

STATE OF NEW YORK

# Public Service Commission

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FOR RELEASE: IMMEDIATELY

07041/07-M-0548

## **NEW YORK SEEKS AGGRESSIVE REDUCTION IN ENERGY USAGE THROUGH EXPANDED EFFICIENCY INITIATIVES**

### **-PSC Initiates Proceeding to Design an Energy Efficiency Portfolio Standard (EPS)-**

Albany, NY—5/16/07—The New York State Public Service Commission (Commission) today initiated a proceeding to design an electric and natural gas Energy Efficiency Portfolio Standard (EPS). The EPS will establish targets for energy efficiency, similar to the existing Renewable Portfolio Standard, and other programs, intended to reverse the pattern of increasing energy use in New York. The Commission today determined that New York possesses sufficient potential energy efficiency resources to reduce electric usage by 15 percent of projected levels by 2015. The Commission noted these targets cannot be met by Commission action alone, or solely by ratepayer funding. Also anticipated are legislative actions to strengthen building codes and raise appliance efficiency standards; Long Island Power Authority and New York Power Authority contributions; and New York City and other municipal and local initiatives.

“Renewing an aggressive energy efficiency program is of critical importance for future State energy policy,” said Commission Chairwoman Patricia L. Acampora. “Energy efficiency is likely to be the most cost effective, and most immediate, means to reduce the burden of rising energy and environmental costs for low-income customers, residences, businesses, and other institutions. In initiating this proceeding today, our objective is to balance cost impacts, resource diversity, and environmental effects, by decreasing the State’s energy use through increased efficiency.”

The Commission stated that electricity use in New York State is increasing. Electricity consumption is projected to increase approximately 1.3 percent per year through 2015. At current trends, by 2015 electric energy usage in New York State is estimated to be 13 percent higher than current levels. These factors, combined with fuel price and supply uncertainty, and the need to reduce greenhouse gas emissions, make it all the more necessary to carefully review New York's current energy efficiency programs and quickly find the most effective methods to reduce energy use. As a result, the Commission instituted an EPS proceeding today so that interested parties can work together expeditiously to meet the State's goal of reducing electric usage by 15 percent of projected levels by 2015. "To meet the ambitious targets we are announcing today," Chairwoman Acampora emphasized, "a coordinated approach with initiatives from many stakeholders will be needed."

The current portfolio mix of energy efficiency programs encompasses commercial, industrial, and residential customer programs, programs benefiting low-income customers, research and development, and peak load reduction measures. The benefits include reduced payments for energy no longer consumed; projected lower average market prices for energy resulting from reduced demand; savings in capacity charges resulting from peak load reductions; reduced greenhouse gas and other harmful emissions resulting from fossil fuel combustion; and economic development and job creation. Based on preliminary analysis by Staff of costs resulting from scaling up existing programs, projected benefits are expected to significantly exceed costs. The Commission's EPS proceeding will initially address end-use efficiency. While end-use efficiency can be understood to include performance standards, technology standards, and consumer information, this proceeding will consider a range of resources to, collectively, reduce electricity and gas demand. The proceeding will also investigate the various methods available to obtain and fund the energy efficiency resources. The Commission directed Staff to prepare energy efficiency program design proposals, with associated benefit and cost analyses, to focus the proceeding and move it expeditiously. The process will also provide opportunities for public input. The Commission's EPS proceeding would, among other things:

- Examine critical design options led by Department of Public Service Staff, including cost-effectiveness, the role for New York State Research Development Authority (NYSERDA) based models, the role of competitive energy services companies, and an

inquiry into whether certain types of efficiency programs are best administered centrally while others are more suited to delivery by utilities, competitive load-serving entities, or others;

- Measure and compare the expected benefits and costs of various design options;
- Develop energy efficiency programs to ensure all New Yorkers, especially those with low incomes, have the opportunity to benefit from lower bills resulting from lowered usage, and consider environmental justice concerns in program design;
- Assess best practices to integrate demand response technology and utility rate incentives to encourage customers to shift usage and reduce peak loads;
- Address coordination of the development of energy efficiency resources with other State initiatives and New York City, other municipal and local energy efficiency programs; and
- Ensure transparent and technically sound methods for measurement and verification of net energy savings, benefits, and costs, as well as assessment of customer satisfaction and program efficacy.

This proceeding will include development of target goals and timetables for natural gas usage efficiency. Since gas supply is somewhat constrained and expected to remain so, reductions in gas demand can produce reductions in the market clearing commodity price, resulting in significant overall benefits to all gas consumers beyond those captured through reduced end-use consumer usage. For both electricity and gas efficiency, the relationship will be explored between generic targets and objectives, and individual utility programs established in the context of rate cases.

The Commission in initiating its EPS proceeding today sets in motion the most ambitious program of its kind in the country. Ten states have adopted or are considering energy efficiency portfolio or resource standards. In addition, a number of states now have greenhouse gas emission reduction programs. Jurisdictions with specific energy efficiency savings targets and timetables either under consideration or in place include: California; Connecticut; Hawaii; Illinois; Minnesota; Nevada; New Jersey; New York; Pennsylvania; Rhode Island; Texas; Vermont; New York City; and the European Union.

The Commission will issue a written order reflecting today's action. That order, when available, may be obtained from the Commission's [www.dps.state.ny.us](http://www.dps.state.ny.us) Web site by accessing the Commission Documents section of the homepage and referencing Case Number 07-M-0548. Many libraries offer free Internet access. Commission orders may also be obtained from its Central Files Office, 14<sup>th</sup> floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).