

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on October 13, 2011

COMMISSIONERS PRESENT:

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

CASE 10-M-0457 - In the Matter of the System Benefits Charge IV.

ORDER CONTINUING THE SYSTEM BENEFITS CHARGE AND APPROVING AN
OPERATING PLAN FOR A TECHNOLOGY AND MARKET DEVELOPMENT PORTFOLIO
OF SYSTEM BENEFITS CHARGE FUNDED PROGRAMS

(Issued and Effective October 24, 2011)

BY THE COMMISSION:

INTRODUCTION

In our order of December 30, 2010, we addressed a proposal submitted by the New York State Energy Research and Development Authority (NYSERDA) to extend the System Benefits Charge (SBC) for an additional five and one-half years, and to reshape the portfolios of programs it funds.¹ At that time, we approved an extension of SBC funded programs through the end of 2011, as well as a transfer of certain programs to the Energy Efficiency Portfolio Standard (EEPS) portfolio. We deferred, however, a final decision on both the scope and funding of a proposed new Technology and Market Development (T&MD) portfolio. We advised, instead, that a decision would be made after we had an opportunity to review a proposed operating plan to be

¹ Case 10-M-0457, Order Continuing Systems Benefit Charge Funded Programs (issued December 30, 2010)(2010 Order).

developed by NYSERDA and to receive comments on the plan from interested parties. That plan was filed on May 16, 2011, and we have since received and considered comments from a broad range of organizations, businesses, governmental entities and utilities. Based on that review, we conclude in this order that the T&MD portfolio proposed by NYSERDA should be approved for the five-year period from January 1, 2012, through December 31, 2016, with an average annual budget of \$93.8 million, to be initially allocated among T&MD programs as set forth in Appendix A. Of this amount, \$82 million will be funded from SBC collections that we authorize to continue in accordance with the schedule set forth in Appendix B, which we have revised to align receipts more closely with expected expenditures. The balance of the budget, for an expanded Combined Heat and Power (CHP) initiative, will be authorized by the Commission based on funding from a source or sources to be identified by NYSERDA in a proposal to be submitted to us by March 31, 2012.

In addition, we authorize NYSERDA, in consultation with Staff, to reallocate such funding among programs to respond to changing circumstances and to take advantage of new opportunities. We also establish reporting requirements, including a 2014 "mid-term" presentation by NYSERDA concerning the state of the T&MD portfolio that will enable us to better determine whether the T&MD programs are meeting the objectives set forth in our 2010 Order. Finally, we establish a process for determining the appropriate disposition of SBC III funds that are uncommitted as of December 31, 2011, or become uncommitted thereafter.

BACKGROUND

We initiated the SBC in 1998 as a means of ensuring continued financial support for programs providing important public benefits that were historically funded through utility

rates and could not be expected to be offered by participants in competitive markets. In 2001, and again in 2006, we extended the SBC for an additional five years. The last of those extensions, referred to as SBC III, was originally scheduled to expire on June 30, 2011.

On September 20, 2010, NYSERDA, the designated third party administrator of statewide SBC funded programs, submitted a proposal to further extend the SBC with a renewed vision of the program as a means for testing, developing and introducing "new technologies, strategies and practices that build the Statewide market infrastructure to reliably deliver clean energy to New Yorkers."² NYSERDA's proposal had four primary elements:

(a) The scheduled June 30, 2011, expiration of SBC III, would be extended through December 31, 2011, synchronizing its termination with the programs operating under the terms of the EEPS portfolio. Funding for the six-month extension would be authorized at the then current SBC III level.

(b) Management and administration of eight energy efficiency resource acquisition programs, consisting of incentive-based measures designed to reduce energy usage, would be transferred to the EEPS portfolio along with their funding.

(c) A new T&MD portfolio would be defined to encompass programs designed to accelerate energy innovation through support for scientific research and market analysis, investment in technology development and demonstration, promotion of a clean energy economy through business and market development, acceleration of adoption of clean energy technologies and practices, and the incorporation of more rigorous energy-use standards in codes and industry best practices.

² "System Benefits Charge in New York: Vision for the Future," September 20, 2010, p. 2.

(d) Total SBC funding for the programs transferred to the EEPS portfolio and the new T&MD portfolio would be authorized at the current SBC III funding level of approximately \$180 million annually for each of the five years ending December 31, 2016, with approximately \$98 million allocated to the programs moving to EEPS, and \$82 million to the T&MD portfolio.

In our 2010 Order, we approved an extension of funding for SBC III programs for the six-month period from July 1, 2011 through December 31, 2011, in the aggregate amount of \$90,125,000, one-half the annual SBC III budget. We also approved the transfer of resource acquisition oriented programs to the EEPS portfolio as recommended by NYSERDA. Further funding for those programs is being considered separately as a part of our overall review of EEPS.³

In response to a number of concerns raised by commenting parties and by our Staff, however, we deferred a final decision on both the scope and funding of the proposed T&MD portfolio. We determined, instead, that a decision would be made after we had an opportunity to review a proposed operating plan to be developed by NYSERDA and to receive comments on the plan from interested parties. Our order provided guidance to NYSERDA concerning the questions we expected to be addressed in the development of the plan, and the level of outreach we felt was necessary to ensure the involvement of all stakeholders in the process leading up to the preparation of the plan.

NYSERDA filed its "Operating Plan for Technology and Market Development Programs (2012-2016)" on May 16, 2011. Notices of Proposed Rulemaking concerning our consideration of the plan were published in the New York State Register on

³ Case 07-M-0548, Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard.

June 8, 2011.⁴ A separate notice was issued by the Secretary soliciting comments in two rounds, with initial comments due July 25, 2011, and reply comments due August 15, 2011.⁵

Initial comments were received from a diverse group of more than 40 parties representing environmental, energy efficiency, energy research and development, economic development, municipal and governmental, industrial and utility interests. Eight parties submitted replies. A list of the parties submitting comments is attached to this order as Appendix C.

All comments timely received have been reviewed and taken into account in reaching the determinations set forth below.

OVERVIEW OF OPERATING PLAN

NYSERDA's plan identifies eight separate T&MD initiatives grouped within three categories. Briefly described, the proposed initiatives are as follows:

Power Supply and Delivery Category

Smart Grid and Electric Vehicle Infrastructure would support projects to accelerate the market readiness of emerging smart grid and grid-powered vehicle infrastructure technologies and strategies.

Advanced Clean Power is aimed at reducing barriers and costs to increase market acceptance of clean power in New York by developing and demonstrating clean power technologies; demonstrating the capacity to develop renewable resources, particularly in the New York City area; inventorying sites, resources and project development opportunities; and focusing on near-term opportunities to reduce the cost of renewable energy.

⁴ SAPA Nos. 10-M-0457SP2 and 10-M-0457SP3.

⁵ Case 10-M-0457, Notice Inviting Comments, issued June 22, 2011.

Combined Heat and Power is intended to remove market barriers to the use of CHP technologies and to increase customer acceptance of CHP systems. It would include two programs. The CHP and District Energy Performance program would focus on funding gas-fired CHP and district energy systems achieving at least 60% annualized fuel conversion efficiency, and would assist end users in developing solutions to space constraint, fuel supply, environmental compliance and interconnection issues. The CHP Aggregation and Acceleration program would fund projects using smaller, modular systems in order to demonstrate the feasibility of deploying these systems more widely, and increase awareness through outreach and education, demonstration and testing, and dissemination of performance data and lessons learned.⁶

Building Systems Category

Advanced Buildings would seek to reduce barriers and costs and increase market acceptance of high-performance, high-efficiency building technologies and practices through demonstration projects and assistance to building managers.

Advanced Energy Codes and Standards is aimed at maximizing energy savings from codes and standards by developing more stringent codes, training the building design and construction industry, and providing on-site assistance to building code officials to help achieve a 90% compliance rate.

Clean Energy Infrastructure Category

Market Development is intended to develop the supply chain for clean energy products and to continue to build demand

⁶ In its July 25, 2011, response to questions from DPS Staff, NYSERDA stated that all projects under both programs will be required to have a design-basis of at least 60% fuel conversion efficiency, and all equipment will be required to meet environmentally-clean emissions ratings. "NYSERDA Response to June 23, 2011, Department of Public Service Letter," p. 45.

through market research and analysis, novel marketing approaches, outreach and education and workforce training for emerging technologies.

Clean Energy Business Development is designed to catalyze innovation and provide support for early stage companies in New York that can bring new clean energy technologies to market. It would establish university-industry partnerships, support clean energy clusters in concert with Regional Economic Development Councils, and identify opportunities for leveraging with private and federal government capital.

Environmental Monitoring, Evaluation and Protection would support basic data collection and analysis to provide a scientific foundation for formulating effective, equitable energy policies and practices. It would use stakeholder and expert input through advisory groups to guide the research agenda.

The budget for all initiatives would total \$498 million over the five-year 2012-2016 period, an annual average budget of \$99.6 million. This would represent an increase of approximately \$17.6 million annually over SBC III funding levels. NYSERDA attributes the full amount of the increase to CHP, which it identifies as a "stand-alone" initiative, incremental to the seven other "base" initiatives.

NYSERDA states that its recommendations concerning the initiatives to be pursued and their funding levels were based on their potential to provide benefits associated with three priorities which NYSERDA lists, in order of importance, as:

Electric and gas system-wide benefits. Highest priority given to initiatives having the potential to reduce usage and demand, increase reliability and safety, moderate wholesale prices, mitigate delivery cost increases, or diversify energy resources.

Other economic and environmental benefits. These include economic development, reduced environmental and health impact of energy production, consumer cost savings in the form of reduced expenditures for energy and clean energy products, and the ability to leverage resources or fill critical funding gaps to increase the return on limited State resources.

Unique and or critical New York opportunities. Initiatives that address problems or take advantage of opportunities unique to the State's infrastructure, assets and diverse urban/rural landscape.

In response to the concerns expressed in our 2010 Order, NYSERDA states that it engaged in an intensive outreach process and systematically collected input and advice from stakeholders with a wide variety of interests and capabilities. That process included 22 meetings in which 225 organizations participated; a dedicated website and email listserv providing periodic updates to interested parties; and a technical conference in which some 100 people participated after having been provided a briefing paper in advance that outlined a preliminary proposal for the operating plan.

OVERVIEW OF COMMENTS

From among the many comments we received on NYSERDA's proposed operating plan, four common themes were evident.⁷

1. Broad, strong support for the T&MD portfolio and for NYSERDA. Every commenting party supported continued funding of T&MD programs through the SBC, and all but one backed a

⁷ We note that a number of parties suggested in their comments that we designate specific projects or research efforts to be funded within the T&MD portfolio. Our policy, however, has been to approve an overall budget with broadly defined categories and to leave it to NYSERDA, as the expert program administrator, to decide which projects within those categories are most deserving of funding. We continue that policy in this proceeding.

funding level at least equal to the approximately \$82 million budget currently in place under SBC III. Only the Utility Intervention Unit of the Department of State (UIU) advocated an overall reduction in program funding as a cost mitigation measure for ratepayers. Similarly, all parties supported, and most highly praised, the work of NYSERDA as program administrator.

2. Very strong support for the CHP initiative.

Nearly all parties who commented on the subject, including Multiple Intervenors (MI), New York City, PACE/NRDC⁸ and the UIU strongly supported funding for CHP at the full \$15 million annual level requested by NYSERDA. Many parties expressed concern that NYSERDA's designation of CHP as an "incremental" initiative might jeopardize its chances of obtaining that full funding level. NYSERDA responded that it included CHP in its T&MD operating plan because it views the initiative as having a very high potential to contribute to the near-term achievement of New York's clean energy goals, an objective on which the Commission has placed considerable emphasis. NYSERDA says it made CHP a stand-alone program because, unlike other T&MD programs, it has a substantial resource acquisition component. This, it says, makes CHP best suited for funding through EEPS or an expanded RPS program.

3. Broad reluctance to see SBC collections increased.

Despite their support for full funding of CHP, the parties either strongly opposed raising SBC collections to cover its cost, or at least recognized that objections to increased collections were likely. PACE/NRDC, for example, stated that if the Commission should choose not to increase total SBC funding, then it would rather see other T&MD programs cut than have

⁸ PACE Energy and Climate Center and Natural Resources Defense Council.

funding for CHP reduced. Similarly, New York City said CHP should be fully funded even if "less beneficial" initiatives have to be reduced. Other CHP supporters such as MI, UIU, and Consumer Power Associates (representing non-profit universities and hospitals) opposed any increase in overall SBC program costs.

4. Satisfaction with process. In striking contrast to the comments received last fall on NYSERDA's original T&MD proposal, the commenting parties this time around appear to be fully satisfied with the outreach process undertaken by NYSERDA in the development of its operating plan. None called for any additional process prior to adoption of the plan. In addition, although there were some suggested variations, the majority of commenters also expressed satisfaction with the level of ongoing stakeholder involvement proposed by NYSERDA for the implementation phase of the T&MD programs.

DISCUSSION

In our 2010 Order, we reaffirmed our high level of commitment to the continuation of SBC programs and the important State policy goals they support. Since their inception, these programs have produced significant reductions in peak electric demand, helped numerous advanced technologies to reach commercial availability or market adoption, supported the start-up and growth of clean tech companies, expanded the availability of energy efficient products, and supported training of essential clean energy practitioners and educators. These objectives remain as critical to the future of our State today as they were a decade ago. Our decision to defer consideration of the T&MD portfolio was not driven by questions about the substance of any particular proposed program, but rather by our concern, based on the overwhelming weight of the comments we received, that the overall structure of the portfolio needed to

be reexamined through a process providing for more inclusive participation by interested stakeholders.

We are satisfied that the steps undertaken by NYSERDA in the development of the operating plan have provided for adequate participation by all stakeholders in the process and have produced a proposal that generally addresses the issues we identified in our 2010 Order. While the justifications for selection and prioritization of initiatives remain somewhat subjective, we recognize that this subjectivity is, to some extent, inherent in the type of research, development and demonstration effort that T&MD represents. In considering the T&MD operating plan, therefore, we give considerable weight to the extensive input from interested parties that has informed the structure of the portfolio and the broad support for both the proposal and for NYSERDA that has been expressed by those parties.

We are, therefore, satisfied with the overall scope and structure of the operating plan. Our review of the plan and the comments received concerning it has, however, identified a number of issues requiring resolution.

CHP and Overall Funding

As we noted above, the CHP initiative received very strong support among commenting parties. Many point out that the opportunity for expansion of this distributed generation resource is particularly great in New York; that the concentration of potential CHP sites in the New York City area tends to enhance the geographic equity of the SBC program; and that, historically, SBC investment in CHP has been leveraged at a 5:1 ratio by private capital. These are all objectives we said in our 2010 Order should be pursued in the design of a T&MD portfolio.

As we also noted, however, NYSERDA has proposed that the inclusion of a CHP initiative in the T&MD portfolio be funded through an increase in SBC collections. A substantial number of commenting parties, even among those who support the CHP initiative fully, have expressed strong concerns about an increase in collections from utility customers in the current economic climate.

In the discussion of the T&MD portfolio at our September 2011 session, we requested that NYSERDA provide us with alternative budgets reflecting how it would propose to reallocate funds if a CHP initiative were included but total program funding were limited to the \$82 million SBC III funding level (\$70 million in program funds plus overheads). On September 29, 2011, NYSERDA filed a letter with the Secretary in which it offered three alternatives. Option A would fully fund only the smaller, \$5 million CHP Aggregation and Acceleration program. No funding would be authorized for the CHP and District Energy Program. To provide the \$5 million without increasing SBC collections, other T&MD program budgets would be reduced by approximately 7%.

Option B would simply fund the full \$15 million CHP initiative through a roughly 21% reduction in all other T&MD programs. Such deep cuts, NYSERDA says, would very likely result in the elimination or curtailment of parts of the programs, with major implications for the State's ability to achieve clean energy goals and initiatives.

Option C is more complicated. Under this last scenario, the CHP initiative would be fully funded, but program funds for other T&MD initiatives would be reduced by only \$5 million as under Option A. The additional \$10 million required would come from a reduction in NYSERDA's EEPS funding in conjunction with ongoing efforts to optimize NYSERDA's EEPS

portfolio. NYSERDA contends that this funding shift can be accomplished without compromising the achievement of EEPS targets, and would allow for full funding of CHP without the need for an increase in SBC collections.

In our December 2010 Order, we extended the term of SBC III in order to synchronize our consideration of the proposed T&MD portfolio with that of the EEPS portfolio. An important benefit of that decision is now apparent. As noted above, the comments we received expressed strong support for the T&MD portfolio as a whole and for an expanded CHP initiative, but generally opposed any increase in the collections required to support them. Inherently, these conflicting objectives could not be met by looking at T&MD alone. Because of the ongoing evaluation of the EEPS portfolio, however, the possibility exists that all of these concerns can be satisfied without materially impairing the achievement of the goals of the T&MD portfolio or EEPS. Alternatively, NYSERDA may propose other funding sources for our consideration that would not require an increase in collections from ratepayers.

Accordingly, we will approve the general framework set forth in NYSERDA's Option C, with some additional requirements. The budget for the T&MD portfolio will be authorized at an average annual level of \$93.8 million, as set forth in Appendix A, representing \$80 million in program costs and \$13.8 million in overheads. This includes \$65 million in program costs (\$76.2 million total) for NYSERDA's "base" T&MD initiatives, and \$15 million in program costs (\$17.6 million total) for a CHP initiative.

SBC collections will be set at an aggregate amount of \$410 million, to be collected in accordance with the schedule set forth in Appendix B which has been optimized to better match collections with anticipated expenditures. These funds will be

applied to cover the full \$76.2 million cost of the base initiatives and the first \$5.8 million of the CHP initiative. NYSERDA may apply the \$5.8 million to costs incurred under the CHP Aggregation and Acceleration program or for feasibility studies related to projects proposed under the CHP and District Energy Performance program, provided that such funds are not committed for projects located within the steam service territory of Consolidated Edison Company of New York, Inc. (Con Edison) prior to our review and approval of the CHP plan discussed below.

The difference of \$10 million in annual program costs (\$11.8 million total) between authorizations and collections must be derived from a source or sources other than the SBC. NYSERDA has proposed one approach for accomplishing that, but we do not yet have a specific proposal, and would not expect to have one until the initial EEPS term expires on December 31, 2011. We will, therefore, require that NYSERDA submit a plan for funding the balance of the CHP initiative in conjunction with the filing of its annual report due March 31, 2012. That plan, which will be subject to our approval, should fully describe and explain how the \$10 million in program costs required for the CHP initiative can be realized without increasing collections from ratepayers. It should specifically identify the source(s) of the funds to be used for the CHP initiative, identify the programs affected by the reallocation of funding, and explain the expected impact of the shift, if any, on the achievement of statewide energy efficiency goals. Whether or not NYSERDA proposes to use the full \$10 million in savings expected to be achieved through optimization of the EEPS portfolio to fund the CHP initiative, the plan should explain how NYSERDA expects those savings to be realized. In addition, the plan must set forth the criteria that will be used by

NYSERDA to select projects for funding under the CHP and District Energy Performance program from among those meeting the 60% fuel efficiency requirement, and must explain how those criteria address the potential impact of proposed projects on Con Edison's steam system.

Reallocation Discretion

As a part of its plan, NYSERDA requests authorization to reallocate funds among program initiatives without the need for formal Commission authorization, even if the reallocation cuts across program categories. It says this flexibility is necessary to optimize the use of T&MD funds by taking into account emerging opportunities, public policy considerations, and program progress. Transfers would be subject to prior consultation with DPS staff.

MI objects to this request, expressing concern that such discretion could produce expenditures differing materially from the approved operating plan, and might disproportionately benefit programs less likely to provide tangible near-term customer benefits or otherwise result in allocations inconsistent with our funding criteria. New York City expresses similar concerns if the potential for reallocation were to be unlimited and, therefore, suggests that the authority for transfers among initiatives be restricted to 10% of annual program funds.

As we have indicated, there is inherent uncertainty in the prognosis for any program that attempts to operate on the cutting edge of technology and market development no matter how well thought out the plan may be. Initiatives with high expectations may not pan out, while others currently unforeseen or underappreciated may present promising new opportunities. Rigidity in a program encompassing such initiatives is inappropriate, flexibility is essential, and NYSERDA's request

is well-founded. It would, in fact, provide little more discretion than the Authority already has under the Research and Development category of programs under SBC III. While the concerns of MI and New York City are legitimate, we are confident that Staff will take all potential impacts into account in evaluating proposed funds transfers. We, therefore, approve NYSERDA's proposal.

Reporting Requirements

NYSERDA proposes a comprehensive reporting schedule to include monthly financial status reports and semiannual and annual reports on the progress, outputs and outcomes of the T&MD portfolio initiatives. The semiannual and annual reports will include budget and spending status and will show NYSERDA's progress in relation to the goals set forth in the operating plan and the objectives of the T&MD portfolio. NYSERDA will also make publicly available all T&MD evaluation studies completed by its independent contractors with a summary of recommendations made and NYSERDA's follow-up to those recommendations.

The volume and schedule of reporting is satisfactory, but in order to ensure that our Staff has the information it needs to evaluate the progress of T&MD initiatives, we will require that the content of the reports include the type of information we called for in our 2010 Order. The semiannual and annual reports should present both qualitatively and quantitatively the benefits achieved for New York generally, and utility ratepayers in particular, in terms of increased safety and reliability, an improved environment, wholesale energy price mitigation, economic development and jobs creation. They should quantify the leveraging of SBC funds with funds from external sources and assess the likelihood that such funds would have been available without SBC IV. Where projects are expected to

contribute to meeting the Commission's clean energy goals, results achieved and anticipated should be described and quantified. In addition, with respect to projects supporting the further development and/or commercialization of specific technologies or products, the reports should describe progress toward defined milestones, and assess the likelihood that fund recipients will be self-sustaining when SBC IV funding expires.

Finally, because a T&MD portfolio of this size and scope is new, it is important that we not wait until the expiration of its five-year term to evaluate its progress. Rather we will conduct a "mid-term" review, similar to what we have done with EEPS and the Renewable Portfolio Standard. Therefore, in addition to the written reports, we will require NYSERDA to make a presentation to us following the March 31, 2014, submission of its annual report for 2013. The presentation should describe the progress of each of the T&MD initiatives, summarize expenditures and accomplishments, highlight lessons learned, identify successes and failures, and suggest possible mid-course corrections, if applicable.

Collections

As noted, the schedule of collections set forth in Appendix B has been established based on current expectations as to NYSERDA's need for cash receipts to cover program expenditures. To enable us to adjust the schedule as appropriate to maintain that balance, we will require NYSERDA to file, not later than June 30 of each year from 2012 through 2015, a forecast of estimated end-of-year cash balances, expenditures, and commitments, through 2018.

Reallocation of Uncommitted SBC III Funds

NYSERDA proposes to identify unencumbered SBC III funds by program category following the December 31, 2011, end of the SBC III term, and by March 31, 2012, to propose a plan

for reallocation of those funds. The plan would be subject to review and approval by Staff. In addition, NYSERDA proposes that if any SBC III projects are terminated after March 31, 2012, and funds become unencumbered, those funds will be reallocated to the most closely aligned T&MD program. The operating plan includes a chart showing those program alignments.

We said in our December 2010 Order that we would consider applying unused SBC III funds to reduce collections from ratepayers. That remains a possibility, and it is a decision we decline to delegate. Therefore, we will require that by March 31, 2012, NYSERDA will submit a full accounting of all SBC III funds that were uncommitted as of December 31, 2011. "Uncommitted funds" in this context means unencumbered funds that have not been allocated to a completed application that has been determined by NYSERDA to meet basic eligibility criteria but for which NYSERDA does not yet have a fully executed contract. Together with this submission, NYSERDA may propose an allocation for the uncommitted funds, as well as any funds that might become uncommitted in the future (through project terminations, for example). Final disposition of the funds will be subject to our determination.

CONCLUSION

NYSERDA has presented a sound operating plan for its T&MD portfolio. Subject to the modifications discussed in this Order, we conclude that it should be approved for a term of five years with an average annual budget of \$93.8 million.

The Commission orders:

1. System Benefits Charge (SBC) funding for a Technology and Market Development (T&MD) portfolio including a Combined Heat and Power (CHP) initiative to be administered by the New York State Energy Research and Development Authority

(NYSERDA) is approved. The annual program, administration, evaluation, and New York State Cost Recovery Fee budgets shall be as set forth in Appendix A of this order. NYSERDA, in consultation with Staff, may reallocate funding among programs. Any disagreements between NYSERDA and Staff in that regard shall be presented to the Commission for resolution.

2. Within 60 days of issuance of this order, NYSERDA shall submit to the Secretary a supplemental revision to the T&MD Operating Plan. The supplemental revision shall incorporate the changes made in this order and shall comply with prior directives from the Commission.

3. By March 31, 2012, NYSERDA shall file with the Secretary a proposed plan to fund CHP program budgets not included in SBC collections or transfers to NYSERDA from reductions in NYSERDA Energy Efficiency Portfolio Standard (EEPS) budgets, uncommitted SBC III funds, or funds from such other source as may be identified by NYSERDA that can be realized without an increase in collections from ratepayers. The amount to be funded is set forth in Appendix B, Table 2 of this order. The plan must also set forth the criteria that will be used by NYSERDA to select projects for funding under the CHP and District Energy Performance program, and must explain how those criteria address the potential impact of proposed projects on Consolidated Edison Company of New York's steam system. The plan will be subject to Commission approval. Pending that approval, no funds shall be committed for any CHP projects to be located within the steam service territory of Consolidated Edison Company of New York.

4. By March 31, 2012, NYSERDA shall submit an accounting of SBC III funds that, as of December 31, 2011, were uncommitted, as that term is defined herein. NYSERDA may concurrently submit a proposal for the use of such funds as well

as for the use of any SBC III funds that might become uncommitted in the future. The disposition of uncommitted SBC III funds will be determined by the Commission.

5. NYSERDA shall incorporate reports on T&MD programs into the SBC periodic program and evaluation reports, annual program reports and evaluations, and monthly scorecard reports. The reports shall include the information described in the body of this order.

6. Following the submission of its 2013 annual report due March 31, 2014, NYSERDA shall make a progress presentation to the Commission describing the state of the T&MD portfolio and including the information described in the body of this order.

7. Central Hudson Gas & Electric Corporation (Central Hudson); Consolidated Edison Company of New York, Inc. (Con Edison); New York State Electric and 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) shall establish by contract with NYSERDA, a schedule of payments, no less frequently than quarterly commencing January 1, 2012, to transfer electric SBC funds to NYSERDA for NYSERDA-administered programs as set forth in Appendix B, Table 1 of this order.

8. The electric System Benefits Charge is continued and the level of overall SBC electric revenue collections is to be collected in the manner shown in Appendix B, Table 1 of this order.

9. Each utility affected by this order shall file tariff amendments and/or statements on not less than 30 days' notice to become effective January 1, 2012, incorporating the revisions described herein. The requirements of Section 66(12)(b) of the Public Service Law as to newspaper publication of the changes proposed by these filings is waived.

10. Not later than June 30 of each year from 2012 through 2015, NYSERDA shall submit a forecast of estimated end-of-year cash balances, expenditures, and commitments, through 2018.

11. NYSERDA shall manage the SBC funds prudently and within the budgets authorized by the Commission.

12. Not later than March 31 of each year 2012 through 2016, NYSERDA shall file with the Secretary an accounting of uncommitted balances at the end of the previous calendar year.

13. Annual accounting for programs subject to this order shall be performed on an accrual and commitment basis.

14. The Secretary at her sole discretion may extend the deadlines set forth herein.

15. These proceedings are continued.

By the Commission,

JACLYN A. BRILLING
Secretary

APPENDIX A
APPROVED SBC IV PROGRAM BUDGETS

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>All</u>	<u>Average</u>
POWER SUPPLY AND DELIVERY							
Smart Grid and Electric Vehicle Infrastructure	\$3,694,889	\$3,694,889	\$8,352,052	\$8,352,052	\$27,187,500	\$51,281,382	
Advanced Clean Power	\$6,927,918	\$6,927,918	\$10,208,063	\$10,208,063	\$7,500,000	\$41,771,962	
BUILDING SYSTEMS							
Advanced Buildings	\$14,871,930	\$14,871,930	\$14,337,689	\$14,337,689	\$11,156,250	\$69,575,488	
Advanced Energy Codes and Standards	\$4,156,751	\$4,156,751	\$3,480,022	\$3,480,022	\$1,406,250	\$16,679,794	
CLEAN ENERGY INFRASTRUCTURE							
Market Development	\$17,920,214	\$17,920,214	\$16,379,302	\$16,379,302	\$16,781,250	\$85,380,280	
Clean Energy Business Development	\$8,821,548	\$8,821,548	\$7,980,850	\$7,980,850	\$8,156,250	\$41,761,046	
Environmental Monitoring, Evaluation and Protection	\$4,156,751	\$4,156,751	\$3,712,023	\$3,712,023	\$2,812,500	\$18,550,047	
TOTAL PROGRAM COSTS	\$60,550,000	\$60,550,000	\$64,450,000	\$64,450,000	\$75,000,000	\$325,000,000	\$65,000,000
Administration (8 %)	\$5,678,781	\$5,678,781	\$6,044,549	\$6,044,549	\$7,033,998	\$30,480,657	
Evaluation (5%)	\$3,549,238	\$3,549,238	\$3,777,843	\$3,777,843	\$4,396,249	\$19,050,410	
NYS Cost Recovery Fee (1.7%)	\$1,206,741	\$1,206,741	\$1,284,467	\$1,284,467	\$1,494,725	\$6,477,140	
TOTAL ADMIN COSTS	\$10,434,760	\$10,434,760	\$11,106,858	\$11,106,858	\$12,924,971	\$56,008,206	\$11,201,641
TOTAL ALL COSTS (Except CHP)	\$70,984,760	\$70,984,760	\$75,556,858	\$75,556,858	\$87,924,971	\$381,008,206	\$76,201,641
COMBINED HEAT and POWER (CHP)	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$25,000,000	\$5,000,000
Administration (8 %)	\$468,933	\$468,933	\$468,933	\$468,933	\$468,933	\$2,344,666	
Evaluation (5%)	\$293,083	\$293,083	\$293,083	\$293,083	\$293,083	\$1,465,416	
NYS Cost Recovery Fee (1.7%)	\$99,648	\$99,648	\$99,648	\$99,648	\$99,648	\$498,242	
TOTAL ADMIN COSTS (CHP)	\$861,665	\$861,665	\$861,665	\$861,665	\$861,665	\$4,308,324	\$861,665
TOTAL ALL CHP COSTS	\$5,861,665	\$5,861,665	\$5,861,665	\$5,861,665	\$5,861,665	\$29,308,324	\$5,861,665
TOTAL ALL SBC-FUNDED COSTS	\$76,846,425	\$76,846,425	\$81,418,523	\$81,418,523	\$93,786,635	\$410,316,530	\$82,063,306
INCREMENTAL CHP	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$50,000,000	\$10,000,000
Administration (8 %)	\$937,866	\$937,866	\$937,866	\$937,866	\$937,866	\$4,689,332	
Evaluation (5%)	\$586,166	\$586,166	\$586,166	\$586,166	\$586,166	\$2,930,832	
NYS Cost Recovery Fee (1.7%)	\$199,297	\$199,297	\$199,297	\$199,297	\$199,297	\$996,483	
TOTAL ADMIN COSTS (NON-SBC CHP)	\$1,723,329	\$1,723,329	\$1,723,329	\$1,723,329	\$1,723,329	\$8,616,647	\$1,723,329
TOTAL INCREMENTAL CHP	\$11,723,329	\$11,723,329	\$11,723,329	\$11,723,329	\$11,723,329	\$58,616,647	\$11,723,329
GRAND TOTAL ALL COSTS	\$88,569,754	\$88,569,754	\$93,141,852	\$93,141,852	\$105,509,965	\$468,933,177	\$93,786,635

Appendix C
Parties Submitting Comments

Alliance for Clean Energy New York, Inc.
Alteris Renewables
American Council for an Energy Efficient Economy
APV Advanced Photovoltaics
Appliance Standards Awareness Project
Aviator Sports and Recreation
Brookhaven National Laboratory
Central Hudson Gas & Electric Corporation, Consolidated Edison
Company of New York, Inc., Orange and Rockland Utilities, Inc.,
National Grid, New York State Electric & Gas Corporation, and
Rochester Gas and Electric Corporation
CG Center for Intelligent Power
CH2MHill
City of New York
Clinton Hill Apartment Owners Corporation, Inc.
College of Nanoscale Science and Engineering, University at
Albany
Conservation Services Group
Constellation NewEnergy, Inc.
College of Nanoscale Science and Engineering, University at
Albany
Consumer Power Advocates
Corning
Environmental Advocates of New York
Emacx Systems, Inc.
Environmental Defense Fund
EOS Energy Storage
Einhart Yaffee Prescott Architecture & Engineering
Green Group Collaboration Program (GREENCO)
Magnolia Solar Corporation

Multiple Intervenors
Montefiore Hospital
MRK International, LLC
MTECH Laboratories, LLC
National Grid
New York State Smart Grid Consortium
Northeast Clean Heat and Power Initiative
New York State Energy Research and Development Authority
Northeast Energy Efficiency Partnerships
Pace Energy and Climate Center and Natural Resource Defense
Council
Pepsi Cola Bottling Company of New York Inc.
Plug Power Inc.
Riverbay
Solar One
Syracuse Center of Excellence
The Solar Energy Consortium
UTC Power Corporation
Utility Intervention Unit, Department of State
Veeco Instruments
Wal-Mart Stores, Inc.