

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on June 17, 2015

COMMISSIONERS PRESENT:

Audrey Zibelman, Chair
Patricia L. Acampora
Gregg C. Sayre
Diane X. Burman, abstaining

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

CASE 15-M-0252 - In the Matter of Utility Energy Efficiency
Programs.

ORDER AUTHORIZING UTILITY-ADMINISTERED GAS ENERGY EFFICIENCY
PORTFOLIOS FOR IMPLEMENTATION BEGINNING JANUARY 1, 2016

(Issued and Effective June 19, 2015)

BY THE COMMISSION:

INTRODUCTION

In this Order, the Commission directs Central Hudson Gas & Electric Corporation (Central Hudson), Consolidated Edison Company of New York, Inc. (ConEd), KeySpan Gas East Corporation (KEDLI), The Brooklyn Union Gas Company (KEDNY), National Fuel Gas Distribution Corporation (NFG), New York State Electric & 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) (collectively, the gas utilities) to administer gas energy efficiency portfolios beginning January 1, 2016. The Commission also directs ConEd, KEDLI, KEDNY, NFG, NYSEG, Niagara Mohawk, and RG&E to file tariffs to institute an electric and/or gas

Energy Efficiency Tracker to recover the costs of implementing energy efficiency programs beginning on January 1, 2016.

BACKGROUND

New York State's Energy Efficiency Portfolio Standard (EEPS) was established in 2007¹ and is in its final year of authorization. Under EEPS, utility efficiency programs have typically been resource acquisition programs, oriented toward direct rebates and subsidies to encourage individual customers to employ more efficient end-use equipment and systems, thereby acquiring energy savings as a resource. In a February 26, 2015 order, the Commission adopted a regulatory policy framework and implementation plan for a reformed retail electric industry in its Reforming the Energy Vision (REV) proceeding,² taking steps to reorient the electric industry and the ratemaking paradigm toward a consumer-centered approach that harnesses technology and markets. As part of that reform, the Commission established a new framework for the energy efficiency programs of investor-owned electric utilities. The Commission increased electric utilities' responsibility for electric energy efficiency programs beginning in 2016 and directed electric utilities to begin using more market-based approaches to drive greater value for customers. During subsequent years, the electric utilities' energy efficiency portfolios will gradually evolve to align with REV approaches and the new market transformation focus of the

¹ Case 07-M-0548, Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard, Order Instituting Proceeding (issued May 16, 2007).

² Case 14-M-0101, Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision, Order Adopting Regulatory Policy Framework and Implementation Plan (issued February 26, 2015) (February REV Order or REV Order).

New York State Energy Research and Development Authority (NYSERDA). The Commission also stated that rather than funding efficiency programs through a surcharge, programs will be integrated into electric utilities' businesses and costs will be recovered through rates like other components of the revenue requirement.

The new framework initiated in the February REV Order provides electric utilities with more flexibility in designing and managing their programs within authorized portfolio budgets, as opposed to specific program authorizations, to achieve energy efficiency objectives in support of overall REV outcomes through the use of new and innovative approaches. With this flexibility, electric utilities should develop programs that are more market-based and include market mechanisms that combine resource acquisition with third-party activities to drive greater value for customers, achieve greater market-wide efficiency savings, target specific system needs, and depend less on direct ratepayer support.

Although the new framework provides increased flexibility for electric utilities in the design and implementation of their portfolios, the Commission directed Department of Public Service Staff (Staff), in consultation with the E² Working Group, to develop a REV Energy Efficiency Best Practices Guide outlining energy efficiency best practices under a REV framework, to ensure shared learning and the evolution of programs across service territories. The Commission required the first version of the Guide to be filed with the Secretary by February 1, 2016 and for it to include a process for revisions and updates such that information in the guide changes with the pace of technology and Commission directives.

In addition, the Commission required the electric utilities to include a Self-Direct Program in their electric

energy efficiency portfolios no later than January 1, 2017 allowing large commercial and industrial customers to self-direct funds that would otherwise support the utilities' portfolios. The Commission directed Staff and the electric utilities to work in consultation with the large commercial and industrial customers to develop guidance regarding Self-Direct programs to be filed with the Secretary by August 3, 2015.

With respect to low-income energy efficiency programs, the Commission stated that NYSERDA would remain the default provider of low-income programs, but encouraged electric utilities to develop innovative programs to expand the reach of measures that include energy efficiency within low-income communities, in concert with and not in competition with efforts of NYSERDA and private market activity.

For planning purposes, the Commission directed the E² Working Group to establish a three-year rolling cycle, to be filed by May 1, 2015, whereby on an annual basis, the Commission will approve the addition of a third year of energy efficiency funding and metrics, providing at least two years of market certainty and avoiding "cliff" years such as 2015. As part of the three-year rolling cycle, the Commission directed electric utilities to file, on an annual basis for Commission approval, an Energy Efficiency Budget and Metrics Plan containing proposed portfolio budgets and metrics on a three-year rolling cycle, and Energy Efficiency Transition Implementation Plans (ETIPs) as companion filings to the proposed portfolio Budget and Metrics Plan to inform the authorization of such budgets and metrics, but not subject to Commission approval. The Commission directed Staff to develop ETIP Guidance, in consultation with the E² Working Group, to be filed with the Secretary by May 1, 2015, outlining the elements to be included in ETIPs. In addition to an annual date by which electric utilities will file proposed

portfolio budgets and metrics and ETIPs, the Commission required that the three-year cycle include: an annual date by which evaluation studies of programs in previous cycles shall be filed in order to inform overall program design and operation and an updated Technical Resource Manual (TRM); an annual date by which an updated TRM will be filed to inform the preparation of electric utility Budget and Metrics Plans and ETIP filings; and an annual target date for Commission authorization of electric utility portfolio budgets and metrics for the next three-year program cycle.

To initiate the first iteration of the three-year cycle, the Commission authorized electric portfolio budgets and metrics for 2016 at the 2015 levels, required electric utilities to propose budgets and metrics for the remaining years of the 2016 - 2018 cycle in a Budget and Metrics Plan by July 1, 2015, and to file, as a companion filing, proposed 2016 - 2018 ETIPs to inform consideration of the proposed budgets and metrics.

In addition to granting increased flexibility, the Commission assigned increased responsibility to the electric utilities in the administration of their energy efficiency portfolios. The Commission also required electric utilities, as a unified group, to maintain their own planning, evaluation, TRM, and benefit/cost analysis tools, to be uniform across the State to the extent possible, and noted that Staff would maintain a monitoring and auditing role. The Commission directed electric utilities to design and implement Evaluation, Measurement & Verification (EM&V) activities that will yield timely information to be incorporated into the annual iterations of utility programs, resource manuals, and guidance, and stated that it was the electric utilities' responsibility to ensure that EM&V activities are planned to be used and useful and coordinated with NYSERDA EM&V activities to avoid duplicative

efforts. The Commission directed a review and revision of current evaluation guidelines (that is, the New York Evaluation Plan Guidance for EEPS Program Administrators), as well as data tracking obligations and reporting requirements, to be undertaken in 2015.

The REV Order directed the electric utilities to work collectively to support the maintenance of a New York State TRM and to file a TRM Management Plan by no later than June 1, 2015, at which time the electric utilities would assume responsibility for the TRM from Staff. The Commission required the plan to include a process ensuring each utility's and NYSERDA's input is considered, all changes to the TRM are transparent to Staff and stakeholders, and an updated TRM will be filed annually.

Noting that a new Benefit Cost Analysis (BCA) framework will be developed under REV that will eventually apply to energy efficiency and other distributed energy resources, the Commission retained the total resource cost (TRC) test as the primary benefit cost analysis tool for energy efficiency. While encouraging electric utilities to apply the TRC at varying levels of granularity, the Commission required the TRC to exceed 1.0 at the portfolio level.

In the REV Order, the Commission stated that a different approach from that used for direct subsidies was required to measure the success of market-based approaches and market transformation programs, adding that market penetration rates and other indices of market transformation should be considered to measure the true value of customer-funded efficiency efforts. The REV Order therefore directed electric utilities to develop and propose metrics applicable to market transformation strategies, in consultation with Staff and NYSERDA.

To support a smooth and effective transition to the new regulatory framework for electric utility energy efficiency programs beyond 2015, the Commission authorized additional flexibility during the final year of EEPS in the REV Order. That flexibility included the ability to use EEPS electric EM&V funds for activities in support of planning and implementation of post-2015 electric energy efficiency programs, to use uncommitted electric EM&V funds for electric program costs where there is not viable option of transferring budgets and targets from within the portfolio, and allow EEPS electric program and EM&V funds that are unspent as of December 31, 2015 to be retained by the electric utility to reduce the revenue requirement associated with post-2015 electric energy efficiency programs.

Although the REV Order addressed the energy efficiency programs of electric utilities, the Commission stated that utilities should be prepared to implement 2016 natural gas energy efficiency portfolios and propose budgets and metrics for a three-year cycle pursuant to the same approach as taken with the electric portfolios.

NOTICE OF PROPOSED RULE MAKING

A Notice of Proposed Rulemaking (NOPR) concerning utility gas energy efficiency programs, targets, budgets and administration under consideration here was published in the State Register on March 18, 2015 (SAPA 07-M-0548SP81). The proposed rulemaking would authorize the implementation of gas energy efficiency programs beginning in 2016 for Central Hudson, ConEd, KEDLI, KEDNY, NFG, NYSEG, Niagara Mohawk, O&R and RG&E under the same framework established in the February 26, 2015 REV Order for the implementation of electric energy efficiency programs beginning in 2016 and authorize the same flexibility

during the final year of EEPS for gas utilities implementing energy efficiency programs under EEPS as that granted to the electric utilities in the REV Order. The minimum time period for the receipt of public comments pursuant to the State Administrative Procedure Act (SAPA) regarding that notice expired on May 4, 2015. Comments generally in favor of the authorization of gas energy efficiency programs under the proposed framework were received from NFG, the Joint Utilities (JU), Corning Natural Gas Corporation (Corning), Advanced Energy Economy Institute (AEEI), and the Association of Energy Affordability (AEA). A summary of the comments related to the NOPR is attached as Appendix A. To the extent comments are relevant to the actions taken in this Order, they are addressed below.

DISCUSSION

The Commission approves the implementation of natural gas energy efficiency programs beginning in 2016 under the same framework as that established in the February REV Order for the implementation of electric energy efficiency programs, with the modifications discussed herein, for Central Hudson, ConEd, KEDLI, KEDNY, NFG, NYSEG, Niagara Mohawk, O&R, and RG&E.

In its REV Order, the Commission noted that "although REV concentrates on the electric industry, it is our expectation that utilities will also continue and evolve their gas energy efficiency efforts."³ As the REV Order focused on the electric industry and the integration of energy efficiency efforts into utility system planning, some aspects of the REV Order, notably the use of electric energy efficiency measures in demand reduction efforts, do not apply to the gas industry. While

³ REV Order at 79.

parties generally agree that market-based approaches have potential, most parties recommend the continuation of current gas energy efficiency programs to maintain the current levels of energy efficiency. AEEI urges the Commission to allow its new policies to be tested by balancing new approaches with existing programs. Market-based approaches and market transformation strategies, however, can and should be applied to gas energy efficiency efforts. Gas utilities, like electric utilities, are therefore expected to use new and innovative approaches, including those that are more market-based in their energy efficiency efforts, and introduce market mechanisms that combine resource acquisition with third party activities in order to increase the reach of their programs and the market penetration of efficiency measures, thereby achieving greater market-wide efficiency savings with less need for direct ratepayer support. To measure the success of these new approaches, gas utilities are directed to work with electric utilities in the development and proposal of metrics applicable to market transformation strategies, in consultation with Staff and NYSERDA.

Gas utilities will be afforded the same flexibility as that granted to electric utilities to design and manage their programs within authorized portfolio budgets, as opposed to specific program authorizations. The importance of shared learning in the evolution of programs across service territories without specific program authorizations is not limited to electric energy efficiency efforts. The Commission therefore directs Staff to include gas energy efficiency best practices in the REV Energy Efficiency Best Practices Guide being developed in consultation with the E² Working Group for filing by February 1, 2016.

With respect to the implementation of low-income gas efficiency programs, the Commission reiterates its continued

commitment to funding these programs where market participation is not a viable option. AEA comments that utilities play an important role in providing energy efficiency services to low-income customers and it supports the coordination of efforts as opposed to competition between utilities and NYSERDA. As with electric low-income efficiency programs, NYSERDA will remain the default provider of low-income gas efficiency programs. Gas utilities are encouraged to develop innovative programs to expand the reach of energy efficiency measures within low-income communities that are complementary to, and not in competition, with NYSERDA's efforts.

AEEI proposes a five-year transition framework for implementation in parallel to existing incentive and resource acquisition programs to prevent backsliding on energy efficiency goals, and states that existing programs can be phased out when there is evidence that market-based programs will perform better. The Commission finds that the administration of gas energy efficiency programs should align with that of electric efficiency programs and will therefore require gas utilities to implement their efficiency programs under the same framework as that established in the REV Order for electric programs. To that end, gas utilities will annually file a Budget and Metrics Plan, as well as ETIPs,⁴ on a three-year rolling cycle. To initiate the first three-year cycle, existing gas energy efficiency budgets and targets will be maintained for 2016 to avoid market disruption and backsliding (see Appendix B). AEA states that the Commission should clarify the targets to be a floor and not a ceiling while AEEI argues that the targets for

⁴ Gas utility ETIP filings shall comply with the ETIP Guidance filed by Staff in Case 15-M-0252 on June 1, 2015, as well as any future modifications to that guidance.

2016 function as both a floor and a ceiling as there is no way for utilities to recover costs associated with achieving efficiency gains beyond the target. NFG objects to holding budgets and targets flat for 2016, and suggests that utilities be given the opportunity to propose budgets and targets for 2016 as part of their ETIP filings, stating that this approach would neither delay ETIP submittals nor cause market disruption and backsliding. The Commission clarifies here that the savings targets are not a ceiling and the increased flexibility granted to utilities in the implementation of their programs provides the opportunity to optimize the cost-effectiveness of their portfolios, thereby providing utilities the ability to achieve more savings with their authorized portfolio budgets. Gas utilities implementing energy efficiency programs in 2016 are directed to propose budgets and metrics for the remaining years of the 2016 - 2018 cycle in an Energy Efficiency Budget and Metric Plan by July 15, 2015. Gas utilities should submit proposed 2016 - 2018 ETIPs as separate, but companion, filings by the same date. For subsequent years, gas utilities will comply with the filing dates established in the Three-Year Rolling Program Cycle filed by the E² Working Group on May 1, 2015 in Case 15-M-0252, as well as any future modifications to that cycle.

The flexibility afforded under the new framework necessitates that gas utilities assume the same additional responsibility for their portfolios' performance as was required of the electric utilities in the REV Order. AEA supports the transition of responsibility of program implementation and verification tools from Staff to the utilities but states that the process for their development and adoption must include stakeholder participation and Commission review and approval. AEA specifically calls out the development of the BCA tools as

an area that can be quite controversial and should be determined in a public forum. The annual approval of utility energy efficiency portfolio budgets and metrics, which will be based on the verification tools developed and maintained by the utilities, with Staff oversight, will include a stakeholder process. If Staff determines that the utilities are not appropriately developing and maintaining the necessary verification tools, the Commission may reconsider the process by which these tools are managed.

Gas utilities are therefore instructed to participate with the electric utilities in the maintenance of utility evaluation, Technical Resource Manual, and benefit/cost analysis tools. Gas utility EM&V activities shall be designed to yield timely information to be incorporated into the annual iterations of gas programs, resource manuals, and guidance, and should be complementary, not duplicative, of NYSERDA EM&V activities. The activities must inform improvement to individual utility efficiency efforts as well as be shared and integrated in order to improve the accuracy and reliability of foundational tools, such as the TRM. Together with the electric utilities, gas utilities implementing energy efficiency programs will be responsible for ensuring that utility EM&V activities are planned to be used and useful and are coordinated with NYSERDA to avoid duplicative efforts. The gas utilities implementing efficiency programs in 2016 are directed to participate in the review and revision of current evaluation guidelines (that is, the New York Evaluation Plan Guidance for EEPS Program Administrators), as well as data tracking obligations and reporting requirements, to be undertaken in 2015.

In addition, as the New York TRM is an integral tool in the management of energy efficiency portfolios, the responsibility for its maintenance should be borne by all

utilities offering efficiency programs. Therefore, despite NFG's recommendation that gas utilities not be required to assume the responsibility for the TRM, the Commission directs all gas utilities implementing energy efficiency programs in 2016 to participate in the maintenance of the TRM and further directs the TRM Management Plan filed on June 1, 2015 in Case 15-M-0252 to be modified to reflect this directive.

As noted in the REV Order, a new BCA framework will be developed under REV that will eventually apply to energy efficiency. The development of the new BCA framework will include stakeholder participation and be conducted in a public forum. The Commission anticipates this new BCA framework will be designed to apply to electric energy efficiency programs and where necessary be modified to apply to gas energy efficiency programs. Until this new BCA framework is in place, the total resource cost (TRC) test will be retained for gas energy efficiency programs, and although utilities are encouraged to apply the TRC at varying levels of granularity, gas utility portfolios will be required to exceed a TRC of 1.0.

The Commission will not require gas energy efficiency portfolios to include Self-Direct programs for large commercial and industrial customers at this time. Self-Direct programs are just now being developed for electric customers to be implemented no later than January 1, 2017. Self-Direct programs for electric customers are not new, but as NFG notes the American Council for an Energy-Efficient Economy (ACEEE) is not aware of the provision of natural gas Self-Direct programs. Developing and implementing these programs for electric customers will result in useful experience and insights that can inform consideration of such programs for large commercial and industrial gas customers. As stated by NFG at this time, utilities can work directly with large commercial and industrial

gas customers to design programs that suit those customers' needs.

The Commission finds merit with the objections raised by NFG regarding moving away from identifiable surcharges for program support and AEA's comment that the Commission has not clarified how it intends to reconcile moving away from identifiable surcharges with its proposal for a Self-Direct program. Therefore, only costs associated with utility personnel working directly on energy efficiency programs should be recovered through base rates. Electric and gas utilities implementing energy efficiency programs in 2016 are therefore directed to file tariffs to institute an Energy Efficiency Tracker (EE Tracker) as a surcharge mechanism for cost recovery of the remaining costs associated with the implementation of energy efficiency programs within 30 days of the issuance of this Order.⁵ Until such time as internal labor costs associated with energy efficiency are included in the base rates of a utility through a rate proceeding, the EE Tracker may be designed to cover those costs as well. On an annual basis, each utility will reconcile actual recoveries with allowed budgets. Recovering costs associated with the implementation of energy efficiency programs through an EE tracker should ameliorate concerns regarding transparency and enable the implementation of Self-Direct programs for large commercial and industrial electric customers which depend on the ability to identify specific customer support for efficiency programs.

To support a smooth and effective transition from EEPs to the framework established here for gas energy efficiency

⁵ Central Hudson and O&R are exempt from this requirement as EE Trackers are being instituted for both companies on a different schedule in compliance with their respective rate proceedings.

programs post-2015, the Commission will authorize the same flexibility, listed below, during the final year of EEPS for gas utilities as that granted to electric utilities in the REV Order.

- EEPS gas EM&V funds may be used for activities in support of planning and implementation of post-2015 gas energy efficiency programs. Emphasis should be placed on the ability to obtain results in a timely fashion to support the overall cycle of improving guidance documents, e.g., TRM, BCA, REV Energy Efficiency Best Practices Guide. To aid in the more timely completion of EM&V work, Staff will continue to serve as a valuable resource to the gas utilities in the conduct of the work but we will not require Staff approval. With this additional level of streamlining, the gas utilities accept a higher level of responsibility for ensuring the quality and timely completion of the final work product. All final EM&V reports should be filed upon their completion with the Secretary. Staff will maintain a monitoring role and audit function to verify the use of EM&V results in future program planning.
- To the extent EEPS 2 gas program(s) are experiencing demand that exceeds the available budget(s), and a gas utility does not have a viable option of transferring budget/target from within its portfolio, uncommitted EEPS EM&V funds may be used for this purpose, with the understanding that a corresponding increase in energy savings targets will be calculated based on an "as-ordered" \$/Dth basis.
- Gas EEPS program and EM&V funds that are unspent and uncommitted as of December 31, 2015 will be retained

by the gas utility to reduce the revenue requirement associated with post-2015 gas energy efficiency programs.

- Staff shall include gas utilities in its work to identify the most efficient way of reporting and tracking EEPS 2 commitments and the period of time over which these commitments will be allowed to be converted to achievements to count toward EEPS 2 shareholder incentive calculations.

Being the smallest of utilities required to implement energy efficiency programs under EEPS, both Corning Natural Gas Corporation (Corning) and St. Lawrence Gas Company, Inc. (St. Lawrence) have consistently struggled to deploy their EEPS programs with any success, and were therefore omitted from consideration to implement energy efficiency beginning in 2016 in the Notice of Proposed Rulemaking. No objections were raised concerning this omission. Corning and St. Lawrence will therefore not be required to implement energy efficiency programs beyond December 31, 2015. The Commission will not decide on the disposition of potential unexpended EEPS funds here. Any unexpended EEPS funds remaining at the end of 2015 for both Corning and St. Lawrence shall be addressed in the next rate proceeding for each company.

SEQRA FINDINGS

Pursuant to our responsibilities under the State Environmental Quality Review Act (SEQRA), in conjunction with this Order, the Commission finds that programs modified here are within the overall action previously examined 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 the Commission certifies 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, the action being undertaken is one that avoids or minimizes adverse environmental impacts to the maximum extent practicable.

The Commission orders:

1. Central Hudson Gas & Electric Corporation (Central Hudson), Consolidated Edison Company of New York, Inc. (ConEd), KeySpan Gas East Corporation (KEDLI), The Brooklyn Union Gas Company (KEDNY), National Fuel Gas Distribution Corporation (NFG), New York State Electric & 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) are directed to implement gas energy efficiency programs consistent with the instructions and requirements set forth in this Order.

2. ConEd, KEDLI, KEDNY, NFG, NYSEG, Niagara Mohawk, and RG&E are directed to file tariffs implementing a gas Energy Efficiency Tracker within 30 days of the issuance of this Order, to become effective on January 1, 2016, consistent with the instructions and requirements set forth in this Order.

3. ConEd, NYSEG, Niagara Mohawk, and RG&E are directed to file tariffs instituting an electric Energy Efficiency Tracker within 30 days of the issuance of this Order, to become effective on January 1, 2016, consistent with the instructions and requirements set forth in this Order.

4. The Secretary in her sole discretion may extend the deadlines set forth in this order. Any request for an extension must be in writing, must include a justification for

the extension, and must be filed at least one day prior to any affected deadline.

5. These proceedings are continued.

By the Commission,

(SIGNED)

KATHLEEN H. BURGESS
Secretary

CASE 07-M-0548 and 15-M-0252

Commissioner Diane X. Burman, abstaining:

As reflected in my comments made at the public session on June 17, 2015, I abstain.

SUMMARY OF COMMENTSAdvanced Energy Economy Institute

The Advanced Energy Economy Institute (AEEI) filed comments on behalf of Advanced Energy Economy (AEE), the Alliance for Clean Energy New York (ACE NY), the New England Clean Energy Council (NECEC), and their joint and respective member companies. AEEI supports the development of regulatory policies and the Commission's desire to implement new methods to promote energy efficiency, but urges the Commission to strike the appropriate balance between existing and proposed policy to allow new policies to be tested without jeopardizing proven programs that deliver significant value to customers. AEEI expressed concern that without the interventions provided by existing programs energy efficiency will be significantly underutilized as a resource. AEEI continues that although the proposed policy transitions energy efficiency programs over three years, targets have only been set for one, and those targets not only serve as a floor or minimum, but also as a ceiling as there is no way for utilities to recover the costs incurred to achieve savings beyond that floor. AEEI adds that although it understands the role of NYSERDA to be changing, NYSERDA programs are currently responsible for the majority of energy efficiency savings across the state and thus it is essential that these savings be maintained at current levels during the transition. AEEI comments that there are many market failures and barriers to customers purchasing efficiency upgrades and adjusting their behavior, and energy savings alone fail to motivate these actions. AEEI states that energy efficiency programs, such as incentives, can help energy efficiency measures achieve wide enough adoption so that they become sustainable over time in the market without any other

support, any behavioral programs can help to increase participation in efficiency programs by educating customers and motivating them to take action. AEEI adds that gas efficiency home audits play an important role in gas safety, as such audits find gas leaks that if undetected could result in significant safety issues. AEEI proposes a five-year transition framework to be implemented in parallel to existing incentive and resource acquisition programs to prevent backsliding on energy efficiency goals, and states that existing programs can be phased out when there is evidence that market-based programs will perform better. For a successful transition, AEEI recommends that during the first two years continuous measurement and verification be established that will allow efficiency to be delivered on a level playing field with other distributed energy resources and the identification and qualification of market-based energy efficiency providers who will deliver savings outside of existing programs begin. During years two and three AEEI recommends making the true cost of energy transparent to customers and educating and incenting customers to change their behavior. AEEI proposes that during year four, the market infrastructure continue to be developed and a study of market-based energy efficiency programs comparing their performance with existing programs and a projecting their likelihood of performance be conducted. And during year five, AEEI suggests that goals be established for utilities, a profit mechanism to incent utilities to meet those goals be established, and implementation of the transition begin.

Association of Energy Affordability

The Association of Energy Affordability (AEA) supports adopting gas efficiency programs but recommends that the existing programs continue until the markets are capable of delivering the expected benefits, and states that the role

rebates and incentives programs play in driving market transformation should be considered. In addition, AEA believes that more Commission guidance and direction should be provided for at least the second and third years of the transition, targets should be a floor and not a ceiling, and utilities should pursue all efficiency when it is the least cost resource. AEA supports the inclusion of demand reduction in efficiency efforts and program design, as well as the encouragement of innovation, and states the Commission should consider facilitating demonstration projects for gas efficiency.

In regard to the provision of energy efficiency to low-income households, AEA states that utilities play an important role in providing this service and it supports program development and coordination for such services without the competition between NYSERDA and the utilities that it states has been a hurdle in past EEPS efforts. In addition, AEA urges the Commission to adopt a policy whereby utilities have specific programs and clear energy savings targets for multifamily buildings, particularly those including explicit requirements for participation and funding for buildings that house low and moderate income customers.

Although AEA understands the Commission's intent to move the costs of efficiency programs into a utilities' business costs, it notes that the Commission has not clarified how it intends to reconcile its proposal for a self-direct program with moving away from identifiable surcharges for program support.

AEA states there is merit to transitioning the responsibility of program implementation and verification tools to the utilities, but states that the process for their development and adoption must include stakeholder participation and Commission review and approval, specifically calling out the development of BCA tools as an area that can be quite controversial and should be determined in a public forum. In

addition, AEA states that while uniformity in these tools may be desirable, specific utility system circumstances should be considered.

Corning Natural Gas Corporation

Corning Natural Gas Corporation (Corning) states that as it was not included in the proposal to implement gas energy efficiency programs beginning in 2016, its customers will not be eligible for rebates after December 31, 2015. Corning states, however, that it has a significant amount of unexpended funds collected through its gas System Benefit Charge (SBC), and it is important that these funds be returned to customers. To that end, Corning proposed that these funds be used to provide incentives to customers to convert to natural gas heat or in the alternative be returned to customers in the same manner they were collected, as a unit charge, based on volume over a period deemed appropriate by the Commission.

National Fuel Gas Distribution Corporation

National Fuel Gas Distribution Corporation (NFG) supports the continuation of utility natural gas energy efficiency programs beyond 2015, and comments that ratepayer supported incentives should continue. NFG states that as the cost differences between standard efficiency and high efficiency equipment offerings still exist as a major barrier, and were exacerbated by the elimination of federal tax credits as of December 31, 2011, the removal or lowering of other market barriers through market transformation strategies may not be enough. NFG agrees that utility and NYSERDA efficiency programs and activities should be complementary, and not redundant, stating that it has successfully coordinated with NYSERDA for over seven years, and such coordination has achieved greater penetration of technologies, while minimizing duplicative

efforts and customer confusion. NFG urges the Commission to confirm that coordinated efforts with NYSERDA should continue, particularly in the low-income sector.

NFG supports the development and filing of ETIPs, and further agrees that the E² Working Group is the proper venue for the development of ETIPs. NFG objects, however, to the proposal to maintain 2015 efficiency budgets and targets for 2016, stating that such an approach limits the ability of utilities to improve existing programs, respond to market conditions and customer demands, and consider the use of recently completed evaluation work. NFG suggests that utilities be given the opportunity to propose budgets and targets for 2016 as part of their ETIP filings, stating that this approach would neither delay ETIP submittals nor cause market disruption and backsliding.

NFG questions how a natural gas energy efficiency program, and the actions of a natural gas only utility would need to become aligned with demand reduction, a phenomenon which only supports the electric industry, and further states that applying regulatory concepts and policy changes arising out of the REV Proceeding could be counterproductive and costly to natural gas customers.

NFG does not support the requirement for natural gas efficiency portfolios to include a Self-Direct program for large commercial and industrial customers and notes it was recently communicated that research experts with the American Council for an Energy-Efficient Economy (ACEEE) are not aware of the provision of natural gas self-direct programs. NFG suggests a more effective approach would be to allow utilities to design programs or offerings that would best meet the needs of large commercial and industrial customers informed by direct communications with those customers.

NFG recommends that the Commission refrain from directing natural gas utilities to assume responsibility for the New York TRM, stating that this task, traditionally performed by Staff, would be administratively burdensome and an inefficient use of utility personnel, particularly for a small utility. NFG adds that no evidence has been provided to support the rationale that Staff or Commission oversight of the TRM is no longer necessary and further comments that no funding source has been identified to support the transition of this role to utilities.

NFG does not support transitioning the cost recovery of energy efficiency expenses from a surcharge mechanism to base rates, stating that surcharge mechanisms are transparent, flexible, and allow for modifications to program and funding levels to occur quickly. NFG adds that only energy efficiency costs associated with utility personnel that work directly on energy efficiency programs should be recovered through base rates.

NFG comments that a shareholder incentive structure similar to that in EEPS 2 be developed for 2016, with incentives to be awarded on a positive results basis only, and be tied to utility-developed, and Commission approved metrics. NFG adds that a funding source for incentives should be identified, and both the basis for awarding incentives and the magnitude of incentives by utility should be identified, and made clear and simple to understand.

Joint Utilities

The Joint Utilities (JU)⁶ support the direction of the modifications proposed for utility-administered gas energy efficiency programs for implementation beginning in 2016.

⁶ Central Hudson Gas and Electric Corporation, Consolidated Edison Company of New York, Inc., KeySpan Gas East Corporation d/b/a National Grid, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation, and The Brooklyn Union Gas Company d/b/a National Grid NY submitted joint comments.

2016 Authorized Budgets and Targets

Utility	2016 Budget	2016 Dth Target
Central Hudson	\$837,356	37,296
Con Edison	\$14,533,466	273,116
KEDLI	\$7,164,182	150,139
KEDNY	\$12,771,114	254,466
NFG	\$10,040,000	345,339
Niagara Mohawk	10,549,262	450,402
NYSEG	\$2,038,215	85,037
O&R	\$536,946	14,691
RG&E	\$2,720,749	127,121