

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

Proceeding on Motion of the Commission
Regarding an Energy Efficiency Portfolio
Standard

Case 07-M-0548

**JOINT UTILITIES PETITION FOR APPROVAL OF HURRICANE SANDY DISASTER
RELIEF ENERGY EFFICIENCY PROGRAM**

Introduction

Hurricane Sandy has caused devastating damage to homes and commercial and industrial buildings in New York State. The damage was pervasive, affecting all market segments from residential (appliances as well as heating and cooling systems) to large commercial and industrial (such as equipment for commercial cooling, heating and cooking). There is an immediate need for enhanced incentives to encourage replacement of damaged equipment with high efficiency models and to avoid the lost opportunities that would result if replacements are made with standard efficiency models. Available Federal Emergency Management Agency (“FEMA”) funding must be supplemented by additional support for the affected population. Consolidated Edison Company of New York, Inc. (“Con Edison”), Orange and Rockland Utilities (“O&R”), The Brooklyn Union Gas Company d/b/a National Grid NY and KeySpan Gas East Corporation d/b/a National Grid (collectively “National Grid”), New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation (“NYSEG/RG&E”) and Central Hudson Gas and Electric Corporation (“Central Hudson”) (collectively the “Joint Utilities”) submit this proposal

for approval of the Hurricane Sandy Disaster Relief Energy Efficiency Program to provide prompt relief to homes and businesses in New York State.

The proposal is aimed at helping customers that were harmed by damage to their appliances, equipment, structures, and business operations as a result of Hurricane Sandy and the later Winter Storm Athena. The Joint Utilities propose an expedited process for providing disaster relief in the most devastated communities.¹ Eligibility for participation in these special programs will be established by individual participating utilities, but would include eligible affected electric and gas customers that pay the system benefits charge and who meet the requirements below. Because individual utilities have differing programs, customers, and degree of disaster impact, utilities will put in place only that subset of the program elements listed below which will work in their individual utility areas. Rebates would be available for eligible equipment purchases made from October 29, 2012 through the termination of the disaster relief

¹ For Con Edison territory that generally includes Staten Island (South Beach and Midland Beach areas), Howard Beach and Broad Channel in Queens, Brighton Beach, Sheepshead Bay, Coney Island, Seagate, Gerritsen Beach, Manhattan Beach, and Red Hook in Brooklyn as well as parts of lower Manhattan, generally from Kips Bay south to the Battery. Eligibility for participation in this expedited process will be established, but **may** be based on eligibility for FEMA relief or receipt of other similar disaster services. Customers in other parts of the Con Edison service area with documented Hurricane Sandy damage would also be eligible for storm programs.

In O&R territory, Piermont, Stony Point, Grassy Point, Nyack, Haverstraw, Grandview, Highland Falls and Fort Montgomery

In the NYSEG territory, Westchester, Dutchess, Putnam, Delaware, Orange, Sullivan and Ulster counties will be included.

In National Grid's New York City service territory, the Brighton Beach, Broad Channel (Queens), Coney Island, Gerritsen Beach, Hamilton Beach, Howard Beach, Manhattan Beach, Paerdegat Basin, Red Hook, Seagate, and Sheepshead Bay areas of Brooklyn and Queens, and the South Beach and Midland Beach areas of Staten Island will be included.

In National Grid's Long Island service territory, the Amityville, Asharoken, Babylon, Bluepoint, Copiague, Flanders, Huntington, James Port, Lindenhurst, Patchogue, Sag Harbor and West Islip areas of Suffolk County, the Atlantic Beach, Baldwin, Baldwin Harbor, Bay Park, Bayville, Bell Harbor, Bellmore, Cedarhurst, East Atlantic, East Rockaway, Freeport, Ft. Tilden Beach, Inwood, Island Park, Lawrence, Lido Beach, Long Beach, Massapequa, Merrick, North Freeport, Oceanside, Point Lookout, Seaford, Valley Stream, and Wantagh areas of Nassau County, and the Arverne, Atlantic Beach, Belle Harbor, Breezy Point, Edgemere, Far Rockaway, Neponsit, Point Lookout, and Roxbury areas of Queens/Nassau will be included.

energy efficiency program. Energy savings would accrue to those existing EEPS program(s) in which program participants would typically participate.

The need for increased incentives is immediate. Contractors are currently replacing customer equipment with the lowest cost units, which are generally standard efficiency models. If incentives are not offered in a timely manner during this mass equipment replacement period, New York State would miss a great opportunity to deploy a stock of high efficiency equipment and provide long term benefits to affected customers in terms of lower energy usage, and to all customers through reduced demand, which could be particularly valuable in these concentrated areas of damage and destruction. Recent discussions with contractors and customers show that standard efficiency equipment is now being selected over the more costly higher efficiency models. Because of the magnitude of the storm and associated damage, customers do not have sufficient total resources available to purchase higher efficiency equipment and appliances. For these reasons we request increased incentives to move the affected customers to higher efficiency choices.

I. Background

Hurricane Sandy and the later Nor'easter, known as Winter Storm Athena, produced high winds, flooding and heavy snowfall that caused widespread equipment damage which needs to be addressed immediately. Equipment that is replaced at this time with standard efficiency equipment will represent a major lost opportunity from an energy efficiency perspective, and the Joint Utilities believe that it is important to assist customers with the enhanced financial incentives and outreach/education that will facilitate their making a wise long-term investment as they renew and rebuild their homes and businesses during this very difficult time.

Residential customers have sustained damages to heating and cooling equipment, other appliances and electrical systems as well. The damages are widespread across the Joint Utilities' service territories and costs are often inadequately covered by insurance and/or federal disaster assistance funds, and such coverage generally does not include the added costs of the more energy efficient equipment. The Joint Utilities propose below a number of steps to assist residential customers as they repair or rebuild their homes.

For commercial and industrial customers, the financial hardship presented by the capital investment required for the purchase and installation of major equipment is compounded by lost work time and damaged merchandise. For example, many commercial and industrial customers are faced with extensive damages to large pumps, variable frequency drives (“VFDs” or “VSDs”), chillers, boilers and associated controls. Certain customers may be facing the possibility of damage to all of the aforementioned. The capital investment for in-kind replacement alone is staggering, no less the added cost to invest in high efficiency models that come with premium pricing. As a result, the need for larger rebates for high-efficiency equipment is critical to help customers make the needed investment in their energy infrastructure.

Small businesses also face major challenges as they repair and rebuild. Some businesses may not have incurred physical damages, but may be unable to invest in energy efficient equipment because they have suffered significant losses in revenue due to power failure or evacuation orders. Below, we propose several immediate program changes. Most significantly, to ease the financial burden on our small business customers we propose to waive the customer co-pay for Small Business Direct Install (“SBDI”) Program customers (increasing the utility payment to 100% of installed costs) who make energy efficiency upgrades now.

The Joint Utilities propose a single utility New York State disaster relief program that EEPS program administrators can draw from on an as-needed basis, for eligible customers, selecting only those elements which are of most benefit to their customers and that can be efficiently and expeditiously administered in their respective affected service territories.

I. General Program Elements

- A streamlined application and approval process will be utilized for customers within the designated affected areas;
- Applications to the disaster-relief energy efficiency program from customers outside of known designated areas would be evaluated on a case-by-case basis upon appropriate documentation of loss;
- All of the measures listed below are drawn from approved measures which have already been demonstrated to be cost-effective and therefore should not be subjected to additional cost benefit analysis;
- All measures installed through the disaster relief energy efficiency program would be evaluated against established energy efficiency levels in the current programs;
- Funding should come from EEPS II (2012-2015) or from EEPS I (2009-2011) unspent dollars,² depending upon each utility's available EEPS funds;
- To the extent a utility needs additional funds for the disaster relief energy efficiency program, it should be permitted to advance funds from future years;
- For areas that have suffered heavy damage, the Joint Utilities will waive the pre-existing equipment requirement;

² Without increasing utility targets (to increase utility targets based on disaster recovery would be contrary to the spirit of the recovery and damaging to overall EEPS program results).

- Utility custom program incentives levels will be increased to NYSERDA incentive levels, if appropriate;
- Utilities will pay retroactive incentives for all qualifying energy efficient equipment purchases made after October 29, 2012;
- Technical assistance for homeowners and businesses will be offered to evaluate damage and to create assessments for energy efficient restoration, with a cap on the number of hours per site, or an overall cost cap per project (many community organizations, disaster recovery firms, and foundations have already offered their services to assist);
- Department of Public Service Staff (“Staff”) will expedite the approval of measures and petitions currently under review to expand the measures currently in EEPS programs; and
- Proposed program length will be 18 months, with the option to extend if needed.

II. Program Recycling Component

An integrated component of the Joint Utilities’ proposed disaster relief energy efficiency program is the proper disposal of damaged appliances and equipment including the recycling by qualified vendors, as appropriate. Equipment and appliances to be recycled include:

- Primary and secondary refrigerators of residential and multifamily customers;
 - without the current limitation, two in most programs, on the number of refrigerators/freezers recycled;
 - without the current requirement that refrigerators/freezers be working at the time of pick-up, as it may not be possible or safe to test them and we know that many if not most will in fact not be working;

- with the rebate paid per refrigerator/freezer recycled increased from \$30 to \$50
(for those programs where the rebate amount has not already been so increased);
- Residential washer/dryers; and
- Small business coolers.

III. Residential Component

The residential program plan is focused on electric and gas eligible residential customers in 1 – 4 unit homes. Program elements include:

- Adding condos and co-ops with individually owned HVAC systems to the eligible-participants list in the Con Edison service territory;
- Increasing HVAC electric and gas rebate programs by 100%;
- Adding additional gas measures such as ENERGY STAR® certified water heaters;
- Adding primary refrigerators to residential electric rebate programs;
- Adding freezers to residential electric rebate programs;
- Adding washer/dryers to residential rebate programs;
- Providing additional funding to enhance residential contractor training and program promotion; and
- Allowing lighting replacement as required by storm damage.

IV. Multifamily and Multifamily Low Income Component

Program elements for eligible customers to include:

- Removal of the limit on the size of buildings that may be served by utility programs
(currently set at 75 units in New York City and 50 units elsewhere in the state);

- Funding engineering assessments of HVAC equipment including boiler sizing, distribution corrections (vents and valves), and possible relocation or flood protection for mechanical rooms with an incentive of up to \$5,000 per qualifying building;
- Increasing the maximum percentage of custom project costs that are eligible under the programs to 70% at each utility’s discretion;
- Providing incentives for energy management systems and thermostatic radiator valves at 100% of installed cost;
- Increasing boiler rebate incentives to 100% of incremental cost per the latest Con Edison boiler analysis currently under review by Department of Public Service (“DPS”) Staff;
- Providing incentive rebates for motors and VFDs consistent with the proposed C&I programs below;
- Incentivizing boiler tune-ups;
- Allowing for the inclusion of gas measures for those EEPS programs which do not currently have approval to offer gas measures;³
- Allowing lighting replacements as required by storm damage, including in-unit replacements; and
- Allowing up to a 100% increase in incentives for prescriptive measures not otherwise specified above.

V. Small Business Direct Install Component

Program elements include:

- Increasing incentives to 100% of installed cost for qualifying equipment;

³ Such as programmable thermostat, low-flow shower heads, faucet aerators and pipe insulation.

- Adding gas measures and providing rebates for kitchen equipment similar to the C&I program below;
- Creating a custom incentive for walk-in/reach-in cooler and freezer replacements with incentive payments equivalent to NYSERDA’s custom incentive for existing buildings, if appropriate;
- Permitting installation of low-flow spray valves, faucet aerators, and duct/pipe insulation free to customers; and
- Allowing up to a 100% increase in incentives for prescriptive measures not otherwise specified above.

VI. Commercial and Industrial (“C&I”) Component

Program elements include:

- Waiver of 6-month and one-year payback requirements for measures and projects;
- Allowing utilities to combine custom and prescriptive program budgets within each fuel type;
- Doubling the current Con Edison motor rebate and applying to all Joint Utilities;
- Doubling the current Con Edison VFD rebate and applying to all Joint Utilities;
- Increasing C&I custom incentives to be equivalent to NYSERDA’s custom incentives for existing buildings, if appropriate;
- Increasing boiler rebate incentives to 100% of incremental cost per the latest Con Edison boiler analysis currently under review by DPS Staff and applying to all Joint Utilities;
- Increasing water-cooled chiller rebates to Con Edison’s proposed amount currently under review by DPS Staff and applying to all Joint Utilities;

- Adding air-cooled chillers to rebate programs (analysis to be sent from Con Edison to DPS Staff this week);
- Adding kitchen equipment such as the combination oven, convection oven, griddle, fryer and insulated holding cabinet to C&I electric and gas rebate programs with incentives to be consistent with NYSERDA’s kitchen equipment program for existing commercial buildings;
- Allowing utility rebate programs to serve new construction in affected areas;
- Adding customer energy audits where not currently offered; and
- Allowing up to a 100% increase in incentives for prescriptive measures not otherwise specified above.

VII. Outreach, Education and Marketing

Hurricane Sandy has had -- and will continue to have -- a profound impact on our customers.

Working closely with our corporate communications groups, the Joint Utilities will craft revised energy efficiency marketing messages to describe how we can be a valuable resource for not just energy efficiency but to help more generally in this time of recovery.

The outreach, education and marketing tactics for this program will be executed using three distinct, integrated channels:

- Each participating utility will leverage its respective networks of community outreach organizations such as real estate groups, business improvement districts (“BIDs”), Chambers of Commerce, Industrial Development Corporations as well as residential community groups to announce and then promote the disaster relief program using the

media most effective in its service territory. These may include presentations, newsletters and other outlets and collateral.

- In addition, and as deemed effective, utilities will explore partnering with federal, state and/or local disaster recovery programs and groups, such as the Red Cross, disaster relief foundations, and government agencies that are providing direct assistance such as the New York City Office of Emergency Management Disaster Relief Centers, to include our programs in the resource listings.
- Potential media formats will include local print, radio and online advertising. Most important will be online advertising where we will target disaster relief sites, local government sites and other groups where customers will seek disaster relief.
- One key communication channel during this emergency was social networking. Thousands of people relied on mobile phones, texting and smart phone apps to communicate with each other and appeal for help. We will leverage our social media presence to direct customers to our programs for higher efficiency incentives.

VIII. Implementation Procedure

The Joint Utilities request that the Commission adopt the Hurricane Sandy Disaster Relief Energy Efficiency Program as an emergency rule pursuant to SAPA § 202(6), in order to preserve the public health, safety and general welfare and provide relief to New York State's homes and businesses as soon as possible. As discussed with DPS Staff, various elements of the disaster relief energy efficiency program should not adversely impact EEPS program operations or program efficiency and achievement if the Joint Utilities are allowed to manage such adjustments within existing EEPS programs. For this reason, little DPS Staff analysis should be

required and the disaster relief energy efficiency program should be approved and implemented quickly, to the benefit of disaster victims. .

Conclusion

For the reasons stated above, the Joint Utilities request that the Commission approve the Hurricane Sandy Disaster Relief Energy Efficiency Program on an emergency basis, including the proposed adjustments to existing EEPS programs, to assist with implementation of disaster-relief for hard-hit downstate New York customers.

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Respectfully submitted,

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