

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on January 20, 2011

COMMISSIONERS PRESENT:

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

- CASE 07-M-0548 - Proceeding on Motion of the Commission
Regarding an Energy Efficiency Portfolio
Standard.
- CASE 08-E-1129 - Petition of New York State Electric & Gas
Corporation for Approval of an Energy
Efficiency Portfolio Standard (EEPS) Utility-
Administered Electric Energy Efficiency
Program.
- CASE 08-E-1130 - Petition of Rochester Gas and Electric
Corporation for Approval of an Energy
Efficiency Portfolio Standard (EEPS) Utility-
Administered Electric Energy Efficiency
Program.
- CASE 09-G-0363 - Petitions for Approval of Energy Efficiency
Portfolio Standard (EEPS) Gas Energy Efficiency
Programs.

ORDER APPROVING RESIDENTIAL GAS AND ELECTRIC
ENERGY EFFICIENCY PROGRAMS WITH MODIFICATIONS

(Issued and Effective January 25, 2011)

BY THE COMMISSION:

INTRODUCTION

In this order, the Commission approves two new
residential Energy Efficiency Portfolio Standard (EEPS) programs
to be administered by New York State Electric and Gas

Corporation and Rochester Gas and Electric Corporation (NYSEG/RGE). The approved NYSEG/RGE programs are the Refrigerator and Freezer Recycling Program, and the Home Energy Reports Demonstration Program. The Refrigerator and Freezer Recycling Program will provide payments to customers for the removal and recycling of functioning inefficient second refrigerators and freezers. The Home Energy Reports Demonstration Program is a behavioral modification program for gas and electric customers designed to promote energy efficiency by encouraging costumers to decrease their energy use through motivational and informational energy-use reports.

BACKGROUND AND SUMMARY

In response to the Commission's order dated June 23, 2008,¹ NYSEG/RGE proposed four residential electric energy efficiency programs that ultimately were not approved. In July 2010, NYSEG/RGE proposed two additional residential programs and reiterated their commitment to developing electric energy efficiency programs for their residential customers. The programs proposed in July were the Appliance Bounty and Energy Star Room A/C program and the Home Energy Reports Demonstration Program.

The proposed Appliance Bounty and Energy Star Room A/C programs included customer incentives for removing and recycling functioning inefficient room air conditioners and second refrigerators and freezers. NYSEG/RGE also proposed incentives for the purchase of Energy Star rated room air conditioners. However, discussions between Staff and the utilities led to the conclusion that the room air conditioner portions of the program

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

would not be cost-effective. As a result, NYSEG/RGE agreed to eliminate the room air conditioner measures and rename the program the Refrigerator and Freezer Recycling Program. NYSEG/RGE have also provided Staff with the updated budget and savings targets contained in the tables below.

As currently proposed, the Refrigerator and Freezer Recycling Program would provide NYSEG/RGE's eligible residential electric customers with a \$30 incentive in exchange for a second refrigerator or freezer (≥ 10 cubic feet) that is picked up and recycled through the program. NYSEG/RGE propose a limit of two refrigerators and/or freezers per utility account number. NYSEG/RGE propose to acquire an implementation contractor for the program through a competitive bidding process. The implementation contractor would be responsible for marketing the program, picking up and recycling all appliances, and managing customer payment fulfillment.

NYSEG proposes a total 2010-2012 program budget for the Refrigerator and Freezer Recycling program of \$2,796,842. The projected participation level through 2012 is 6,000 customers and the proposed electric savings target is 8,722 MWh through the same period. RGE proposes a total 2010-2012 program budget of \$2,796,842. The projected participation level through 2012 is 6,000 customers and the proposed electric savings target is 8,722 MWh through the same period. The proposed budgets and savings goals are summarized below.

**NYSEG Refrigerator and Freezer Recycling Program
Proposed 2011-2012 Program Costs**

Appliance Bounty Program	2011	2012	2011-2012
Start up	100,000		\$100,000
Planning and Administration	\$200,000	\$200,000	\$400,000
Program Marketing & Trade Ally	\$65,000	\$65,000	\$130,000
Customer Incentives or Services	\$90,000	\$90,000	\$180,000
Program Implementation	\$926,000	\$926,000	\$1,852,000
Evaluation and Market Research	\$67,421	\$67,421	\$134,842
Total Utility Cost	\$1,448,421	\$1,348,421	\$2,796,842

**RGE Refrigerator and Freezer Recycling Program
Proposed 2011-2012 Program Costs**

Appliance Bounty Program	2011	2012	2011-2012
Start up	100,000		\$100,000
Planning and Administration	\$200,000	\$200,000	\$400,000
Program Marketing & Trade Ally	\$65,000	\$65,000	\$130,000
Customer Incentives or Services	\$90,000	\$90,000	\$180,000
Program Implementation	\$926,000	\$926,000	\$1,852,000
Evaluation and Market Research	\$67,421	\$67,421	\$134,842
Total Utility Cost	\$1,448,421	\$1,348,421	\$2,796,842

**NYSEG Refrigerator and Freezer Recycling Program
Proposed Participant and Savings Targets for 2011- 2012**

	2011	2012	2011-2012
Participants	3,000	3,000	6,000
MWh Savings	4,361	4,361	8,722

**RGE Refrigerator and Freezer Recycling Program
Proposed Participant and Savings Targets for 2011- 2012**

	2011	2012	2011-2012
Participants	3,000	3,000	6,000
MWh Savings	4,361	4,361	8,722

NYSEG/RGE's proposed gas and electric Home Energy Reports Demonstration Program is a behavioral modification program designed to encourage consumers to voluntarily decrease their energy use. The program concept is based on social motivation and targeted to residential one to four unit homes in the NYSEG/RGE service territories. The program would provide participating customers with personalized reports that compare their energy usage with that of similarly-situated neighbors. In addition, the reports would contain energy efficiency tips

and information on the energy efficiency programs available in the NYSEG/RGE territories.

When NYSEG/RGE originally submitted the Home Energy Reports Demonstration Program, they proposed utilizing OPower as a sole source provider because at that time, the companies were unaware of competing sources for the types of services/products required for the proposed program. Since that time, however, NYSEG/RGE became aware of competing services and have indicated that they prefer to obtain an implementation contractor through a competitive procurement process.

NYSEG estimates that 98,330 gas and electric customers will participate in the program through 2012. NYSEG's proposed overall program budget for the electric portion of the Home Energy Reports Demonstration Program is \$872,579 and the gas portion is \$872,579 through 2012. NYSEG's proposed total electric and gas savings targets are 22,252 MWh and 1,425,786 therms respectively, to be achieved through 2012. RGE's projected participation level for the Home Energy Reports Demonstration Program is 98,330 gas and electric customers through 2012. RG&E proposes an overall program budget for the electric portion of the Home Energy Reports Demonstration Program of \$872,579 and for the gas portion of \$872,579 through 2012. Proposed total electric and gas savings goals through 2012 are 22,252 MWh and 1,425,786 therms, respectively. The proposed budgets and savings targets are summarized below.

**NYSEG Electric Home Energy Reports Demonstration Program
Proposed 2011-2012 Program Costs**

Home Energy Reports Electric	2010	2011	2012	2010-2012
Startup	\$43,500	\$0	\$0	\$43,500
Planning and Administration	\$17,500	\$50,000	\$50,000	\$117,500
Marketing & Trade Ally	\$0	\$0	\$0	\$0
Customer Incentives or Services	\$0	\$0	\$0	\$0
Program Implementation	\$0	\$335,500	\$335,500	\$671,000
Evaluation and Market Research	\$0	\$20,289	\$20,289	\$40,579
Total Utility Cost	\$61,000	\$405,789	\$405,789	\$872,579

**NYSEG Gas Home Energy Reports Demonstration Program
Proposed 2011-2012 Program Costs**

Home Energy Reports Gas	2010	2011	2012	2010-2012
Startup	\$43,500	\$0	\$0	\$43,500
Planning and Administration	\$17,500	\$50,000	\$50,000	\$117,500
Marketing & Trade Ally	\$0	\$0	\$0	\$0
Customer Incentives or Services	\$0	\$0	\$0	\$0
Program Implementation	\$0	\$335,500	\$335,500	\$671,000
Evaluation and Market Research	\$0	\$20,289	\$20,289	\$40,579
Total Utility Cost	\$61,000	\$405,789	\$405,789	\$872,579

**RG&E Electric Home Energy Reports Demonstration Program
Proposed 2011-2012 Program Costs**

Home Energy Reports Electric	2010	2011	2012	2010-2012
Startup	\$43,500			\$43,500
Planning and Administration	\$17,500	\$50,000	\$50,000	\$117,500
Marketing & Trade Ally	\$0	\$0	\$0	\$0
Customer Incentives or Services	\$0	\$0	\$0	\$0
Program Implementation	\$0	\$335,500	\$335,500	\$671,000
Evaluation and Market Research	\$0	\$20,289	\$20,289	\$40,579
Total Utility Cost	\$61,000	\$405,789	\$405,789	\$872,579

**RG&E Gas Home Energy Reports Demonstration Program
Proposed 2011-2012 Program Costs**

Home Energy Reports Gas	2010	2011	2012	2010-2012
Startup	\$43,500			\$43,500
Planning and Administration	\$17,500	\$50,000	\$50,000	\$117,500
Marketing & Trade Ally	\$0	\$0	\$0	\$0
Customer Incentives or Services	\$0	\$0	\$0	\$0
Program Implementation	\$0	\$335,500	\$335,500	\$671,000
Evaluation and Market Research	\$0	\$20,289	\$20,289	\$40,579
Total Utility Cost	\$61,000	\$405,789	\$405,789	\$872,579

**NYSEG Home Energy Reports Demonstration Program
Proposed Participant and Savings Targets for 2011- 2012**

	2011	2012	2011-2012
Participants	49,165	49,165	98,330
MWh Savings	11,126	11,126	22,252
Therm Savings	712,893	712,893	1,425,786

**RGE Home Energy Reports Demonstration Program
Proposed Participant and Savings Targets for 2011- 2012**

	2011	2012	2011-2012
Participants	49,165	49,165	98,330
MWh Savings	11,126	11,126	22,252
Therm Savings	712,893	712,893	1,425,786

NOTICE OF PROPOSED RULE MAKING

A Notice of Proposed Rulemaking concerning the NYSEG/RGE proposal for residential energy efficiency programs was published in the State Register on July 28, 2010 (SAPA07-M-0548SP24). The minimum time period for the receipt of public comments pursuant to the State Administrative Procedure Act (SAPA) regarding that notice expired on September 13, 2010.

SUMMARY OF COMMENTS

No comments were received in response to the Notice of Proposed Rulemaking. However, prior to the notice being published, Direct Options submitted a letter to the Secretary stating that it has developed and can provide administrative services for behavioral modification programs that compete with those offered by OPower. According to Direct Options, it has 19 years of experience in key areas of program administration, offers some capabilities beyond those of OPower and is currently operating residential behavioral modification programs in various other jurisdictions. Accordingly, Direct Options would like to see a competitive process for procuring a program administrator for NYSEG/RGE's proposed behavioral modification energy efficiency program.

DISCUSSION

Currently, NYSEG and RGE are administering residential HVAC rebate programs for their gas customers.² The utilities are not providing any electric efficiency programs to their residential customers. Approval of the Refrigerator and Freezer Recycling Program and Home Energy Reports Demonstration Program will provide residential customers additional energy efficiency options for both gas and electricity. Moreover, we have approved similar programs for other utility program administrators and Staff indicates that the programs, as currently proposed, can be cost effective if administered properly. Therefore, we approve NYSEG/RGE's Refrigerator and Freezer Recycling Programs and Home Energy Reports Demonstration Programs.³

The proposed program budgets provided by NYSEG/RGE include "startup costs" which NYSEG/RGE identify as costs that include vendor start-up such as the development of collateral materials, trade ally communications and reporting development, procurement, and implementation plan development. These types of costs should be allocated to the cost categories previously described by Staff in the budget guidelines. A new budget that allocates the start up costs to the appropriate categories should be submitted to Staff as part of the implementation plan to be submitted for these programs.

2 Case 08-G-1004, et al., Petition of Orange and Rockland Utilities, Inc. for Approval of an Energy Efficiency Portfolio Standard (EEPS) "Fast Track" Utility-Administered Gas Energy Efficiency Program, Order Approving "Fast Track" Utility-Administered Gas Energy Efficiency Programs with Modifications (issued April 9, 2009).

3 Approval of the gas portion of the Home Energy Reports Demonstration Program increases the statewide budget for approved gas EEPS programs beyond the \$130 million spending level originally envisioned for gas EEPS programs.

NYSEG/RGE's Home Energy Reports Demonstration Program is also approved. As we have stated in previous EEPS Orders, behavior modification programs have the potential to provide relatively low cost energy savings to a large number of utility customers. We have also noted that behavioral modification programs that require a utility to share personally identifiable information and customer usage data raise privacy issues that must be addressed and we will require NYSEG/RGE to implement proper privacy protections as we did in previously approving similar programs.

We support NYSEG/RGE's willingness to procure a program administrator through a competitive process. Such a process has the potential to lower costs and/or provide better products and services. NYSEG/RGE's selection process should invite proposals that compete on cost as well as the potential benefits of the proposed programs.

As we have required for similar behavioral modification programs, if NYSEG/RGE select a program design that requires the sharing of customer information and data, we will require certain privacy safeguards. The utilities shall explain why such information is needed in order to implement the program. The contract between the utility and the program administrator shall contain a confidentiality clause that prohibits such information and data from being used for any purpose other than to administer the program and provides for the indemnification of the utility in the event of a breach or non-compliance of the agreement by the program-administrator or its representatives. The clause shall require the program administrator to take reasonable security precautions that are at least as great as the precautions it takes to protect its own confidential information but no less than reasonable care. Further, if administration of the program requires that the

program administrator share any customer data and/or information with its contractors, such contractors must agree to the same privacy restrictions required of the program administrator and be approved in writing by NYSEG/RGE. NYSEG/RGE shall submit to the Director of the Office of Consumer Policy a copy of any agreement between the utilities and the selected program administrator as well as any agreements between the program administrator and any of its contractors that may have access to customer information. Finally, to avoid customer confusion, any mailings sent to customers as part of the programs shall not include any logo or other identifying information indicating that the mailing is from any entity other than the utility.

The quality assurance and evaluation plans submitted by NYSEG/RGE are incomplete. Although NYSEG/RG&E state a commitment to quality evaluation and to the evaluation guidelines developed by Staff and the Evaluation Advisory Group, the plans they proposed offer few details on how the commitment will be satisfied. Quality assurance and evaluation are vital for the success of individual energy efficiency programs and for determining the performance of EEPS in general. Therefore, we direct NYSEG/RGE to submit as part of their implementation plans more detailed and thorough quality assurance and evaluation plans. The plans shall include additional detail on key evaluation components including process and impact evaluations, budget, sampling strategy, and steps to improve data reliability. The plans must also address how NYSEG/RGE will engage Staff and the Evaluation Advisory Group's oversight responsibilities regarding quality assurance and evaluation.

SEQRA FINDINGS

Pursuant to our responsibilities under the State Environmental Quality Review Act (SEQRA), in conjunction with

this order, we find that programs modified here are within the overall action previously examined by us in Case 07-M-0548 and will not result in any different environmental impact than that previously examined. In addition, the SEQRA findings of the June 23, 2008 Order in Case 07-M-0548 are incorporated herein by reference and we certify that: (1) the requirements of SEQRA, as implemented by 6 NYCRR part 617, have been met; and (2) consistent with social, economic, and other essential considerations from among the reasonable alternatives available, the action being undertaken is one that avoids or minimizes adverse environmental impacts to the maximum extent practicable.

CONCLUSION

For the reasons discussed above, the Commission approves the Refrigerator and Freezer Recycling Programs and the Home Energy Reports Demonstration Programs proposed by NYSEG/RGE as described in this order.

The Commission orders:

1. New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation (NYSEG/RGE) are authorized to implement the Refrigerator and Freezer Recycling Programs and the Home Energy Reports Demonstration Programs for residential utility customers in the manner described in the body of this order. The programs may be commenced immediately.

2. The program budgets and energy savings targets for the Refrigerator and Freezer Recycling Program and the Home Energy Reports Demonstration Program shall be as set forth in Table 1 of the Appendix attached to this order.

3. Within 60 days of the issuance of this order, NYSEG/RGE shall submit implementation plans in compliance filings that describe the programs and how they will operate.

The implementation plans shall conform to the implementation plan guidelines and budget categories for energy efficiency programs previously provided by Staff and shall include detailed evaluation and quality assurance plans that conform to the discussion contained in this order. All O&E/marketing plan components of the compliance filings will be subject to review and certification by the Director of the Office of Consumer Policy that they conform to the requirements of this order, before they shall be implemented.

4. If applicable and as part of the implementation plans, the utilities shall also provide the name of the contractor with which it will be sharing customer data and/or information, the information made available to the contractor, details regarding how the information is used, a copy of the contract involved, an explanation concerning the need to make the information available, a description of the consumer protections, and security provisions that apply to that information and any other information relevant to protecting the confidentiality of the information.

5. NYSEG/RGE shall incorporate reports on the programs authorized by this order into the periodic quarterly program and evaluation reports, annual program reports and evaluations, and monthly scorecard reports already required for other EEPS programs.

6. The Secretary may extend the deadlines set forth in this order.

7. These proceedings are continued.

By the Commission,

JACLYN A. BRILLING
Secretary

Table 1

Refrigerator and Freezer Recycling Program Costs and Savings Targets

	<u>2011</u>	<u>2012</u>	<u>2011-2012</u>	
<u>NYSEG</u>				
<i>Refrigerator and Freezer Recycling Program</i>				
Savings (MWh)	4,361	4,361	8,722	
Program Administrative Costs	\$1,381,000	\$1,281,000	\$2,662,000	95.0%
<u>Eval. M&V Costs</u>	<u>\$67,421</u>	<u>\$67,421</u>	<u>\$134,842</u>	<u>5.0%</u>
Total Budget	\$1,448,421	\$1,348,421	\$2,796,842	100.0%
<u>RGE</u>				
<i>Refrigerator and Freezer Recycling Program</i>				
Savings (MWh)	4,361	4,361	8,722	
Program Administrative Costs	\$1,381,000	\$1,281,000	\$2,662,000	95.0%
<u>Eval. M&V Costs</u>	<u>\$67,421</u>	<u>\$67,421</u>	<u>\$134,842</u>	<u>5.0%</u>
Total Budget	\$1,448,421	\$1,348,421	\$2,796,842	100.0%

Table 2

Home Energy Reports Demonstration Program Costs and Savings Targets

	<u>2011</u>	<u>2012</u>	<u>2011-2012</u>	
<u>NYSEG</u>				
<i>Home Energy Reports Demonstration Program (electric)</i>				
Savings (MWh)	11,126	11,126	22,252	
Program Administrative Costs	\$446,500	\$385,500	\$832,000	95.0%
<u>Eval. M&V Costs</u>	<u>\$20,289</u>	<u>\$20,289</u>	<u>\$40,579</u>	<u>5.0%</u>
Total Budget	\$ 466,789	\$405,789	\$872,579	100.0%
<u>NYSEG</u>				
<i>Home Energy Reports Demonstration Program (gas)</i>				
Savings (Therms)	712,893	712,893	1,425,786	
Program Administrative Costs	\$446,500	\$385,500	\$832,000	95.0%
<u>Eval. M&V Costs</u>	<u>\$20,289</u>	<u>\$20,289</u>	<u>\$40,579</u>	<u>5.0%</u>
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