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July 25, 2007

The Honorable Eleanor Stein  
State of New York Department of Public Service  
Three Empire State Plaza  
Albany, NY 12223-1350

RE: Case 07-M-0548 – Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard – Answers to Judge's Questions

Dear Judge Stein:

Pursuant to your letter of June 22, 2007, Comverge, Inc. submits its Answers to some of your questions to the parties. They are as follows:

6. What entities would be most appropriate and effective in delivering:
- (a) market transformation type programs
  - (b) peak shaving/demand response type programs
  - (c) end-user rebate type programs
  - (d) energy audit type programs
  - (e) weatherization type programs
  - (f) programs for participants lacking capital
  - (g) programs targeted to new construction
  - (h) programs targeted to existing building stock, appliances and fixtures

**Response:** Comverge believes that the best entities to deliver any program would be the ones who can perform it most effectively at the least cost to consumers, including the least risk to consumers. Comverge would not exclude any entity from performing under these conditions regardless if they are a public utility, public entity or private for profit or non-profit entity. Some entities may be more effective in delivering these programs but are unable to provide the capital or assume the financial risks for the program. On balance, it may be appropriate to allow those costs to be placed on consumers in order to achieve the greatest savings from the programs. With respect to demand response programs, however, that balance need not be made. Third party providers such as Comverge have both the capital and the experience to deliver these programs most effectively on a pay-for-performance basis with no risk to the consumer.

Comverge would perform a comprehensive DR program in NY for all customer classes that includes: marketing, customer acquisition, equipment installation, equipment performance and warranty, operation, customer service and measurement and verification – all on pay-for-performance basis. Comverge assumes the capital and ongoing costs of the program and takes all of the risk since if we do not deliver the load reductions, we do not get paid. As a result, we have the greatest incentive possible to deliver the programs

effectively. Experience has shown that Comverge achieves much greater penetration levels than utility programs. Further, our churn rate, i.e. customers dropping off the program, is very low – about 2-3%. That means not only are we delivering the load reductions, but customers are satisfied with the program.

It is also important that a DR program be available to all customer classes equally. Currently, NY has programs in place that are a good fit for large C&I customers but less effective for small and medium C&I customers. Further, there is only limited piloted DR in the residential sector. Comverge is the only DR provider in the country who offers a pay-for-performance program for all customer classes.

Comverge is not wedded, however, to branding or being the face of the provider for these programs. Indeed, we believe that a DR program is most effective when provided through the local utilities. Provision of these programs through the utility greatly increases the speed and depth of marketing. Customers are familiar with the utility name and the utility has the best access to the customers.

Finally, provision of the DR program through the utility ensures that advanced technology that complements both a DR program and other utility service objectives are implemented on a coordinated and integrated basis.

7. What entities would be least appropriate and effective in delivering:

- (i) market transformation type programs
- (j) peak shaving/demand response type programs
- (k) end-user rebate type programs
- (l) energy audit type programs
- (m) weatherization type programs
- (n) programs for participants lacking capital
- (o) programs targeted to new construction
- (p) programs targeted to existing building stock, appliances and fixtures

**Response:** The least effective entity to provide any of these programs are those that lack the experience and the financial resources to perform the program effectively or those that are not properly motivated and resourced to implement the system as quickly and effectively as possible. Specifically, DR programs should be implemented by entities with a track record of success and the knowledge base as well as the financial resources to take on large scale delivery of a statewide program for all customer classes. Programs should not be delivered by entities that would have to ramp up or have a need to develop expertise in order to begin delivering the programs immediately.

7. Is your entity or organization interested in being a provider of energy efficiency programs? If so, what types?

**Response:** Yes, Comverge is interested in being provider of demand response programs. We are also interested in working with energy efficiency providers to integrate DR into the delivery platform of efficiency. We believe there are significant synergies that can be

gained by implementing these programs together, thereby expediting implementation of both energy and capacity reductions at lower cost to consumers. For further discussion on these concepts, please see Comverge's responses to the Staff questions 1 and 12.

Thank you for the opportunity to respond to your questions and participate in the Overview Forum. We welcome the opportunity to provide you and your staff with any additional information related to these issues.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Cynthia A. Arcate". The signature is written in dark ink and is positioned above the printed name.

Cynthia A. Arcate, Esq.

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