National Fuel

July 16, 2018

Honorable Kathleen H. Burgess
Secretary
New York State Department of Public Service
Three Empire State Plaza, 19th Floor
Albany, NY 12223

Re: Case 18-M-0084 – In the Matter of a Comprehensive Energy Efficiency Initiative

Dear Secretary Burgess,

On May 21, 2018, the New York State Public Service Commission ("Commission") issued a Notice Announcing Technical Conferences ("Notice"),[1] which "kicked off" initial stakeholder engagement technical conferences on *New Efficiency: New York* ("NENY"), a white paper jointly prepared by Department of Public Service Staff ("Staff") and the New York State Energy Research and Development Authority ("NYSERDA").[2] As part of the technical conferences, Staff and NYSERDA jointly invited parties to submit initial feedback by July 16, 2018. In response to the Commission's Notice, and the invitation to submit feedback, National Fuel Gas Distribution Corporation ("Distribution" or the "Company") hereby submits these comments.

Distribution is a natural gas-only utility, providing service to approximately 730,000 customers in western New York and northwestern Pennsylvania. For more than a decade, the Company has successfully designed, executed, and evaluated successful, cost effective energy efficiency programs in New York State. Distribution looks forward to continuing its active participation in this proceeding, and at this juncture, the Company wishes to provide feedback on the following topics:

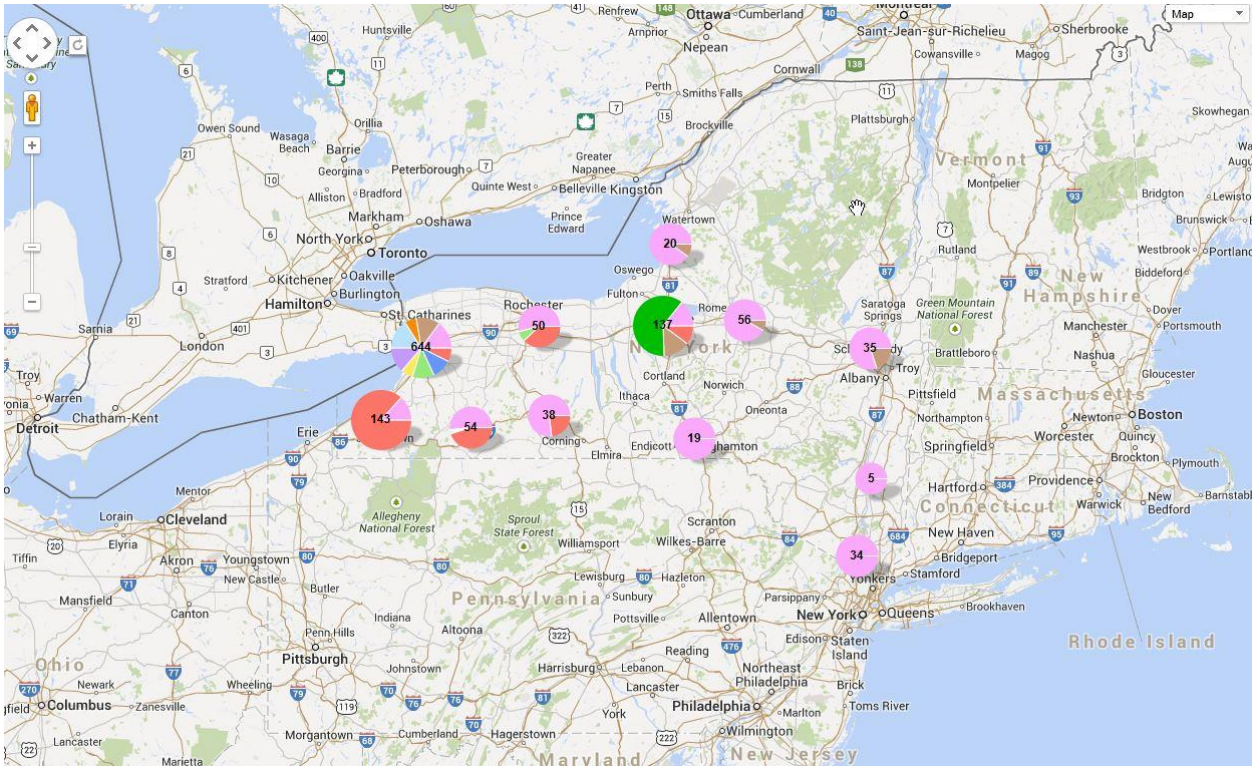
- **Universal Availability of Energy Efficiency** – All customers, regardless of their income or their service classification, should be able to participate in energy efficiency programs.
    - It is important to note that what sets the Company apart from other utilities in New York State is that **57.2% of Distribution's energy efficiency portfolio funding is dedicated to serving low income customers** [emphasis added].

- **Deploying Resources –** Available resources need to be wisely and efficiently deployed on proven, practical, and effective technologies and strategies.
    - As a representative example, the Company has demonstrated its ability to achieve great participation levels, reduce barriers for low income customers, and successfully collaborate with NYSERDA, on its

[1] Case 18-M-0084 – Notice Announcing Technical Conferences, issued May 21, 2018.
[2] Case 18-M-0084 – New Efficiency: New York, filed by Staff and NYSERDA on April 26, 2018.

Low Income Usage Reduction Program ("LIURP").

Figure 1 – Low Income Weatherization Results[3]



- The above map demonstrates that Distribution's coordinated effort with NYSERDA has been highly effective: approximately 68% of all of New York State's low income weatherization work, under the Energy Efficiency Portfolio Standard ("EEPS") was completed in the Company's service territory. The varying pie slice colors in the map represent the distribution of work among contractors. Not only is Distribution's coordinated approach working effectively, but results in a broad distribution of work amongst multiple contractors, helping them complete both natural gas and electric energy efficiency services. Distribution looks forward to continuing, expanding, and building upon its collaborative relationship with NYSERDA as part of NENY, especially in the low income sector.
- With respect to effectively deploying resources in a strategic and cost effective manner, the Company directs the Commission's attention to the results of the Commission's recent statewide audit conducted by The

[3] Visual depiction of results achieved through NYSERDA's EmPower program and Distribution's LIURP, sourced from joint evaluation work completed on these two programs. Data and map provided by Energy & Resource Solutions.

Liberty Consulting Group ("Liberty").[4] The final report found, among other things, the following conclusions:

- "Distribution ranks the best [among the utilities investigated] in cost productivity due largely to its best physical productivity, but it also has the lowest composite hourly labor rate among all gas utilities. This two fold superiority translates to a factor of four when compared to the reference [average] utility, a remarkable result." This means Distribution's resources perform four times as much useful work compared to the average performance of other New York State utilities included in the scope of the audit.
- "The Company has taken a formal approach to quality assurance and control, and provides a structure that supports its independence."
- "Distribution's processes, and the results they produce, suggest that the Company operates in a different paradigm from most utilities and from the other state operations we [Liberty] studied."
- "There is no shortage of analytical capabilities at the Company. Managers and supervisors in key positions are knowledgeable and effective in managing productivity and resource issues."

The management team that produced the aforementioned Liberty audit results is the same core management team with the overall functional responsibility for the Company's energy efficiency portfolio, a foundational cornerstone of Distribution's day-to-day operations. When thinking about both historical and prospective unit cost trend analyses (i.e., dollars spent per unit of energy saved), the Commission needs to exercise caution, so as to not inadvertently harm utilities that have already taken significant action to reduce unit costs. Stated otherwise, if significant cost savings have already been achieved by utilities, it would be inappropriate to anticipate additional cost savings in the future.

- **Energy Efficiency Impacts** – Overall energy efficiency impacts need to be quantified, and counted as contributions towards New York State's energy efficiency policy goals, in a comprehensive manner. There are significant benefits to certain types of programs and strategies that are not currently being counted. As an illustrative example, consider Distribution's Partnership for Urban Revitalization in Western New York ("PUR-WNY"), a pilot the Company is developing as part of the Gas Network Enhancement Program ("GNEP"), which aims to revitalize low income or urban neighborhoods in regions where utility infrastructure is already in place. This comprehensive urban in-filling strategy aims to re-establish the urban core by reinvigorating the economy and growing the population in formerly blighted areas. By focusing on new construction in vacant lots, and rehabbing vacant/abandoned homes with no connected service,[5]

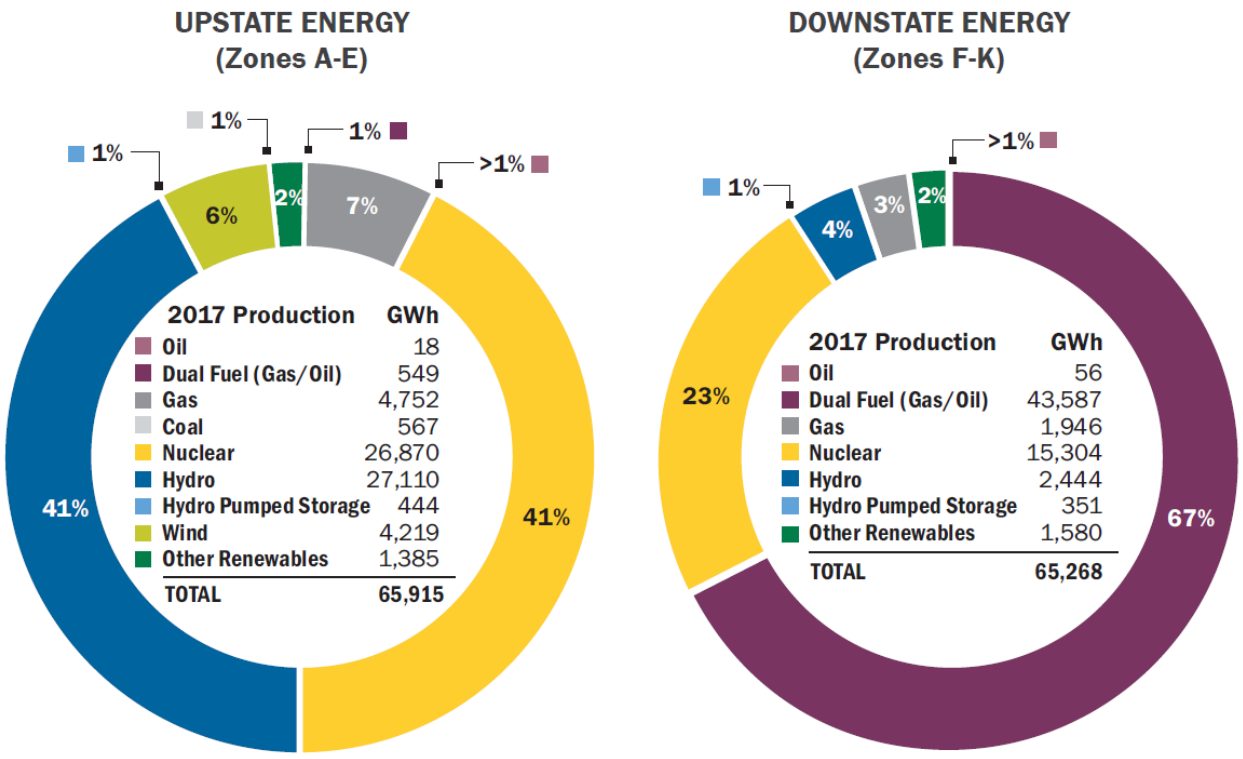
[4] Case 13-M-0449 – Final Audit Report by The Liberty Consulting Group – Operations Audit of Staffing Levels at the Major New York State Energy Utilities, filed on February 21, 2017.

[5] It is important to note that this type of initiative is a major collaboration of several market actors, including but not limited to: home builders, developers, remodelers, non-for-profit organizations, low income housing assistance

several other benefits can accrue: jobs are created; the economy can benefit by having additional properties on the tax roll, and more granularly by attracting businesses to open in budding neighborhoods; energy efficiency can be deployed; whole home approaches can be considered; in metro areas, an urban lifestyle can contribute towards taking vehicles off the road (i.e., walking or utilizing public transportation versus the need to drive to get to work, home and other places); ratepayers can benefit by utilizing existing infrastructure more fully; and emissions reductions can be achieved. In the current construct several of these benefits are not "counted," and New York State does not, but perhaps should, take credit for this in relationship to its clean energy policy goals.

- **Upstate and Downstate Differences** – In order to achieve New York State's ambitious efficiency and emissions goals, the Commission should recognize where opportunities exist, and understand the core strengths of different geographic regions. A simple graphical depiction that highlights both opportunities and strengths simultaneously is the New York Independent System Operator's ("NYISO") electric energy production analysis.

Figure 2 – Electric Energy Production by Fuel Source – Upstate vs. Downstate[6]

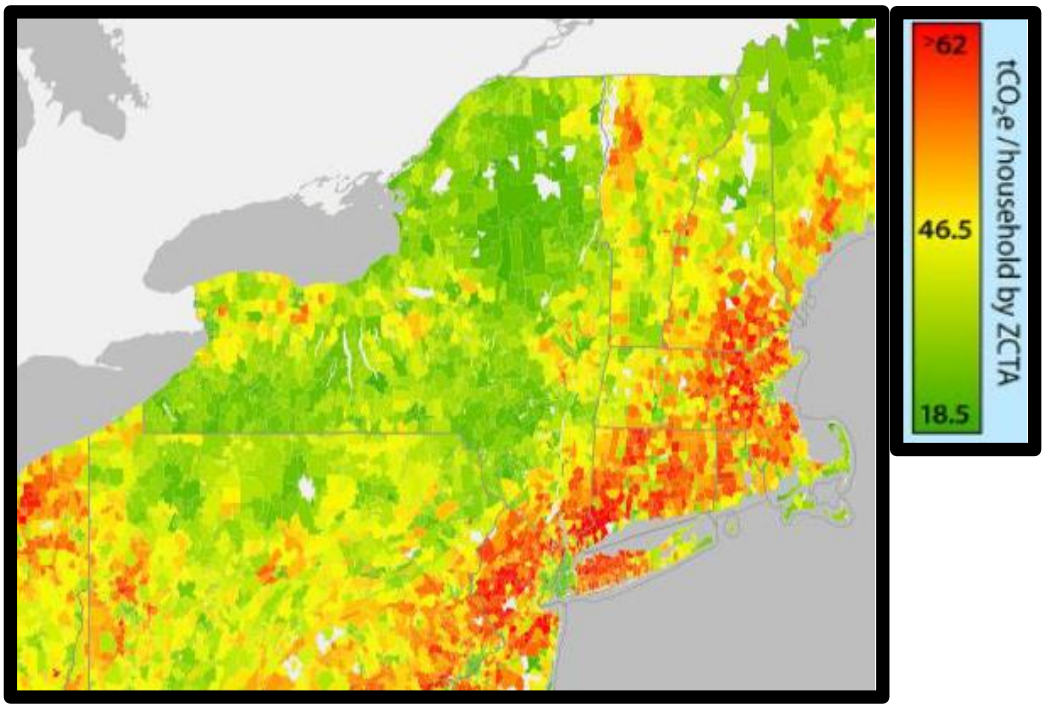


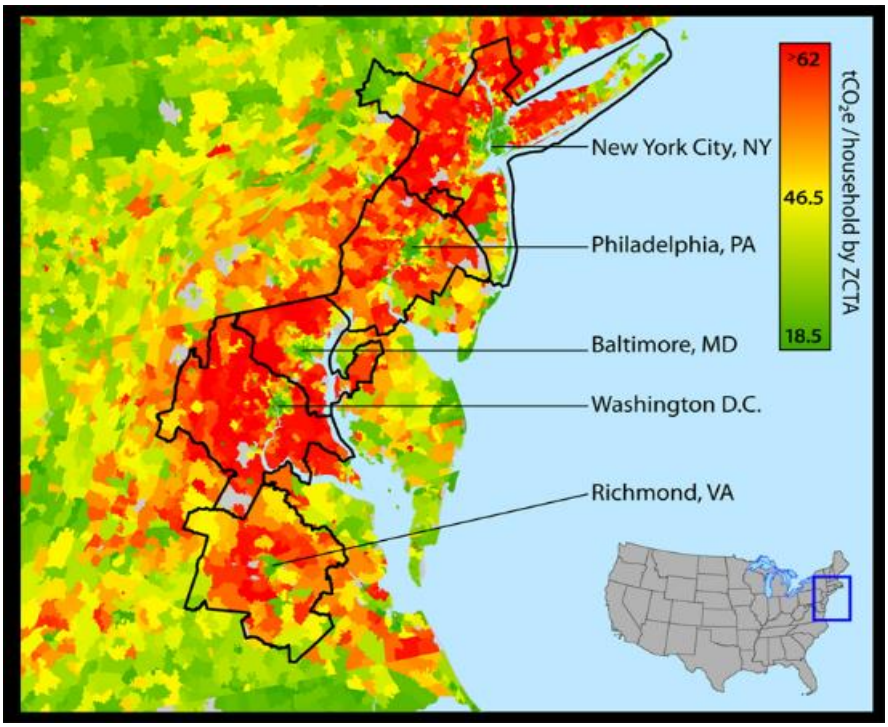
agencies, the Local Initiatives Support Corporation ("LISC"), Habitat for Humanity, the Buffalo Erie Niagara Land Improvement Corporation ("BENLIC"), and energy efficiency partners/program implementers.

[6] NYISO 2018 Power Trends Report, publicly available at: https://home.nyiso.com/wp-content/uploads/2018/05/2018-Power-Trends_050318.pdf.

- Figure 2 demonstrates that upstate New York is flush with renewable energy production. Half of upstate's electric generation comes from renewable energy – a major strength. Downstate New York is significantly different in that regard, with only 7% of electric generation coming from renewable energy. The opportunity for continued renewable deployment is much greater downstate, which should continue to be a major focus for the state's efficiency and emissions goals. This is exemplified even further when considering the spatial distribution and statistical analysis described in the American Chemical Society's Environmental Science & Technology Policy Analysis Journal.

Figure 3 – Average Annual Household Carbon Footprint Study





The Environmental Science & Technology Policy Analysis Journal[7] demonstrates that upstate New York and downstate New York have unique environmental and emission reduction challenges. In fact, the two geographies are notably different from an emissions perspective, as illustrated in Figure 3. Given the stark differences between upstate and downstate, the Company remains uniquely positioned to capitalize on available opportunities, by offering targeted programs and initiatives that make meaningful and positive environmental contributions, directly support statewide energy policy goals and objectives, and provide benefit to customers. Examples include the Company's Conservation Incentive Program, PUR-WNY, GNEP, the Distributed Generation Pilot Program, the Natural Gas Vehicle Pilot Program, the Partnership to Revitalize the Industrial Manufacturing Economy of Western New York ("PRIME-WNY"), the Area Development Program, the Research, Development and Demonstration Program, and continued system modernization initiatives to accelerate leak prone pipe replacements, among others.

- **Unintended Consequences** – When considering new, "ramped up" energy efficiency and emissions policies in New York State, the Commission needs to be aware that policy determinations may have unintended effects.
    - Increasing funding for energy efficiency initiatives would undoubtedly increase energy prices for customers. To the extent that low income customers are required to pay for such increases, their energy affordability

[7] The American Chemical Society's Environmental Science & Technology Policy Analysis Journal, publicly available at: https://pubs.acs.org/doi/full/10.1021/es4034364.

will be negatively affected. Government actions should avoid placing more customers on the margin into payment difficulties that can only worsen housing affordability in the state, and add to the life line housing burdens of local communities in the state. This highlights the need to spend funding for energy efficiency programs in a wise, effective, and well thought out manner.

- As the Commission considers establishing statewide targets for energy efficiency and refines its approach for emissions reduction, very negative events could be seen as having positive impacts towards the state's goals. A couple illustrative hypothetical examples include, but are not limited to:
  - If a low income customer is driven out of their residence due to affordability, and uses less energy in the process, this is a "positive" for statewide energy and emissions goals.
  - If businesses continue to pay high tax rates and government-imposed energy charges compared to other geographies and continue to see increasing prices for energy (both of which make those businesses less competitive), there is a possibility that businesses will relocate to other states. The energy "savings" from lost industry could be seen as a "positive" for statewide energy and emissions goals, especially if usage is permanently reduced. However, the real pain caused to local communities (that lost those jobs and industries) would go unrecorded.
- Since funding resources are limited (even if the "statewide funding pie" grows in size, compared to current funding levels), tradeoffs will naturally occur.
  - For instance, if $40,000 of energy efficiency funding was available to spend, one new geothermal system could be installed,[8] or four $10,000 incentives could be given to mass-affluent customers for electric vehicles, or eleven low income customer homes could be weatherized. While all three comparative alternatives "count" towards the state's goals, they all have very different unit cost rates, serve a different number of customers, and have varying achievements of energy savings and emissions reductions.

- **Encourage Transportation Sector Initiatives** – The New York State Energy Plan documented that "transportation accounts for 34% of the State's GHG emissions, and $26.7 billion in fuel costs each year. Building a cleaner, more efficient, and sustainable transportation system is a critical component of the State's energy strategy."[9] Given that the transportation sector is one of the most energy-intensive and highest emitting sectors in the state, programmatic initiatives should be encouraged by the Commission, and "counting" of achievements should be considered as part of this proceeding (i.e., if programmatic initiatives

[8] According to National Grid's Q1 2018 Report on Geothermal REV Demonstration Projects, filed on April 30, 2018 in Case 16-G-0058, the average cost of a project on a per home basis was $40,736.
[9] 2015 New York State Energy Plan, at page 105, available at: https://energyplan.ny.gov/.

are occurring at the local utility level, they do not get "counted" for the purposes of statewide energy and emissions goals – a missed opportunity).

- **Reservation of Rights** – While the Company has provided introductory comments on select topics herein, Distribution recognizes that NENY and the ensuing regulatory process will analyze additional topics beyond the scope of these comments. Since many of these topics are currently presented conceptually or at a high-level in NENY, the Company fully reserves its rights to comment on these topics at a later date, when sufficient detail is provided on the record. Stated otherwise, areas of "non-comment" in this document should not be construed as agreement.

Any questions you may have regarding this filing can be directed to the undersigned at (716)-857-7440 or at crahene@natfuel.com.

Respectfully submitted,

Evan M. Crahen
Director
Rates and Regulatory Affairs
National Fuel Gas Distribution Corporation
6363 Main Street
Williamsville, NY 14221