

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on January 17, 2013

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman
Patricia L. Acampora
Maureen F. Harris
James L. Larocca
Gregg C. Sayre

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

ORDER APPROVING IN PART AND DENYING IN PART CENTRAL HUDSON GAS &
ELECTRIC CORPORATIONS'S PETITIONS TO MODIFY CERTAIN ENERGY
EFFICIENCY PORTFOLIO STANDARD (EEPS) PROGRAMS

(Issued and Effective January 25, 2013)

INTRODUCTION

In this order, the Commission denies Central Hudson Gas & Electric Corporation's (Central Hudson) request to reduce energy savings targets for its gas Residential Heating Ventilation and Air Conditioning (HVAC) program and approves Central Hudson's requests to (i) reallocate budgets and savings targets between its electric Small Business and Mid-Size Commercial Business programs; (ii) offer non-lighting measures to all Energy Efficiency Portfolio (EEPS) eligible commercial electric customers; and (iii) remove the existing customer eligibility demand limit of 350kW for its electric Mid-Size Commercial program.

BACKGROUND

By order issued June 23, 2008, the Commission created an Energy Efficiency Portfolio Standard (EEPS) for New York State in order to develop and encourage cost-effective energy efficiency programs.¹ The Commission directed the New York State Energy Research and Development Authority (NYSERDA) and the six large investor-owned electric utilities to submit electric energy efficiency program proposals. Gas utilities serving more than 14,000 customers were also directed to submit proposals for residential HVAC energy efficiency programs. In 2009, the Commission approved a number of energy efficiency programs in Central Hudson's service territory including (i) an electric direct install Small Business program for commercial customers with demand loads less than 100kW;² (ii) a gas Residential HVAC program;³ and (iii) an electric Mid-Size Commercial Business program designed to serve commercial customers with electric demand loads of 100kW to 350kW.⁴ The gas Residential HVAC program promotes the installation of energy efficient natural gas measures for Central Hudson's residential customers. The

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

² Case 08-E-1019, Petition of Central Hudson Gas & Electric Corporation for Approval of an Energy Efficiency Portfolio Standard (EEPS) "Fast Track" Program, Order Approving "Fast Track" Utility-Electric Administered Energy Efficiency Programs with Modifications (issued January 16, 2009).

³ Case 08-G-1020, Petition of Central Hudson Gas & Electric Corporation for Approval of an Energy Efficiency Portfolio Standard (EEPS) "Fast Track" Program, Order Approving "Fast Track" Utility-Administered Gas Energy Efficiency Programs with Modifications (issued April 9, 2009).

⁴ Case 07-M-0548, supra, Order Approving Certain Commercial and Industrial Customer Energy Efficiency Programs with Modifications (issued October 23, 2009).

electric Small Business program and the Mid-Size Commercial Business program are both direct install lighting programs.

On October 25, 2011, among other actions, the Commission reauthorized most of the EEPS programs it had previously approved,⁵ including Central Hudson's gas Residential HVAC program and electric Small Business and Mid-Size Commercial Business programs for the period 2012 through 2015. The October 25, 2011 order directed program administrators to submit any program modifications that would result in substantial impacts on targets and budgets by March 31, 2012. The order also directed program administrators to either propose a program comparable to the block bidding programs previously approved for the New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation (NYSEG/RGE)⁶ or explain why such an approach would not be effective for their customers. In response to the block bidding directive, Central Hudson conducted a study of the potential energy savings (potential study) which could be achieved through such program in its service territory. Based on the results of its potential study which demonstrated limited savings potential for block bidding program, Central Hudson proposes modifications to its existing Mid-Size Commercial Business program as an alternative to a block bidding program in order to accommodate larger commercial customers. Central Hudson also requests other program changes as detailed below.

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

⁶ Case 07-M-0548, supra, Order Approving Certain Commercial and Industrial; Residential; and Low-Income Residential Customer Energy Efficiency Programs with Modifications (issued January 4, 2010).

CENTRAL HUDSON'S FILINGS

Central Hudson's April 3, 2012 petition requests modifications to three energy efficiency programs. Specifically, Central Hudson requests (i) a 25% lower savings target for its gas Residential HVAC program; (ii) reallocation of the budgets and savings targets for the electric Small Business and Mid-Size Commercial Business programs in order to reflect the similar historical performance of those programs; and (iii) authorization to offer a range of additional cost-effective non-lighting measures to all of its EEPS eligible commercial customers.

Central Hudson claims that the savings target for its gas Residential HVAC program is unrealistic because the actual cost of energy saved by the program from inception (2009) through 2011 is \$28.07/Dth. The lower savings target requested by Central Hudson, if realized within the authorized budget, would result in a program cost of \$33.62/Dth. Central Hudson states that the increase over historical costs is due to an expectation that achieving increased annual participation will require additional expenditures for marketing and trade ally activities.

In its April 3, 2012 petition, Central Hudson notes that its electric Small Business and Mid-Size Commercial Business programs are operationally similar and the company markets them as a single program. Also, the company states that the cost of savings for both programs is roughly equivalent, approximately \$296/MWh. However, the targets and budgets approved in the October 25, 2011 order do not reflect these similarities, which, according to Central Hudson, results in an overstatement of the realistic target for the Small Commercial program and an understatement of the realistic target of the Mid-Size Commercial Business program. Therefore, Central Hudson

requests a reallocation of the two programs' budgets and targets to better reflect anticipated program performance.

Specifically, the company proposes reallocating 1,066 MWh from the Small Business target to the Mid-Size Commercial Business program target and reallocating \$74,706 from the Mid-Size Commercial Business program budget to the Small Business program budget, resulting in a projected cost for both programs of \$296/MWh.

On May 15, 2012, Central Hudson filed the results of its block bidding potential study which indicated very limited potential for this type of program in its service territory, primarily due to the limited number of customers (<200) with electric demand greater than 350kW. The company states that the implementation of a block bidding program would require an inordinate amount of administrative oversight and cost to serve this relatively small pool of customers. Instead, Central Hudson proposes to remove the current 350kW eligibility cap from its Mid-Size Commercial Business program, allowing that program to serve the limited population of large demand customers as well as the smaller customers it currently serves. Central Hudson proposes reallocating \$2 million dollars from within the existing Small Business and Mid-Size Commercial Business program budgets to serve the larger customers, while keeping the overall budgets and targets for the electric commercial programs unchanged. According to Central Hudson, the proposed budgets will be adequate for all of the company's commercial electric customers. In addition, while the current business programs offer only lighting measures, Central Hudson proposes to offer additional cost effective, non-lighting measures such as high efficiency HVAC, motors and refrigeration equipment to all commercial customers.

NOTICE OF PROPOSED RULEMAKING

Notices of Proposed Rulemaking concerning the Central Hudson petitions under consideration here were published in the State Register on May 9, 2012 [SAPA 07-M-0548SP50] and September 5, 2012 [SAPA 07-M-0548SP72]. The minimum time period for the receipt of comments pursuant to the State Administrative Procedure Act (SAPA) regarding these notices expired on June 25, 2012 and October 22, 2012, respectively.

SUMMARY OF COMMENTS

On June 25, 2012, Multiple Intervenors (MI) filed general comments in response to various petitions by EEPS program administrators seeking changes to their programs including the Central Hudson petitions described here. MI requests that the Commission reject any budget and target changes that increase program costs. MI argues further that such proposed changes be thoroughly addressed, program cost-effectiveness be re-examined prior to allowing any modifications, and programs discontinued if they are found not to be cost-effective. MI also argues that any over collection of EEPS funds be returned to rate-payers.

Two comments were received regarding block bidding programs: NYSERDA, received April 9, 2012, and NYSEG/RGE, received April 24, 2012. NYSERDA is concerned that block bidding programs are not likely to achieve lower ratepayer-cost savings relative to existing EEPS programs and that block bidding programs have the potential for program overlap and interference in neighboring utility territories. NYSEG/RGE argues that block bidding programs leverage third-party energy services companies to assist New Yorkers achieve EEPS targets. Neither block bidding comment specifically pertained to Central Hudson's filing.

DISCUSSION

The historical program performance statistics that Central Hudson proffers in its petition do not support lowering the target for its gas Residential HVAC program. An average performance that includes results from two incomplete program years, 2009 and 2010,⁷ is not representative of appropriate targets moving forward. In 2011, the first full year that Central Hudson's gas Residential HVAC program was fully operational and fully funded, the program achieved total annual savings of just under 10,000 Dth, a clear and significant improvement over the first partial program years. Reported program costs have also improved. From 2009 through 2010 the program's cost of savings was approximately \$35/Dth. For the period 2011 through November 2012 (the most recent month data is available) the cost per savings has decreased to approximately \$25/Dth. Notably, the decreased cost of savings comes despite an increase in marketing and outreach expenditures.

It seems clear that Central Hudson has been able to make significant improvements in administration of the program as it has gained experience and in response to identified program needs. We commend the company's efforts and improved performance, and we see no reason to lower the savings target for the company's gas Residential HVAC program.

⁷ The program did not become operational until May 2009 and was suspended for a short period in 2010 after expending the funding approved at that time. Moreover, the funding and targets were only increased to the current levels more than halfway through 2010, on June 24 of the year. See Case 07-M-0548, supra, Order Approving Three New Energy Efficiency Portfolio Standard (EEPS) Programs and Enhancing Funding and Making Other Modifications for Other EEPS Programs (issued June 24, 2010).

We will, however, authorize Central Hudson's request to reallocate the budgets and targets of the Small Business and Mid-Size Commercial Business programs. The two programs are both direct install programs and Central Hudson has essentially administered them as a single program. Adjusting budgets and targets to reflect this similarity makes sense, particularly, because the overall budgets and targets remain changed.

Currently, Central Hudson does not have a program that addresses commercial customers with demand greater than 350kW. NYSERDA and NYSEG/RG&E make valid points, that under the correct circumstances and with proper administration, block bidding can be a viable energy efficiency tool for these customers. However, we agree with Central Hudson's observation that a separate block bidding approach is not ideal for its territory because of the limited number of large demand customers. Therefore, we authorize Central Hudson to eliminate the 350kW eligibility cap from the Mid-Size Commercial Business. This approach is the most straightforward manner to ensure that Central Hudson's large electric customers have access to EEPS programs. Further, allocating a fixed budget amount for those larger customers, as Central Hudson proposes, will ensure that Central Hudson's small and medium size customers will continue to have access to the program. As stated above, the overall budgets and targets for Central Hudson's non-residential programs are unchanged.

We also approve Central Hudson's proposal to offer a range of additional cost-effective non-lighting measures to all business customers. It is important for all program administrators to continually optimize their programs and offer new measures or other program improvements to maximize the effectiveness of program funds and deliver needed energy efficient improvements to customers.

We share MI's general concerns that program modifications and target reductions should not be made without consideration of the impact on cost and program effectiveness. However, the modifications made here do not affect the overall budgets and targets for these programs. Similarly, adding non-lighting measures to Central Hudson's non-residential electric programs is not expected to have a negative impact on the overall economics on the programs because measures must be cost-effective to be eligible for inclusion. Further, for the reason's we stated the October 25, 2011 order, we decline to conduct a comprehensive evaluation of Total Resource Cost of each minor program change.⁸ We continue to place emphasis on the importance of program continuity, and program administrators must continue to focus on program implementation and performance while keeping costs reasonable.

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: (i) the requirements of SEQRA, as implemented by 6 NYCRR part 617, have been met; and (ii) consistent with social, economic, and other essential considerations from among the reasonable alternatives available,

⁸ Case 07-M-0548, supra, Order Authorizing Efficiency Programs, Revising Incentive Mechanism, and Establishing a Surcharge Schedule (issued October 25, 2011), p. 6.

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 denies the petition from Central Hudson to modify the savings target for its gas Residential HVAC program. The Commission approves Central Hudson's request to modify budgets and targets for its electric Small Business program, and Mid-Size Commercial Business program. The Commission also approves Central Hudson's request to eliminate the Mid-Size Commercial Business program's 350kW demand eligibility limit and to offer cost effective, non-lighting measures such as high efficiency HVAC, motors and refrigeration equipment to all commercial customers.

The Commission orders:

1. Central Hudson is authorized to modify the electric Small Business, and Mid-Size Commercial Business programs in the manner described in the body of this order. The program modifications may be applied immediately.
2. Central Hudson, within 60 days, shall file revisions to their program implementation plans to describe the revised customer eligibility requirements and the modified 2012-2015 budgets and targets.
3. The Secretary is authorized to extend the deadlines set forth in this order.
4. This proceeding is continued.

By the Commission,

(SIGNED)

JEFFREY C. COHEN
Acting Secretary

Central Hudson Approved Program Budgets and Targets

<i>Modified Electric Small Commercial Business Program Costs and Savings Targets</i>						
	2012	2013	2014	2015	2012-2015	% of Budget
Savings (MWh)	16,018	15,429	15,270	15,270	61,987	
Program & Administrative Costs	\$4,522,618	\$4,161,927	\$4,050,691	\$4,050,691	\$16,785,927	95%
Evaluation/M&V Costs					\$899,636	5%
Total	\$4,747,527	\$4,386,836	\$4,275,600	\$4,275,600	\$17,685,563	100%

<i>Modified Electric Mid-Size Commercial Business Program Costs and Savings Targets</i>						
	2012	2013	2014	2015	2012-2015	% of Budget
Savings (MWh)	3,268	3,857	4,016	4,016	15,157	
Program & Administrative Costs	\$907,701	\$1,268,392	\$1,379,628	\$1,379,628	\$4,935,349	95%
Evaluation/M&V Costs					\$243,584	5%
Total	\$968,597	\$1,329,288	\$1,440,524	\$1,440,524	\$5,178,933	100%