

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on May 19, 2011

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman
Patricia L. Acampora
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-1135 - Petition of Central Hudson Gas & Electric
Corporation for Approval of an Energy Efficiency
Portfolio standard (EEPS) Utility-Administered
Electric Energy Efficiency Program.

ORDER APPROVING CENTRAL HUDSON GAS & ELECTRIC CORPORATION'S
MOTION TO DISCONTINUE THE EXPANDED RESIDENTIAL ELECTRIC HVAC
ENERGY EFFICIENCY PROGRAM

(Issued and Effective May 24, 2011)

BY THE COMMISSION:

INTRODUCTION

In this order, the Commission grants approval of
Central Hudson Gas and Electric Corporation's (Central Hudson)
petition to discontinue the Expanded Residential Electric
Heating, Ventilation, Air-conditioning (HVAC) program that was
approved in the Commission's January 4, 2010 Order in the Energy
Efficiency Portfolio Standard (EEPS) proceeding.¹ The Central

¹ Case 07-M-0548 et al., Energy Efficiency Portfolio Standard (EEPS), Order Approving Certain Commercial and Industrial; Residential; and Low-Income Residential Customer Energy Efficiency Programs with Modifications.

Hudson petition, submitted January 25, 2011, also seeks relief from any utility incentives or penalties tied to achievement of the approved energy savings target of 1,488 MWh associated with the program. Central Hudson also seeks approval to maintain the current System Benefits Charge (SBC) rate charged to its electricity customers. These aspects of Central Hudson's petition are also approved.

BACKGROUND

In January 2010, as part of the EEPS proceeding, the Commission approved Central Hudson's Expanded Residential HVAC energy efficiency program through 2011. The Expanded Residential HVAC program offers incentives to Central Hudson's residential electric customers to install ground-source heat pumps. Incentives are also offered for electronically commutated (EMC) fans that are installed at the same time as a ground-source heat pump, and for programmable thermostats as a stand-alone measure. The approved program budget is \$483,500 and the approved program energy savings target is 1,488 MWh through 2011. The Commission approved the program with the requirements that 1) only customers that heat primarily with electricity and have electric central cooling be eligible and 2) each project be assessed for cost effectiveness (TRC >1.0).

CENTRAL HUDSON'S PETITION

Central Hudson states that only 3% of its customers are electric heating customers with electric central cooling, which substantially limits the number of customers eligible for the program. Additionally, Central Hudson states that its work with Department of Public Service Staff (Staff) to produce a cost-effectiveness analysis for ground-source heat pump projects revealed that proposed projects could not pass the TRC test

because project costs were significantly greater than expected. Further, Central Hudson contends that it is not cost effective to offer the programmable thermostat as a stand-alone measure based upon changes made to energy savings calculations approved by the Commission after the program was approved. Central Hudson explains that the program was proposed and approved based on deemed energy savings levels, which are no longer applicable under the appropriate Technical Manual. Central Hudson requests that the Commission allow discontinuance of the program and relieve the company from any utility incentives or penalties tied to achievement of the program's energy savings target of 1,488 MWh.

Central Hudson requests authorization to maintain its current SBC collection rate from its electric customers. Central Hudson claims that it has not fully recovered the SBC charges that it is authorized to collect, and forecasts that it will continue to under collect during 2011. According to Central Hudson, maintaining the current collection rate and reflecting the program's discontinuance during the 2011 reconciliation (reflected in the SBC collection rate effective January 2012) will avoid unnecessary rate volatility and increase administrative efficiency.

NOTICE OF PROPOSED RULEMAKING

A Notice of Proposed Rulemaking concerning Central Hudson's petition to discontinue its Expanded Residential Electric HVAC Energy Efficiency program was published in the State Register on February 16, 2011 (SAPA 07-M-0548SP31). The minimum time period for the receipt of public comments pursuant to the State Administrative Procedure Act (SAPA) regarding that notice expired on April 4, 2011. No comments were received in response to the Notice of Proposed Rulemaking.

DISCUSSION

The Commission has required that each individual energy efficiency measure installed and all energy efficiency projects within EEPS programs be cost-effective based on a total resource cost test (TRC) analysis. The additional eligibility requirements described above for ground-source heat pump measures were intended to ensure that the program pursue cost-effective electricity savings, and not savings of other fuels that would actually result in increased electricity usage.

We recognize that the program, as designed, is not viable for two significant reasons. First, and most importantly, once TRC analyses were performed using Technical Manual savings estimates rather than deemed values, it became clear that the measure was not cost effective at this time.² Second, the customer base eligible to participate in the program is too small to support the budget and savings goals approved for the program - even if the cost of the equipment dropped sufficiently to produce cost-effective results.

Because the primary measure that was to be promoted through this program is not expected to be cost effective, we concur with Central Hudson that the program should be discontinued. Moreover, it does not appear that a program offering only programmable thermostats can be administered cost effectively. Therefore, because the entire program is not viable, we find it reasonable that Central Hudson should not be responsible for any incentives or penalties associated with the program's energy savings target of 1,488 MWh. We therefore relieve Central Hudson of this obligation.

² Staff has advised us that it concurs with Central Hudson's assessment that the ground-source heat pumps are not a cost-effective electric efficiency measure.

When authorized, the Expanded Residential HVAC program budget was approved for \$483,500 through 2011, approximately 2% of Central Hudson's total EEPS budget. To date, Central Hudson has spent \$23,800 on four installations, leaving approximately \$460,500 of the program's budget unspent. We recognize that Central Hudson is currently under collecting and will likely continue to under collect its EEPS funds through 2011.³ Furthermore, the amount of program funds involved is relatively small, when compared to the administrative cost and effort required to implement a mid-year SBC surcharge revision. We therefore allow Central Hudson to continue its current SBC collection rate. However, we will require Central Hudson to account for the unspent Expanded Residential HVAC program funds as an off-set to customers' future obligations when submitting its required SBC reconciliation for the 2011 EEPS program year.

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,

³ Central Hudson has adequately shown that it is under-collecting SBC. The Company has further indicated that in first quarter of 2011, it has under collected \$185,000 of EEPS funds.

the action being undertaken in one that avoids or minimizes adverse environmental impacts to the maximum extent practicable.

CONCLUSION

For the reasons discussed above, the Commission approves Central Hudson's petition to discontinue the Expanded Residential Electric HVAC Energy Efficiency program and be granted relief from any utility incentives or penalties tied to energy savings targets associated with the program. The Commission also approves the motion to maintain the current SBC rate.

The Commission orders:

1. Central Hudson Gas and Electric Corporation is authorized to discontinue its Expanded Residential Electric HVAC Energy Efficiency Program for residential electric utility customers in the manner described in the body of this order. The program may be discontinued immediately.
2. The energy savings targets that were approved for the Expanded Residential HVAC program are removed from Central Hudson's 2011 EEPS utility incentive mechanism.
3. These proceedings are continued.

By the Commission,

JACLYN A. BRILLING
Secretary