

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission to Examine
Policies Regarding the Expansion of Natural Gas Service

Case 12-G-0297

COMMENTS OF THE NEW YORK STATE
ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

The New York State Energy Research and Development Authority (NYSERDA) offers the following comments in response to the Commission's November 30, 2012 Order¹ in the above-referenced proceeding. NYSEDA's comments relate to the issues to be considered that address "Barriers to Extension and Expansion of Natural Gas Facilities" and "Public/Private Partnerships."

1. **Conditions for Use of Public Funds:** NYSEDA recognizes that, for many customers, conversion to natural gas makes long-term economic sense due to the commodity price spread between natural gas and other heating fuels. However, the capital investment of system interconnection and heating equipment conversion may be a barrier for some customers. In the appropriate circumstances, NYSEDA supports the use of ratepayer or public funds to assist in conversions for new natural gas service. Assistance should not enrich customers for economic choices, and different customers or customer classes may need different levels and different types of support.

For residential customers, NYSEDA currently administers programs that help support conversion costs, as well as natural gas energy efficiency programs that may also provide incentives or loans to support conversion activities as part of a larger energy efficiency project. NYSEDA has numerous natural gas energy efficiency programs that may help offset these costs for Commercial and Industrial (C&I) customers through lower energy use. The various utilities also administer programs that offer conversion assistance.

NYSEDA proposes that discussions among the Department of Public Service (DPS), the utilities and NYSEDA should be initiated to: (1) identify all currently available programs and incentives that support natural gas conversions that are currently available and their

¹ Case 12-G-0297; Proceeding on Motion of the Commission to Examine Policies Regarding the Expansion of Natural Gas Service, "Order Instituting Proceeding and Establishing Further Procedures," issued November 30, 2012.

target sectors, funding sources, and services provided; (2) identify potential areas of overlap that could interfere with program goals or further complicate program approaches; and (3) to determine the types of program(s) will best support the Commission's policy on a going forward basis. Such discussion could also help in aligning approaches and objectives across all service territories, to provide consistency for eligible customers across the State.

Any policy that seeks to expand conversions to natural gas through public support or ratepayer funding should seek to minimize duplication and overlap between NYSERDA and utility programs. In light of the various programs currently in place that support fuel conversion, if additional resources are to be provided through this Proceeding, a thoughtful process and coordinated approach needs to consider not only the use of current funding in a more efficient manner, but to ensure that any additional funding results in additional benefit. As is stated below, the discussions should also consider appropriate energy efficiency and energy cost-savings strategies that can be targeted to customers who will not have an opportunity to convert.

In addition, NYSERDA understands that customers often have to wait long periods of time for their new gas service to be connected by the utility, given the current demand for conversions generally. NYSERDA recommends that the length of service times be examined, and that additional resources for fuel conversions should be considered to avoid these delays. If the Commission adopts policies that are expected to increase the rate of conversions, sufficient utility-side conversion resources should be available to service the anticipated demand in a timely manner.

2. **Requirements for Use of Public Funds:** In all instances, any use of public funds to support on-site heating system upgrades, conversions, or retrofits should encourage a comprehensive approach that aligns gas expansion with existing Energy Efficiency Portfolio Standard programs, including Home Performance with Energy Star (HPwES). Fuel conversion programs should be designed to fit seamlessly into customers' and contractors' existing program choices.
 - a. Ratepayer or public funds should only support the installation of high-efficiency heating equipment deployed in conjunction and coordination with existing efficiency programs.
 - b. An energy audit to identify the energy savings synergies of the overall building system should be required to identify potential energy efficiency improvements that could be made to the building or home. The energy audit must be based on building science principles and include an assessment of energy-efficiency opportunities on the building shell, mechanical systems, and potential health and safety issues. The

Commission should consider leveraging existing programs to meet this need, such as Green Jobs Green New York (GJGNY) Program.

- c. Any use of public funds for conversions should be consistent with the recommendations made in the energy audit (i.e. boiler sizing should reflect heating load that takes into account potential or recommended efficiency upgrades).
 - d. It is not necessary to explicitly require audits for C&I programs. C&I programs implicitly achieve audit type goals through a customized, comprehensive strategy designed to integrate cost-effective energy efficiency saving measures.
3. **Fuel Neutral Approach:** The Commission should establish a separate proceeding to consider the adoption of a fuel-neutral energy policy to reduce the cost of energy to all consumers, especially low-income consumers. The DPS and the Commission could, in such proceeding, examine the use of electric-funded and fuel-neutral efficiency programs, across the State, to support energy efficiency for users of all heating fuels, on the rationale that all electric customers are also heating fuel customers.

In its Order, the Commission recognized the benefits to low-income customers as a one of the considerations supporting natural gas expansion.² According to the Commission:

Expanded availability of natural gas also has the potential to help low-income programs and customers. While many of the State's low-income households heat with natural gas, many others heat with other fuels, including oil, kerosene, propane, wood or coal. Lowering fuel costs incurred by low-income customers through conversion to natural gas could provide a significant and direct benefit to these customers. It would also increase the impact of scarce assistance resources available to the low-income customer such as the Home Energy Assistance Program (HEAP).

As the Commission has recognized, even the most aggressive natural gas expansion programs will leave many energy consumers in New York outside of the natural gas delivery system; those customers will continue to rely on petroleum-based heating fuels or biomass as their primary heating fuel sources. Many of those customers are low-income households, who, particularly in rural areas, find themselves facing very high energy bills because they must use high-cost fuels (natural gas is unavailable), and their homes are poorly insulated and inefficient. In some cases, due to housing characteristics (especially trailers) which require an exterior fuel tank, these households must use temperature resistant fuels such as kerosene, kerosene blends, or propane.

For those customers who will be provided the opportunity to switch, the State appears willing to consider facilitating the economic decision-making to foster the switch to a lower cost fuel. The State should also consider strategies that would reduce the costs of energy for

² "Order Instituting Proceeding and Establishing Further Procedures," p. 4.

those customers who will be unable to switch. While not the subject of this proceeding, NYSERDA proposes that the underlying rationale of providing lower energy costs for consumers suggests that approaches to energy efficiency programs should be re-assessed to account for all energy efficiency opportunities, regardless of fuel source. The original System Benefits Charge (SBC) low-income programs were fuel neutral; this policy changed given the overall objectives of the Energy Efficiency Portfolio Standard (EEPS) program.

Consideration should be given, in the appropriate proceeding, to the adoption of fuel-neutral approaches to energy efficiency programs, so that all energy consumers can be assisted in reducing their fuel costs and in furtherance of this public policy goal. A fuel-neutral approach would also develop building contractor industries that could offer comprehensive efficiency projects that address the entirety of a consumer's energy cost burden.

4. **Summary of NYSERDA Programs with Efficiency and Conversion Interactions:**

NYSERDA currently administers several programs in the residential and in the commercial and industrial sectors that support efficiency investments and, in some cases, conversion activities.

- a. Residential Sector - The following programs support both energy efficiency retrofit activities and conversions through free or reduced cost audits, incentives to defray the cost of the energy efficient measures and financing.
 - i. The **Green Jobs Green New York program (GJGNY)** Program provides free or reduced-cost audits for residential, multifamily and small commercial/not-for-profit customers, as well as low-interest financing to aide customers in the installation of comprehensive whole-building projects, which can include conversions from other fuels. GJGNY audits can identify both efficiency and conversion opportunities, and a GJGNY loan can support any balance of program costs after NYSERDA or utility efficiency or conversion incentives are applied.
 - ii. The **HPwES Program and Multifamily Performance Program (MPP)** use Regional Greenhouse Gas Initiative (RGGI) funding to support energy efficiency in households that heat with fuels other than natural gas or electricity. As such, RGGI-based HPwES and MPP funding can support in-building activities associated with conversion to natural gas. EEPS natural gas efficiency funding can support high efficiency equipment in oil-to-gas conversions. As RGGI funding is limited, and in order to ensure that expanded natural gas conversions and associated efficiency improvements are adequately supported through all public program channels, NYSERDA

recommends that the Commission consider allowing use of EEPS natural gas program funding to assist with the cost of energy audits which may not be fully met from funds through the RGGI or GJGNY programs.

- iii. In partnership with utilities and community based organizations, NYSERDA administers the statewide **EmPower New York Program** which provides cost-effective energy efficiency services to low-income customers. The Commission, in its EEPS Proceeding, recognized the need to maintain EmPower as the single low-income energy efficiency program for gas and electric efficiency. If additional conversion funds were made available, EmPower represents an opportunity for the utilities and NYSERDA to provide coordinated services to low-income households seeking to convert to natural gas and receive efficiency services, thereby maximizing the benefit to low-income households in the most need. NYSERDA would welcome the opportunity during the proposed review to consider an expansion of the program's focus to more fully address conversions for the population served under EmPower.
 - b. Commercial and Industrial: NYSERDA's **Existing Facilities Program, FlexTech Program, Industrial and Process Efficiency Program, GJGNY Small Commercial/Not for Profit, and Agriculture Energy Efficiency Program** all provide an integrated approach to identifying strategies for electric and natural gas efficiency opportunities. These integrated programs support both energy efficiency and retrofit activity, as well as conversions when included in the overall project, through free/reduced-cost audits, technical assistance, incentives to defray the cost of energy efficiency measures and financing. The **New Construction Program** provides project-level technical oversight and analysis of the energy efficient design and measures.
5. **Education and Outreach:** The Working Groups identified NYSERDA as a possible administrator for expanded education and outreach to consumers, to better inform on the economic and potential environmental benefits of natural gas use. Through other proceedings and programs, DPS has been tasked as the lead entity for general public education programs. NYSERDA's role could be expanded to support or expand DPS activities, as well as help coordinate education and outreach with efficiency programs, as necessary.
6. **Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG):** The Order acknowledges that the remote, rocky, and mountainous terrain portions of the State make expanding the natural gas distribution difficult and potentially cost prohibitive. The Order

recommends the development of an estimate of the extent to which CNG and LNG technologies could provide natural gas service to serve such communities. To facilitate and develop a comprehensive understanding of the potential opportunities for CNG and LNG in remote areas of the State, NYSERDA proposes to conduct a study to identify these potential opportunities for CNG and LNG, as well as to identify the regulatory and business processes that should be addressed to expand natural gas service to these remote areas.

NYSERDA appreciates the opportunity to submit its comments, and looks forward to continued participation in this proceeding.

March 12, 2013

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Peter R. Keane", with a long horizontal flourish extending to the right.

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