Center

The Acadia Center (Acadia) urges the Commission to reject the proposed Energy Efficiency Transition Implementation Plans (ETIPs) and prescribe minimum savings goals that fully capture the potential benefits of investment in energy efficiency. Acadia endorses a policy of “Efficiency Procurement”, which is based on the principal of ensuring that utilities procure least cost energy resources (i.e. energy efficiency) first to meet utility load. Acadia notes that 2016-2018 energy efficiency savings goals proposed by New York are far below those in Vermont, Rhode Island and Massachusetts. Acadia asserts that underinvestment in energy efficiency would ultimately hurt New York consumers who will pay more for higher priced power contracts and infrastructure that could be offset with low cost efficiency resources. Acadia urges the Commission to require New York utilities to contract for efficiency resources as a percentage of their load requirements over a three year transition period as follows: 1.5% in 2016, 2.0% in 2017, and 2.5% in 2018. Acadia further suggests that utility programs can target market barriers and failures through a combination of technical assistance and information, financial incentives and rebates, and efficiency financing.

Advanced Energy Economy Institute

The Advanced Energy Economy Institute (AEEI) filed Comments on behalf of Advanced Energy Economy (AEE), the Alliance for Clean Energy New York (ACE NY), the New England Clean Energy Council (NECEC), and their joint and respective member companies. AEEI appreciates and supports the Commissions vision of increasing the penetration of energy efficiency in New York. AEEI welcomes that the Commission wants to achieve greater levels of energy efficiency in New York, and supports testing new approached to make this happen. AEEI states that they understand that the Commission wants to move to more market-based approaches to energy efficiency. However, AEEI research of past experiences with market based energy efficiency in the United States, makes them concerned about engaging in a transition to such markets (and away from existing programs) without greater clarity and direction from the Commission on where that transition is headed. AEEI comments that while the Commission has initiated a transition and has ordered the utilities to begin implementing it, the Commission has not provided sufficient detail on how this transition is supposed to take place or the end state for energy efficiency in New York. As a result, the utilities had the difficult task of developing their ETIPs in the face of significant uncertainty. AEEI further critiques the utilities' ETIPs as business as usual, lacking plans of how investment in energy efficiency will increase, and how markets will work beyond 2018. AEEI is also concerned about the potential for near-term backsliding in energy efficiency savings, and progress toward goals of the State Energy Plan, (SEP) as NYSERDA shifts its focus from direct investment to market building activities. AEEI therefore asks the Commission or Staff to hold a seminar or conference to which experts are invited to share potential market approaches and structures where stakeholders can ask questions about the Commission's vision of the future of energy efficiency in New York State. AEEI also proposes a stakeholder engagement process to support the Commission in developing a transition to more market-based energy efficiency.

AEEI is concerned that the proposed utility targets are mostly flat or declining. Alternatively, AEEI proposes that the Commission should establish clear, higher cost effective savings goals for utilities, and require those utilities that have lower funding and savings levels to submit revised ETIPs that meet increasing goals. AEEI endorses greater alignment among ETIPS and between ETIPS and other REV initiatives. AEEI points to the Mass Save program in Massachusetts as a model of such coordination. To increase innovation AEEI recommends that utilities be required to compile more definitive strategies and take bolder steps within the transition period. AEEI recommends a policy of pursuing all cost effective energy efficiency, and recognizes the potential role of developing alternative benefit cost analysis toward obtaining that policy. AEEI further suggests that an economic potential study for all cost effective energy efficiency should be conducted to establish a benchmark against which alternative benefit cost analysis can be evaluated.

AEEI notes that previous attempts to create market-based programs have not fared well, but that there is potential to overcome some of the problems that plagued previous attempts with new tools and technologies. To help create market based programs AEEI offers a provisional framework aimed at defining elements of a market-based approach to energy efficiency. AEEI states that the central driver of a market-based system needs to be the ability of utilities to profit from energy efficiency and offers two approaches. One approach would be an “efficiency PPA” where the utility buys load reduction via long term contracts. Another approach offered would entail the Commission establishing a price per kWh, paid out through the utility or another entity.

AEEI commented on several utility specific ETIPs. AEEI supports Con Edison’s proposal to offer incentives above program savings targets, acknowledging the potential for higher savings. They also support Con Edison’s modernization of EM&V and the potential of savings measurement software to inform TRM changes. AEEI finds NYSEG and RG&E’s proposed savings unacceptable and commend National Grid's increased 2017 and 2018 savings.

AEEI submitted reply comments on October 9, 2015. AEEI states that its position is that at a minimum the ETIPS should reflect increasing targets over time and should not be flat or decreasing. AEEI reiterates supporting incentives including modest incentives in the 80-100% band. AEEI acknowledges that incentives for below 100% performance should not be too rich as to decrease the impact of incentives for over-performance. AEEI also supports the position that incentives should be based on a potential study.

AEEI believes that the ETIPs, as currently proposed, are a missed opportunity to incorporate new methods for delivering greater energy savings at lower cost. AEEI agrees that providing customers with targeted and personalized information is important and has a track record for delivering low-cost energy efficiency savings. AEEI also points to California legislation (SB 350 and AB 802). AEEI suggests that the Commission should consider these as it explores ways to transition toward more market-based energy efficiency programs.

AEEI reiterates its concern regarding the likely near-term drop off in energy efficiency savings as current NYSERDA programs cut off before new market-building activities deliver at the same or a higher rate. AEEI also agrees with Northeast Clean Heat and Power Initiative that submetering is critical for expanding energy efficiency in multifamily housing. AEEI expresses that the Commission should ensure that utility plans are in place before it allows NYSERDA to discontinue its submetering program.

AEEI states that a common thread among the commenters was that there remains a lack of clarity around the Commission's vision to create more market-based programs for energy efficiency. AEEE has updated its framework on a potential market design for a more market-based system for energy efficiency and would like to discuss it with Commission. AEEI therefore, requests that the Commission hold technical conferences or begin some other sort of stakeholder process to discuss the future of energy efficiency programs.

American Council for an Energy-Efficient Economy

American Council for an Energy-Efficient Economy (ACEEE) found the ETIPS submitted by the different utilities for the most part underwhelming. AEEE observes that with one exception, the utilities have essentially proposed to continued current goals and efforts. ACEEE notes that it will take years for market to develop on a scale that will meet REV’s goals. ACEEE asserts that with NYSERDA largely out of the business of efficiency deployment programs, the utilities’ role becomes much more critical. To address this problem, ACEEE recommends that the Commission establish specific higher energy-savings targets for the utilities and that the Commission directs the utilities to resubmit plans for 2017-2018 explaining how they will implement these higher targets. ACEE states that expanded utility programs should at a minimum include savings formerly achieved by NYSERDA. ACEEE is also concerned that the transition plans largely ignore programs that NYSERDA has ran in the past and will end soon. In particular, NYSERDA has run major programs for commercial new construction and for retrofits to existing single-family and multifamily residences. ACEEE recommends that the commission direct the utilities to specifically discuss in their plans how they intend to serve these markets and to transition from current NYSERDA programs.

ACEEE notes that in past years the combination of NYSERDA and utility programs fell significantly short of the State’s goal of 15% savings by 2015, which equates roughly to 1.8% incremental savings as a percent of distribution sales each year. ACEE asserts that the proposed utility plans' incremental savings remains low compared to the State's 2015 goal and in comparison to programs in other leading states. ACEEE recommends that the Commission establish a savings target of 1.5% of sales for each of the utilities in 2018, with a target for 2017 midway between the 2015 and 2018 targets.

ACEEE has released a study titled New Horizons for Energy Efficiency: Reaching Higher Electricity Savings by 2030 by Addressing Large Opportunities. The study profiles eighteen energy-efficiency opportunities. ACEEE recommends that the Commission direct the utilities to consider each of these measures.

Pace Energy and Climate Center

The Pace Energy and Climate Center submitted Revised Initial Comments from the Association for Energy Affordability, Citizens Campaign for the Environment, Citizens for Local Power, Environmental Advocates of New York, Green and Healthy Homes Initiative, Natural Resources Defense Council, The Nature Conservancy, New York League of Conservation Voters, New York Public Interest Research Group, Pace Energy and Climate Center, Sierra Club, and WE ACT for Environmental Justice (CEOC and EE).

CEOC and EE encourages the Commission to require more aggressive short-term energy efficiency targets and increased investments by utilities, as well as more specificity from NYSERDA about its short term plans. CEOC and EE state that achieving the SEP goals should drive long-term and short term decision making by the Commission. CEOC and EE find the utilities' goals modest in scope and conclude that their plans will not put New York on a path toward reaching SEP goals. CEOC and EE recommend that the Commission reject any proposals by the utilities that have transition year targets below the 2015 levels approved in the Track One Order. Additionally, CEOC and

EE state that the Commission should ensure that the utilities place special emphasis on energy efficiency in the affordable multifamily buildings sector in their ETIP plans. CEOC and EE also recommend that the Commission require NYSERDA to provide a clear three-year plan of its energy efficiency investments, just as the utilities have proposed BMPs and ETIPS. Additionally, the Commission should encourage PSEG Long Island to provide ETIPs & BMPS that are approved on the same timeline with other utilities.

CEOC and EE recommend that the Commission establish utility incentives that will drive over–compliance with established targets. CEOC and EE support an incentive calculation method that is based on annual efficiency targets, as proposed by Con Edison. CEOC and EE do not support basing an incentive mechanism on a reduction in forecasted sales, as suggested by National Grid.

To ensure robust efficiency targets CEOC and EE recommend that the Commission establish a process to independently evaluate utilities' goals. The process should include developing independent evaluation studies of energy efficiency potential in each service territory. The process should also include periodic studies of, and reports on, the energy efficiency programs within each utility's territory and should take into account the "bigger picture" context of how each utility's performance contributes to SEP goals.

CEOC and EE state that the Commission should guard against the abuse of the self-direct programs by requiring rigorous program monitoring, reporting, and verification. CEOC and EE asserts that proposed reporting requirements must be refined and strengthened to ensure that energy efficiency gains, and the reputability of the program remains intact. CEOC and EE further suggest that Commission should consider relaxing the frequency of reporting in favor of a more comprehensive biannual self-direct compliance report to staff instead of utilities. As a resource to develop guidance, CEOC and EE point to the American Council for and Energy Efficient Economy publication, “Self-Direct Programs for Large Users,” April 2012.

CEOC and EE recommend that the Commission holds a technical conference or a series of workshops to explore the future of energy efficiency in New York.

CEOC and EE provided comments on some utility specific ETIPS. CEOC and EE note that Con Edison’s ETIP does not describe a path for achieving the significantly greater energy efficiency savings that have been cited as the reason for abandoning the SBC EEPS model. CEOC and EE commend Con Edison for proposing to include all multifamily buildings within its multifamily portfolio regardless of size. CEOCE and EE suggest an alternative incentive model that reduces incentives for 80-100 percent achievement. CEOCE and EE recommend that the Commission should require more information on Con Edison’s proposed self-direct program eligibility thresholds and make a specific finding as to which eligibility requirements will apply. Also pertaining to the self-direct program CEOCE and EE state that the Commission should reject Con Edison’s recommendation to eliminate the Staff guidance requirement that the dollars/MWh savings be at least 7.5 percent less than utility approved dollars/Mwh.

CEOC and EE Commend Niagara Mohawk’s for proposing higher program savings goals and larger budgets to match. CEOC and EE agree with Niagara Mohawk that the utility incentive mechanism should establish a level of parity across the electric utilities. However, CEOC and EE express concern at offering incentives below 100% of the program target baseline and encourages the Commission to disapprove incentives for performance below 100%. Additionally, CEOC and EE recommend that the Commission base utility incentives on the efficiency targets set by the Track One order for each utility.

CEOC and EE commend NYSEG/RG&E for expanding their multifamily programs to serve all multifamily buildings regardless of size. In order to ensure that multifamily program s function optimally, CEOC and EE strongly urge NYSEG/RG&E to tailor the new and expanded program offerings according to building type.

Citizens for Local Power

Citizens for Local Power (CLP) state that it is a signatory and strong supporter of comments filled by the Clean Energy Organizations Collaborative (CEOC). CLP provided supplemental comments on Central Hudson Gas & Electric’s ETIP plan, which was not specifically addressed in the CEOC comments.

CLP appreciates several programmatic additions to Central Hudson’s energy efficiency program, but feels that overall the plan falls well short of what is needed to achieve the State’s ambitious but essential goals of reducing carbon emissions by 40% below 1990 levels by 2030. CLP states that Central Hudson’s plan does not address one of the greatest challenges faced in the Central Hudson service area, which is a major dependence on oil for residential heating. CLP adds that there also seems to be a missed opportunity to expand investments in heating and cooling technologies that can be actively managed by residents and business to reduce their usage during peak hours. Finally, CLP would have liked to see a greater focus on programs specifically designed to meet the needs of low and moderate income (LMI) customers, and requests that Central Hudson’s ETIP be revised to specifically address the comments made by Parties and at public hearings in the Commission’s Energy Affordability for Low-Income Utility Customers proceeding (Case 14-M-0565).

CLP provided comments and questions relating to particular subsections of Central Hudson’s ETIP as follows.

Market Analysis: CLP very much supports the efforts of Central Hudson to better understand the energy needs and priorities of residents and businesses in Central Hudson’s service area and, in particular, the energy efficiency potential yet to be realized. CLP requests that these studies, particularly the Residential and Commercial Potential Study, be made publicly available to help inform municipal and community energy planning efforts within the Central Hudson service territory.

C&I Solutions (Electric): CLP suggests that post-installation audits would be valuable to see whether the estimated energy savings and cost reductions from program participation are born out in reality. CLP further proposes that such follow up should be a part of any Central Hudson energy efficiency programs, as the information benefits the customer, Central Hudson, and the Commission in evaluating the results of programs.

CLP states that the wattage for Central Hudson’s external LED lighting programs, both the wallpack fixtures and the pole mounted area/parking lighting, may be higher than they need to be and CLP recommend that consideration be given to lower wattage fixtures.

Residential Electric: CLP would like to see more innovation in Central Hudson’s residential electric energy efficiency programs. CLP questions the need for the Lighting Store program and states that free audits in the Residential Whole House program are redundant with NYSERDA’s Green Jobs Green New York Program. CLP states that better coordination between NYSERDA and the utilities in energy efficiency program design would be valuable and more cost effective.

Self-Direct Program: CLP strongly recommends that Community Choice Aggregation (CCA) similarly be permitted to utilize funds collected from customers within their municipal boundaries to administer their own energy efficiency programs as is currently permitted by both California and Massachusetts. CLP further recommends that DPS Staff and the Commission visit the website of Cape Light Compact as an example of a well-established CCA Energy Efficiency Program administering SBC funds for community-based programming.

City of New York

The City of New York (City) states that it strongly supports the Public Service Commission's goals and plans to increase energy efficiency efforts and reduce carbon emissions, and it applauds the Commission for placing focus on these issues. City notes that its comments are limited to the filings by Con Edison and National Grid and that it offers no opinion on the filings made by the other utilities. City states that they expected more innovative concepts and ideas in the ETIPs submitted by Con Edison and the National Grid. City expresses that it objects to increasing utility incentives for what it views as essentially continuing existing programs. City further recommends that the Commission approve the programmatic portions of the ETIPS on a transitional basis only, direct the utilities to include specific innovative proposals in future filings, and reject the requests for increased shareholder incentives.

City provides five major points:

City’s first point is that all customers should be given the information and tools needed to reduce their energy usage. Accordingly, City Commends National Grid’s development of a home energy report and encourages broader dissemination of usage information to customers by both National Grid and Con Edison. City further suggest that both Con Edison and National

Grid should consider placing more emphasis on conveying the core message of the need to be more energy efficient, how that message is conveyed, and how it is perceived by customers.

City’s second point is that the Commission should direct the utilities to broadly examine best practices in other states and develop new programs and initiatives. City finds that Con Edison’s test-and-learn process has merit and suggests that it should be expanded to all of Con Edison’s energy efficiency efforts after 2016. City recommends that National Grid expand its practice of considering best practices to all of its programs, and that Con Edison generally engage in similar efforts. City also urges collaboration between Con Edison and National Grid to avoid duplication of efforts and allow for more effective marketing.

City’s third point is that Con Edison’s proposed metrics are inadequate. City compares Con Edison and National Grid’s Budget and Metrics Plans and applauds National Grids increases and finds Con Edison’s proposal inadequate. City states that the Commission should direct Con Edison to either revise its 2017 and 2018 targets or demonstrate why it cannot achieve increased levels of reductions.

City’s fourth point is that the Self-Direct programs for large customers require further development. City states that it has substantial concerns with both the Staff Guidance Document and Con Edison’s proposal. City asserts that the Staff Guidance Document was developed and issued without an opportunity for interested parties to provide comments. City further objects to the Guidance requirements that program participant must advance projects that are at least 7.5 percent more cost effective than the rest of the utilities energy efficiency portfolio and that eligible projects are limited to energy efficiency offerings. City objects to Con Edison’s proposed fifteen percent administration fee. City expresses that before approving Con Edison’s proposed Self-Direct program; the Commission should remand both that proposal and the Staff Guidance Document for further development and provide opportunities for outside input.

City provided reply comments dated October 9, 2015. In its reply comments, City strongly agrees with parties that suggested the Commission conduct a process other than notice and written comments to explore ways in which the utilities can broaden their efforts and be more innovative. City states that asserting more clarity and innovation are needed, which are best achieved via a collaborative process. City supports a multifaceted approach to identify and discuss best practices, and to determine whether and how such practices from outside New York could be applied within New York.

City states that Con Edison’s energy savings targets and proposed incentive mechanism should be reexamined. City finds the Earnings Shared Mechanism proposed by CEOC reasonable and warrants consideration by the Commission. City expresses that the Commission should establish a process in which interested parties can work with Con Edison to develop an appropriate set of targets, and a framework for the associate incentives.

Northeast Clean Heat and Power Initiative

The Northeast Clean Heat and Power Initiative (NECHPI) emphasize that combined heat and power (CHP) and waste-heat-recovery have substantial energy savings potential. NECHPI expresses concern that the proposed ETIPs will individually and cumulatively fall short of SEP goals and do not address the energy savings impacts of NYSERDA shifting towards more of a market transformation role. Specifically, NECHPI is concerned about NYSERDA Phasing out CHP programs. NECHPI recommends that the commission direct the utilities to file revised ETIPS for

2017 and 2018 with higher energy savings and mandate that the utilities include CHP and waste-heat-recovery as eligible energy efficiency resources. NECHPI also agrees with AEEIs assessment that a more robust three year transition is required including elements that AEEI proposes.

NECHPI proposes a number of actions to help the State meet its SEP goals, help energy programs obtain greater energy savings, and promote CHP as an element toward obtaining that savings. NECHPI suggests that the State could use a state integrated energy resource plan, which should be integrated with, and form the basis for, utility-specific integrated energy resource plans. NHCHPI believes the State will need a preferred-resource loading order which specifies that utilities must first consider energy efficiency, demand response, and distributed generation before making traditional grid investments.

NECHPI suggests that the State should mandate common methodologies and tools that the utilities are required to utilize. NECHPI proposes a series of reports and planning efforts modeled after those required in California. NECHPI also endorses The Integrated Grid Benefit-Cost Analysis Framework developed by the Electric Power Research Institute as a common methodology for evaluating distributed energy resources. NECHPI believes that a key to the success of meeting state clean energy goals and REV objectives will depend on how well they are integrated into utility distribution planning as well as transmission and bulk planning processes. NECHPI recommends instituting collaboration between the Commission and the New YORK Independent System Operator (NYISO), and utilities to align utility distribution, transmission and NYISO planning for the scale-up of distributed energy resources. NYISO indicates that wholesale markets could be impacted by the scale up of large-scale renewable installations and the issue needs to be addressed. NECHPI also recommends that the Commission consider initiating a collaborative process for developing a framework for integrating various proceedings to eliminate overlaps, duplication and inconsistencies.

NECHPI recommends that the Commission engage an independent third party to conduct a study of the market potential of each utility. NECHPI also recommends that alternative methods of conducting cost benefit analysis should be researched including those that more granularly assess greenhouse gas emission costs and benefits. NECHPI further recommends that the Commission direct utilities to investigate administering jointly, electric and gas energy efficiency and demand response programs. NECHPI recommends that a State wide PACE program modeled after the Connecticut based C-PACE program be offered and potentially implemented through the New York Green Bank. Additionally, NECHPI does not believe performance incentives are warranted as proposed by National Grid or Con Edison. NECHPI states that if performance incentives are granted, then they should be structured to motivate utilities to over-achieve, namely to be for at least 100% of target and above.

NHCHPI suggests that National Grid should be directed to incorporate pilot programs adopted from programs offered in Massachusetts. NECHPI also endorses best practices identified in the publication Apartment Hunters: Programs Searching for Energy Savings in Multifamily Buildings, American Council for rand Energy-Efficient Economy; author Kate Johnson, December 2013.

Public Comments:

Herbert E Hirschfield, P.E.

Herbert E Hirschfield, P.E. (Mr. Hirschfield) submitted initial comments dated August 12, 2015 and a supplement dated August 15, 2015. Mr. Hirschfield comments are specific to Con Edison's draft ETIP and another document outside of this proceeding, Case #14-M-0094, Proceeding on Motion of the Commission to Consider a Clean Energy Fund, filed June 25, 2015 by NYSERDA. Mr. Hirschfield expresses that he is disappointed that both documents fail to recognize the value of electrical submetering, an effective energy conservation measure, by failing to extend NYSERDA's Advanced Submetering Program (ASP) and neglecting its reference in Con Edison's ETIP submittal. Mr. Hirschfield includes a summary of an analysis he submitted to Con Edison supporting the value of submetering as a means of achieving demand reduction in buildings. Mr. Hirschfield further expresses that in his opinion if the NYSERDA ASP Program is terminated or that Con Edison fails to develop an alternative submetering incentive program that these actions will lead to an end of submetering in New York.

Northeast Energy Efficiency Partnership

The Northeast Energy Efficiency Partnership (NEEP) submitted comments that focus solely on Light Emitting Diode (LED) Street Lighting. NEEP states that policies supporting conversion of street lights to LED would provide an immediate boon to the State economy and would align with other objectives of Reforming the Energy Vision (REV) proceeding. NEEP notes that Niagara Mohawk includes in its ETIP LED Street Lighting offerings. NEEP suggests that the Commission consider directing the other utilities to include plans for LED street lighting, with specific budgets and savings, in revised ETIPs. NEEP states that in Vermont a statewide effort coordinated by Efficiency Vermont achieved positive results for municipalities, and suggests that NYSERDA could play a similar role in New York.

Electric Portfolios:

	2016	2017	2018
Central Hudson			
Budget	$8,479,345	$8,479,345	$8,479,345
MWh Target	34,240	34,240	34,240
Con Edison			
Budget	$86,178,022	$86,178,022	$86,178,022
MWh Target	179,107	179,107	179,107
NYSEG			
Budget	$17,035,451	$17,035,451	$17,035,451
MWh Target	53,557	53,557	53,557
Niagara Mohawk			
Budget	$51,457,894	$51,457,894	$51,457,894
MWh Target	230,705	230,705	230,705
O&R			
Budget	$6,302,164	$6,302,164	$6,302,164
MWh Target	19,302	19,302	19,302
RG&E			
Budget	$10,482,078	$10,482,078	$10,482,078
MWh Target	31,776	31,776	31,776
Total Electric Portfolios			
Budget	**$179,934,954**	**$179,934,954**	**$179,934,954**
MWh Target	**548,687**	**548,687**	**548,687**

Gas Portfolios:

	2016	2017	2018
Central Hudson			
Budget	$837,356	$837,356	$837,356
Dth Target	37,296	37,296	37,296
Con Edison			
Budget	$14,533,466	$14,533,466	$14,533,466
Dth Target	273,116	273,116	273,116
KEDLI			
Budget	$7,164,182	$7,164,182	$7,164,182
Dth Target	150,139	150,139	150,139
KEDNY			
Budget	$12,771,114	$12,771,114	$12,771,114
Dth Target	254,466	254,466	254,466
NFG			
Budget	$10,040,000	$10,040,000	$10,040,000
Dth Target	345,339	345,339	345,339
NYSEG			
Budget	$2,038,215	$2,038,215	$2,038,215
Dth Target	85,037	85,037	85,037
Niagara Mohawk			
Budget	$10,549,262	$10,549,262	$10,549,262
Dth Target	450,402	450,402	450,402
O&R			
Budget	$536,946	$536,946	$536,946
Dth Target	14,691	14,691	14,691
RG&E			
Budget	$2,720,749	$2,720,749	$2,720,749
Dth Target	127,121	127,121	127,121
Total Gas Portfolios			
Budget	**$61,191,290**	**$61,191,290**	**$61,191,290**
Dth Target	**1,737,607**	**1,737,607**	**1,737,607**

APPENDIX C

State Environmental Quality Review Act

FINDINGS STATEMENT

November 19, 2015

Prepared in accordance with Article 8 – State Environmental Quality Review Act (SEQRA) of the Environmental Conservation Law and 6 NYCRR Part 617, the New York State Public Service Commission (Commission), as Lead Agency, makes the following findings.

Name of Action:	Utility Energy Efficiency Programs (Case 15-M-0252) Order Authorizing Utility Energy Efficiency Budgets and Targets for 2016-2018
SEQRA Classification:	Unlisted Action
Location:	New York State/Statewide
Date of Final Generic Environmental Impact Statement:	February 6, 2015
FGEIS available at:	http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=14-m-0101

I. Purpose and Description of Action

In the attached order, the Commission authorizes annual budgets and targets for utility-run energy efficiency programs for 2016-2018. The February 26, 2015 Order Adopting Regulatory Policy Framework and Implementation Plan (REV Framework Order) in the Reforming the Energy Vision (REV) proceeding directed the electric utilities to plan and implement energy efficiency programs. The June 19, 2015 Order Authorizing Utility-Administered Gas Energy Efficiency Portfolios for Implementation Beginning January 1, 2016 directed the gas utilities to also plan and implement such programs. As such, these programs are part of the overall REV policy. The attached order establishes budgets and targets for the programs that ensure that energy efficiency achievements continue at the current level or improve without increasing ratepayer surcharges.

II. Facts and Conclusions in the EIS Relied Upon to Support the Decision

In developing this findings statement, the Commission has reviewed and considered the “Final Generic Environmental Impact Statement in Case 14-M-0101 - Reforming the Energy Vision and Case 14-M-0094 - Clean Energy Fund” prepared for the Reforming the Energy Vision (REV) and Clean Energy Fund (CEF) proceedings and issued on February 6, 2015 (FGEIS). The following findings are based on the facts and conclusions set forth in the FGEIS.

A. Public Needs and Benefits

Chapter 1 of the FGEIS describes the need for and expected benefits of REV and the CEF as a whole. These programs will address challenges facing New York’s energy system, including the need to reduce greenhouse gas emissions, dependence on natural gas for electricity generation, and market failures in the clean energy sector [FGEIS 1-12]. By supporting energy efficiency technologies and spurring private investments, utility energy efficiency programs will create public benefits including reduction in carbon and other pollutant emissions, increased penetration of clean distributed generation, reduced fossil fuel dependence, and increased customer choice and opportunity [FGEIS 1-18].

B. Potential Impacts

Chapter 5 of the FGEIS describes the expected environmental impacts of the proposed REV and CEF as a whole.

Areas of analysis relevant to the utility energy efficiency programs include Demand Management, Distributed Energy Resources, Energy Efficiency, and Low-Carbon and Carbon-Free Energy Resources. Therefore, a primary impact of this action will be greenhouse gas reductions [FGEIS 5-21, 5-48]. As more fully described in the FGEIS, individual energy efficiency projects may have local impacts including construction impacts, land use, and the generation of hazardous materials during construction [FGEIS 5-5, 5-22].

C. Mitigation

Chapters 5 and 6 of the FGEIS identify mitigation measures that could address the potential adverse impacts of the proposed REV and CEF as a whole. As more fully described therein, existing and applicable federal, state, and local regulations will serve to mitigate a number of potential impacts [FGEIS 6-1]. In addition, particular project assessments regarding proposed distributed energy resource installations can consider local impacts [FGEIS 5-8]. In the REV proceeding, the Commission directed Staff to cooperate with the New York State Department of Environmental Conservation (DEC) to develop rules that avoid or mitigate the potential for harmful local emissions. To the extent that any specific utility energy efficiency program proposals present the potential for harmful local emissions, those rules will also apply and mitigate the impacts of those proposals [FGEIS 5-7, 5-8].

D. Cumulative Impacts and Climate Change

The FGEIS describes in detail the harmful environmental impacts of greenhouse gases such as carbon dioxide [FGEIS 3-14; 3-15]. The clean energy technologies and resources promoted by REV and the CEF as a whole, and the utility energy efficiency programs in particular, create a long-term reduction in the use of energy generated from fossil fuels [FGEIS 4-5].

The environmental impact of a reduction in the use of fossil-fuel based energy generation on the human environment is generally positive, but will occur over a long time horizon [FGEIS 5-48].

III. Conclusion

The utility energy efficiency programs are anticipated to yield overall positive environmental impacts, primarily by reducing the State’s use of, and dependence on, fossil fuels, among other benefits. In conjunction with other State and Federal policies and initiatives, particularly REV and the CEF, the utility energy efficiency programs are designed to reduce the adverse economic, social, and environmental impacts of fossil fuel energy resources by increasing the use of clean energy resources and technologies [FGEIS ES-10]. Ordinary construction-related impacts are expected [FGEIS 5-5, 5-22] but do not outweigh the overall positive environmental impact.

CERTIFICATION TO APPROVE:

Having considered the Draft and Final Generic Environmental Impact Statement, and having considered the preceding written facts and conclusions relied upon to meet the requirements of 6 NYCRR 617.11, this Statement of Findings certifies that:

1. The requirements of 6 NYCRR Part 617 have been met;
2. Consistent with social, economic and other essential considerations from among the reasonable alternatives available, the action is one that avoids or minimizes adverse environmental impacts to the maximum extent practicable, and that adverse environmental impacts will be avoided or minimized to the maximum extent practicable by incorporating as conditions to the decision those mitigative measures that were identified as Practicable; and
3. Consistent with the applicable policies of Article 42 of the Executive Law, as implemented by 19 NYCRR 600.5, this action will achieve a balance between the protection of the environment and the need to accommodate social and economic considerations.

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Commissioner Diane X. Burman, concurring:

As reflected in my comments made at the public session, and only to the limited extent and without prejudice to take this up again in June 2016, I concur.