

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on March 15, 2012

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman
Patricia L. Acampora
Maureen F. Harris
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 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 Gas Energy Efficiency Program.
- CASE 09-G-0363 - Petitions for Approval of Energy Efficiency
Portfolio Standard (EEPS) Gas Energy Programs.

ORDER APPROVING RESIDENTIAL GAS AND ELECTRIC
ENERGY EFFICIENCY PROGRAMS WITH MODIFICATIONS

(Issued and Effective March 20, 2012)

BY THE COMMISSION:

INTRODUCTION

In this order, the Commission approves revised Home
Energy Reports Demonstration programs in the service territories
of New York State Electric and Gas Corporation and Rochester Gas
and Electric Corporation, and eliminates the 2011 energy savings
targets that were previously established for the program as

originally approved on January 25, 2011.¹ The Home Energy Reports Demonstration program is a behavioral modification program for gas and electric customers designed to promote energy efficiency by encouraging customers to decrease their energy use through motivational and informational energy-use reports.

BACKGROUND

In July 2010, New York State Electric and Gas Corporation (NYSEG) and Rochester Gas and Electric Corporation (RGE) (collectively NYSEG/RGE) proposed the Home Energy Reports Demonstration program (HERs program or the program), a behavioral modification program designed to encourage consumers to voluntarily decrease their energy use. The HERs program concept is based on social motivation and targeted to residential one to four unit homes in the companies' service territories. The program would provide participating customers with customized 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 companies' territories.

When NYSEG/RGE submitted their original proposal for the HERs program, they intended on utilizing a sole source provider as their program implementation contractor, because at that time they were unaware of competing sources for the types of services and products required for the program. The companies later learned of competing services and indicated

¹ Case 07-M-0548 et al., Energy Efficiency Portfolio Standard (EEPS), Order Approving Residential Gas and Electric Energy Efficiency Programs with Modifications (issued January 25, 2011).

their preference to obtain a program implementation contractor through a competitive procurement process. The Commission approved the program on January 25, 2011, to run through 2012, and agreed that the companies should use a competitive process.

On April 15, 2011, the companies filed a petition requesting waivers of the requirements to (1) implement the HERs program, (2) file an implementation plan and (3) meet the associated targets.² In that petition, the companies state that when the Commission approved the program, that approval reflected estimated participation levels, proposed overall program budgets, and gas and electric savings targets received from the sole source provider that the companies had initially intended to use to administer the program. However, when they requested competitive offers from multiple vendors, as directed by the Commission, it was determined that the approved energy savings targets and budgets were not feasible.

In the April petition, the companies asserted that in response to a bidder's request, masked actual customer usage data was provided to all potential bidders, including the originally intended sole source provider. The companies state that when the original sole source provider submitted a revised bid that was based on actual customer usage, it became evident that the program budgets and savings targets in the original program proposal were estimated based on assumptions that were not representative of NYSEG/RGE's customers. The customer usage data used in the original proposal was substantially higher than actual usage data from the companies, resulting in higher savings targets at lower program costs.

² Case 07-M-0548 et al., Energy Efficiency Portfolio Standard (EEPS), New York State Electric & Gas Corporation's and Rochester Gas and Electric Corporation's Petition For Waiver of Requirement to Implement Home Energy Reports Demonstration Programs (filed April 15, 2011) (the April petition).

On August 15, 2011, the companies submitted a petition seeking to delay the consideration of the April petition in order to allow them time to accurately develop revised program savings targets and budgets (the August petition).³ At that time, the companies intended to file an updated program by October 2011, with a projected program start date in the first quarter of 2012. Because the program would not begin until sometime in 2012, NYSEG/RGE also requested elimination of the 2011 savings targets associated with the January 25, 2011 order approving the program.

THE PETITION

On November 22, 2011, the companies submitted an amended petition for Approval of a Home Energy Reports Demonstration Program (the November petition).⁴ In the November petition, the companies request approval to proceed with a revised Home Energy Reports Demonstration program for a one-year period from July 1, 2012 through June 30, 2013. The companies propose a review of the program before June 30, 2013 in order to determine whether continuing the program would be warranted. The November 2011 petition reiterates the companies' request to eliminate the 2011 gas and electric savings targets associated with the previously approved program.

³ Case 07-M-0548 et al., Energy Efficiency Portfolio Standard (EEPS), New York State Electric & Gas Corporation's and Rochester Gas and Electric Corporation's Request to Amend Their Petition for Waiver of Requirement to Implement Home Energy Reports Demonstration Programs (filed August 15, 2011).

⁴ Case 07-M-0548 et al., Energy Efficiency Portfolio Standard (EEPS), Amended Petition of New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation for Approval of a Home Energy Reports Demonstration Program (filed November 22, 2011).

Based on the competitive procurement process, NYSEG/RGE propose revised energy savings and targets. NYSEG estimates that 85,000 of its gas and electric customers will participate in the program, and proposes overall program budgets of \$789,280 for the electric portion and \$22,298 for the gas portion through 2013. NYSEG proposes total electric and gas savings targets of 16,051 MWh and 70,050 therms respectively, to be achieved through 2013.

RGE also projects a participation level of 85,000 of its gas and electric customers, and proposes overall program budgets of \$698,948 for the electric portion and \$112,630 for the gas portion through 2013. RGE proposes total electric savings goals of 13,949 MWh and total gas savings goals of 329,950 therms through 2013. Although the companies are projecting the same level of participation in their programs, the proposed budgets and savings targets differ due to differences in both the service territories and customer bases of the companies. Relevant differences include customer usage amounts and the types (gas and/or electric) and total number of customers in each service territory. The proposed budgets and savings targets are summarized below.

NYSEG Electric Home Energy Reports Demonstration Program
Proposed Program Costs

Home Energy Reports Electric	7/2012- 12/2012	1/2013 – 6/2013	Total
Startup	\$14,559	\$14,559	\$29,118
Planning and Administration	\$5,096	\$5,096	\$10,192
Marketing	\$1,699	\$1,699	\$3,398
Customer Incentives or Services	\$103,125	\$103,125	\$206,250
Program Implementation	\$250,411	\$250,411	\$500,822
Evaluation	\$19,750	\$19,750	\$39,500
Total Utility Cost	\$394,640	\$394,640	\$789,280

NYSEG Gas Home Energy Reports Demonstration Program
Proposed Program Costs

Home Energy Reports Gas	7/2012- 12/2012	1/2013 – 6/2013	Total
Startup	\$441	\$441	\$882
Planning and Administration	\$154	\$154	\$308
Marketing	\$51	\$51	\$102
Customer Incentives or Services	\$3,125	\$3,125	\$6,250
Program Implementation	\$6,823	\$6,823	\$13,646
Evaluation and Market Research	\$555	\$555	\$1,110
Total Utility Cost	\$11,149	\$11,149	\$22,298

RG&E Electric Home Energy Reports Demonstration Program
Proposed Program Costs

Home Energy Reports Electric	7/2012- 12/2012	1/2013 – 6/2013	Total
Startup	\$12,794	\$12,794	\$25,588
Planning and Administration	\$4,478	\$4,478	\$8,956
Marketing	\$1,493	\$1,493	\$2,986
Customer Incentives or Services	\$90,625	\$90,625	\$181,250
Program Implementation	\$222,909	\$222,909	\$445,818
Evaluation and Market Research	\$17,175	\$17,175	\$34,350
Total Utility Cost	\$349,474	\$349,474	\$698,948

RG&E Gas Home Energy Reports Demonstration Program
Proposed Program Costs

Home Energy Reports Gas	7/2012- 12/2012	1/2013 – 6/2013	Total
Startup	\$2,206	\$2,206	\$4,412
Planning and Administration	\$772	\$772	\$1,544
Marketing & Trade Ally	\$257	\$257	\$514
Customer Incentives or Services	\$15,625	\$15,625	\$31,250
Program Implementation	\$34,655	\$34,655	\$69,310
Evaluation and Market Research	\$2,800	\$2,800	\$5,600
Total Utility Cost	\$56,315	\$56,315	\$112,630

NYSEG Home Energy Reports Demonstration Program
Proposed Participant and Savings Targets

	7/2012-12/2012	1/2013 – 6/2013	Total
Participants	85,000	Same customers	85,000
MWh Savings	5,324	10,727	16,051
Therm Savings	21,000	49,050	70,050

RGE Home Energy Reports Demonstration Program
Proposed Participant and Savings Targets

	7/2012-12/2012	1/2013 – 6/2013	Total
Participants	85,000	Same customers	85,000
MWh Savings	4,627	9,322	13,949
Therm Savings	98,910	231,040	329,950

NOTICE OF PROPOSED RULE MAKING

A Notice of Proposed Rulemaking concerning the NYSEG/RGE petition under consideration here was published in the State Register on January 11, 2012 (SAPA07-M-0548SP47). The minimum period for the receipt of public comments pursuant to the State Administrative Procedure Act (SAPA) regarding that notice expired on February 27, 2012.

SUMMARY OF COMMENTS

No comments were received in response to the Notice of Proposed Rulemaking regarding the November petition (SAPA07-M-0548SP47). OPower submitted comments to a public notice regarding SAPA 07-M-0548SP38. In those comments OPower states that the companies could run a cost-effective, measurable behavioral efficiency program.

DISCUSSION

Behavior modification programs have the potential to provide relatively low cost energy savings to a large number of utility customers. We have previously approved similar programs for other utility program administrators and Staff indicates that the program proposed here can be cost effective if administered properly. We are encouraged that the revised

program proposal is the result of a competitive procurement process. Generally, such a process has the potential to lower program costs and/or provide better products and services.

The proposed program will run for a period of one year as compared to the original program duration of two years and the companies have proposed lower budgets and savings targets. The proposed NYSEG electric budget is approximately 90% of the budget originally approved, with a savings target approximately 72% of that originally approved. NYSEG's proposed gas budget is approximately 3% of the original budget with a proposed savings target of approximately 5% of that originally approved. The proposed RGE electric budget is approximately 80% of the budget previously approved, with a proposed savings target of approximately 63% of the original. RGE's proposed gas budget is approximately 13% of the originally approved budget with a proposed savings target of approximately 23% of the target originally approved. Although the proposed electric savings targets are reduced by a higher percentage than the corresponding budgets, the figures are based on actual customer usage data, and should be more realistic and achievable than the originally approved targets and budgets based on usage data not representative of the companies' customers. We will therefore approve NYSEG/RGE's revised Home Energy Reports Demonstration program with the budgets and savings targets as listed below in the Appendix.

The total budgets for the companies' electric and gas portions of the program are within the budgets originally authorized for use during 2011 and 2012. Previously, we prohibited the use of uncommitted funds collected prior to January 1, 2012 during the 2012-2015 time period unless we

specifically approved of such use.⁵ However, in light of the companies' November petition and for the reasons explained above, we will approve the use of uncommitted funds collected in 2011 for the original HERs program to be used for the revised program we approve here.

The companies' request to eliminate the originally approved 2011 savings targets for the program is reasonable. The companies provided timely notice in April 2011 that, based on information they obtained during the competitive procurement process, the approved savings targets were unachievable with the originally approved budgets and timeframes. Rather than move forward with a faulty program design, the companies performed an analysis based on information gathered through the competitive procurement process and have now proposed a program with revised budgets and savings targets they deem to be achievable. We will therefore approve the companies' request to eliminate the 2011 savings targets and grant relief from utility incentives or penalties tied to those energy savings targets.

The companies include "startup costs" as a separate cost category in their proposed budgets. The companies state such costs include website development, IT planning for data integration, customer segment targeting analysis and project kickoff. These types of costs should be allocated to the cost categories previously described by Staff in the budget guidelines. The companies shall submit to Staff as part of the implementation plan to be submitted for these programs a new budget that allocates the start up costs to the appropriate categories.

⁵ Case 07-M-0548 et al., supra, Order Authorizing Efficiency Programs, Revising Incentive Mechanism, and Establishing a Surcharge Schedule (issued October 25, 2011) pp. 24-25.

If the companies select a program design that requires the sharing of customer information and data, we will require them to implement proper privacy protections regarding the use and handling of that information and data, as we did in previously approving similar programs. The utilities shall explain why such information is needed in order to implement the program. The contract between the utility and the program implementation contractor 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 implementation contractor or its representatives. The clause shall require the implementation contractor to take 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. The companies shall submit to the Director of the Office of Consumer Policy a copy of any agreement between the utilities and the selected program implementation contractor as well as any agreements between the program implementation contractor and any of its contractors that may have access to customer information. Finally, in order 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 the companies are incomplete. Although the companies state a commitment to quality evaluation and to the evaluation guidelines developed by Staff and the Evaluation Advisory Group, the plans contain insufficient 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 the companies 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 the companies 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 revised Home Energy Reports Demonstration programs proposed by the companies as described in this order. Additionally, the Commission grants NYSEG/RGE's request to waive the original 2011 savings targets and grant relief from any

utility incentives or penalties tied to energy savings targets associated with the 2011 program.

The Commission orders:

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

2. The energy savings targets that were approved for the Home Energy Reports Demonstration program in the January 25, 2011 order are vacated for purposes of the EEPS utility incentive mechanism for the period ending December 31, 2011.

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

4. 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.

5. As part of the implementation plans, if applicable, 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(s) 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.

6. NYSEG/RGE shall incorporate reports on the program 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.

7. The Secretary at her sole discretion may extend the deadlines set forth in this order.

8. These proceedings are continued.

By the Commission,

(SIGNED)

JACLYN A. BRILLING
Secretary

Table 1
Home Energy Reports Demonstration Program Costs and Savings Targets

	<u>7/2012-12/2012</u>	<u>1/2013-6/2013</u>	<u>7/2012-6/2013</u>	
<u>NYSEG</u>				
<i>Home Energy Reports Demonstration Program (electric)</i>				
Savings (MWh)	5,324	10,727	16,051	
Program Administrative Costs	\$374,890	\$374,890	\$749,780	95.0%
<u>Eval. M&V Costs</u>	<u>\$19,750</u>	<u>\$19,750</u>	<u>\$39,500</u>	<u>5.0%</u>
Total Budget	\$394,640	\$394,640	\$789,280	100.0%
<u>NYSEG</u>				
<i>Home Energy Reports Demonstration Program (gas)</i>				
Savings (Therms)	21,000	49,050	70,050	
Program Administrative Costs	\$10,594	\$10,594	\$21,188	95.0%
<u>Eval. M&V Costs</u>	<u>\$555</u>	<u>\$555</u>	<u>\$1,110</u>	<u>5.0%</u>
Total Budget	\$11,149	\$11,149	\$22,298	100.0%
<u>RGE</u>				
<i>Home Energy Reports Demonstration Program (electric)</i>				
Savings (MWh)	4,627	9,322	13,949	
Program Administrative Costs	\$332,299	\$332,299	\$664,598	95.0%
<u>Eval. M&V Costs</u>	<u>\$17,175</u>	<u>\$17,175</u>	<u>\$34,350</u>	<u>5.0%</u>
Total Budget	\$349,474	\$349,474	\$698,948	100.0%
<u>RGE</u>				
<i>Home Energy Reports Demonstration Program (gas)</i>				
Savings (Therms)	98,910	231,040	329,950	
Program Administrative Costs	\$53,515	\$53,515	\$107,030	95.0%
<u>Eval. M&V Costs</u>	<u>\$2,800</u>	<u>\$2,800</u>	<u>\$5,600</u>	<u>5.0%</u>
Total Budget	\$56,315	\$56,315	\$112,630	100.0%