May 17, 2018

VIA ELECTRONIC FILING

Hon. Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

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

Attached for filing with the Public Service are comments of the Energy Efficiency Advocates on the New York Energy Efficiency Initiative.

Please contact me if you have any questions.

Respectfully submitted,

Miles Farmer
Staff Attorney
Climate and Clean Energy Program
Natural Resources Defense Council

COMMENTS OF ENERGY EFFICIENCY ADVOCATES ON THE NEW YORK ENERGY EFFICIENCY INITATIVE

Thank you for the opportunity to provide input on the New Efficiency: New York publication ("the whitepaper"), filed on April 26, 2018, which outlines numerous strategies for the state to achieve its recently announced energy efficiency goals. The undersigned parties (collectively "Energy Efficiency Advocates") provide these comments to support the New York Public Service Commission and New York State Energy Research & Development Authority (NYSERDA) in enabling the state to reach the whitepaper's goals in a cost-effective, timely, and equitable manner.

We commend New York State for adopting the ambitious energy savings targets of 185 trillion British thermal units by 2025, and over 3 percent electric savings relative to demand in that same year. We also fully support the acknowledgement of the importance of a strong utility role in achieving these targets. In addition, the all-fuels approach allows the State to achieve deeper energy efficiency savings beyond electricity savings by helping spur technologies such as highly efficient electric heat pumps that reduce the need to burn fossil fuels in buildings and initiatives, such as pay-for-performance, that can facilitate innovative ways to enable market transformation.

However, the whitepaper lacks essential details on two key pieces that will be critical for successful implementation: **1) the timeline for ramping up savings annually through 2025; and, 2) a funding mechanism**. These areas must be immediately addressed if the State is going to begin scaling up efficiency at the pace necessary to be on a glide path to over 3 percent annual savings by 2025; absent clarity on these issues, the marketplace cannot be responsive. It is particularly important to immediately provide clarity to utilities regarding what will be expected of them to meet higher energy efficiency targets beginning in January 2019, to set them on track to achieving the desired savings. To assess progress in meeting these goals and targets for later years, we recommend the state adopt a centralized structure to coordinate communication between stakeholders, state agencies and utilities, providing for third party assessment of progress in meeting the goals.[1]

Even if it needs more time through a regulatory process covering savings levels achieved in later years, the Public Service Commission ("PSC" or "Commission") can issue a "no regrets" notice now specifying that in the near-term, each utility will be required to ramp up energy efficiency targets each year at a similar pace that has been demonstrated by leading utilities in other states. Given the ambitious scale of the Governor's efforts, it is abundantly clear that ambitious increases will be required. In providing notice to the utilities regarding near term expectations, the Commission should also communicate the timeline for finalization and implementation of each whitepaper component, to enhance transparency and ensure progress is made on every goal.

Further, in order for utilities to successfully implement the suggested energy efficiency programs and ramp up targets at the rate needed to achieve these new goals, it is essential that, as a baseline, the expectation be set that the utilities can recover prudently incurred costs. Utilities can be incented to make their energy efficiency portfolios as cost effective as possible through the use of earnings adjustment mechanisms or other incentives that are *added* to that baseline, but incentives alone do not substitute for a basic expectation of cost recovery for prudent investments in well-designed programs to procure energy efficiency.[2] Like any other resource,

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[1] The Massachusetts Energy Advisory Council provides one example for such as structure.
[2] The grid value of energy efficiency should be more fully recognized, with costs and benefits measured on an apple-to-apples basis. While the Commission should seek to align energy efficiency with its value to the grid, that principle should not be used as justification for the Commission to depart from its longstanding practice, based on equity principles and other

whether it be energy supply from generation or a utility infrastructure investment, the costs of energy efficiency must be paid for in some manner, and utilities will not invest unless there is a basic expectation that costs will be recovered (as they are for supply through supply rates, and for infrastructure through utilities' ability to earn costs *plus* a return on investment). Utilities will not spend $100 for a chance to earn $10. Without clarity that they can invest in efficiency without taking such a risk and can recover the $100 investment in addition to whatever incentives (negative or positive) are associated with the investment, the regulatory process will become bogged down in this basic question without ever getting to the more nuanced issues of designing a portfolio to ensure long-term cost-cutting innovations.

In addition, while the whitepaper rightfully addresses the need to develop new programs and strengthen existing initiatives that serve all customers, but particularly low-to-moderate income customers, more guidance is necessary to provide clarity around how these programs will be implemented in the near-term. In particular, more clarity is needed as to how the utilities themselves will be asked to address this population and how the utilities and NYSERDA will coordinate programs. NYSERDA and other state agencies should also clearly demonstrate how their roles in these new initiatives will be funded.

Regarding procedural issues, we fully recognize the need for straw proposals and public comment to inform a final comprehensive energy efficiency Order from the Commission. Existing efforts in the Reforming the Energy Vision docket have addressed the majority of recommendations in the White Paper. It is, therefore, entirely appropriate—and essential if the state is going to be on track to deliver on Governor Cuomo's bold commitment—for the

considerations, that customers who use less energy should pay a lower proportion of the sunk (or "embedded") costs related to past utility investments. How to account for cost-shifting that may result from such practices should not be conflated with measuring the value of energy efficiency.

Commission to issue fundamental guidance documents in the very near term regarding the expected levels of savings utilities should pursue, as well as clarity on cost-recovery. Failing to do so would jeopardize the Governor's vision becoming a reality.

We look forward to working with NYSERDA, the Department of Public Service, and the PSC to efficiently and effectively achieve the goals outlined in the whitepaper and request more clarity about the funding and implementation of the programs in a transparent and timely manner.

Respectfully Submitted,

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