April 6, 2012

Floyd Barwig
Director of the Office of Energy Efficiency and Environment
New York State Department of Public Service
3 Empire State Plaza
Albany, New York 12223

Dear Mr. Barwig:

The New York State Energy Research and Development Authority (NYSERDA) requests approval to modify its incentive schedule for the Multifamily Performance Program, effective July 1, 2012. In its June 2011 Order in Case 07-M-0548, the Commission approved modifications to the EEPS program to streamline certain processes and provided for added administrative flexibility including the ability to make upward and downward adjustments to measure incentive levels, subject to the approval of the Director of the Office of Energy Efficiency and Environment.[1]

This modification request supports the achievement of the goals as proposed in NYSERDA's *Petition for Modification of Energy Efficiency Portfolio Standard Budgets and Targets*, filed on March 30, 2012 in response to the Commission's October 25, 2011 Order in Case 07-M-0548. The current incentive schedule for the Multifamily Performance Program Existing Buildings and New Construction Components are:

Existing Buildings Component Incentive Schedule		
	AFFORDABLE HOUSING	**MARKET-RATE HOUSING**
PAYMENT #1		
Base Incentive (projects up to 30 units)	$5,000 / project	$2,500 / project
Base Incentive (projects from 31-500 units)	$10,000 / project	$5,000 / project
Incremental Incentive	$20 / unit (over 100 units)	$10 / unit (over 100 units)
Incentive payable upon approval of the Energy Reduction Plan and associated documents, which must include documentation that the building has been benchmarked using the NYSERDA Benchmarking Tool. The list of required documents and additional information is located in Program Guidelines Section 2 and 3.		
PAYMENT #2	Up to $300 / unit	
Is payable at 50% construction complete, based upon a successful Program inspection. The list of required documents and additional information is located in Program Guidelines Section 4.		
PAYMENT #3	Up to $300 / unit	
Is payable at substantial completion of construction, based upon a successful Program inspection, performance testing (as applicable), and verification of active utility accounts. The list of required documents and additional information is located in Program Guidelines Section 4.		

[1] Case 07-M-0548, *Order Approving Modifications to the Energy Efficiency Portfolio Standard (EEPS) Program to Streamline and Increase Flexibility in Administration*, issued June 20, 2011, pp. 28-29.

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New Construction Component Incentive Schedule		
	AFFORDABLE HOUSING	**MARKET-RATE HOUSING**
PAYMENT #1		
Performance Path	$20,000	$15,000
Prescriptive Path	N/A	N/A
Incentive payable upon approval of the proposed Energy Reduction Plan and associated documents. The list of required documents and additional information is located in Program Guidelines Section 3. Payment #1 is available for performance path projects only.		
PAYMENT #2	$1.00/ghsf	
Payment upon approval of the Open-Wall Site Inspection. The list of required documents and additional information is located in Program Guidelines Section 3.		
PAYMENT #3	$0.50/ghsf minus 10% retainage	
Payable upon approval of the As-Built Energy Reduction Plan (Performance path projects only) and the As-Built Site Inspection. The list of required documents and additional information is located in Program Guidelines Section 3.		
PAYMENT #4	10% retainage held from Payment #3	
Payable upon receipt of the Fuel Release Forms as detailed in the Terms and Conditions. The list of required documents and additional information is located in Program Guidelines Section 3.		

The following table illustrates the proposed incentive structure:

	Existing Buildings		New Construction	
	Affordable	Market Rate	Affordable	Market Rate
Maximum Base Incentive (per unit)				
Firm Gas	**$1,000.00**	**$700.00**	**$1,200.00**	**$900.00**
Non-Firm Gas	**$800.00**	**$500.00**	**$1,200.00**	**$900.00**
Payment #1 (per unit)	**Upon approval of ERP.**		**Upon approval of model.**	
Firm Gas	$75.00	$52.50	$300.00	$225.00
Non-Firm Gas	$60.00	$37.50	$300.00	$225.00
Payment #2 (per unit)	**At 50% complete.**		**At open wall inspection.**	
Firm Gas	$425.00	$297.50	$300.00	$225.00
Non-Firm Gas	$340.00	$212.50	$300.00	$225.00
Payment #3 (per unit)	**At 100% complete.**			
Firm Gas	$450.00	$315.00	$540.00	$405.00
Non-Firm Gas	$360.00	$225.00	$540.00	$405.00
Payment #4 (per unit)	**Upon receipt of data release forms.**			
Firm Gas	$50.00	$35.00	$60.00	$45.00
Non-Firm Gas	$40.00	$25.00	$60.00	$45.00

For certain projects, NYSERDA may need to make some final modifications to the actual pay-out schedule before implementing this new incentive, but the final total incentives will not be more than proposed. Approximately 20% of a project's incentives are funded with EEPS electric funds. The remaining 80% is funded with EEPS gas funds for firm gas projects and RGGI funds for non-firm gas projects.

In addition to this base incentive structure, NYSERDA is also requesting to reinstate the Performance Payment (previously Payment #4) to the Existing Buildings component in accordance with the Commission's July 27, 2009 Order in Case 07-M-0548.[2] The Performance Payment incentive structure is presented in the following table:

	Existing Buildings
Performance Payment (per unit)	
Tier #1 - 20%-22%	$150.00
Tier #2 - 23%-25%	$200.00
Tier #3 - 26%-28%	$250.00
Tier #4 - 29%+	$300.00

The table identifies the maximum incentive for which a project would be eligible. The tier is determined by the energy reduction target proposed in a project's Energy Reduction Plan and would establish the maximum incentive a project could receive under the Performance Payment. If a project achieves an energy reduction one year (or 18 months with approval, for certain projects) following their request for Payment #3 within their projected tier or higher, they will receive the Performance Payment for their projected tier. If they achieve a lesser savings that is no less than Tier 1, the project will receive the Performance Payment associated with that tier.

These adjustments (particularly the removal of Payment #1 as a flat-fee incentive, the change from calculating the new construction incentives on a "gross-heated square footage" basis to a "per unit" basis, and the reinstatement of the Performance Payment) make it challenging to directly compare the existing incentive structure to the incentive structure proposed in this request. The following table shows how the incentives would be impacted for "typical" projects to illustrate the differences between the two incentive structures:

Project Type		# Units	Square Footage[1]	Previous Incentive	Proposed Incentive	Difference
Existing Building	Market-Rate	125	N/A	$80,250	$125,000	$44,750
New Construction	Market-Rate	125	169,250	$268,875	$112,500	-$156,375
Existing Building	Low-Income	125	N/A	$85,500	$162,500	$77,000
New Construction	Low-Income	125	126,875	$210,313	$150,000	-$60,313
				$644,938	$550,000	-$94,938

[1]The average "building gross heated square footage/apartment" in the MPP pipeline is 1,354 sf for market-rate new construction and 1,015 sf for low-income new construction.

The overall net impact is a reduction in incentives, however; this is ultimately based upon the actual mix of existing buildings versus new construction projects in the total pipeline. Existing buildings will generally see an increase in their incentive, particular in those buildings that heat with firm gas.

NYSERDA considers these modifications to the incentive structure to be in accordance with the guidelines established in the Commission's June 20, 2011 Order in Case 07-M-0548:

a. <u>The revised incentives do not result in a net reduction in aggregate energy savings.</u> NYSERDA is proposing these new incentives in order to increase participation to further ensure the ability to meet the aggressive MPP targets under EEPS-2. Providing a higher incremental incentive to firm gas projects is expected to attract a greater percentage of these types of buildings into MPP.

[2] Case 07-M-0548, *Order Approving Multi-Family Energy Efficiency Programs with Modifications*, issued July 27, 2009, pp. 38-39.

b. The revised incentives make efficient use of ratepayer funds. The greater penetration of the ENERGY STAR label and requirements by the State's housing agencies, particularly in the affordable housing sector, warrant a reduction in the new construction incentive and should mitigate the impacts of the reduced incentives in attracting sufficient customers to meet the goals of the program. Additionally, more intensive and focused marketing campaigns will help to promote the program to sectors previously underrepresented in MPP, such as the market-rate new construction sector.

c. The revised incentives do not pose any detriment to the program. The new incentive structure is an integral part of an overall retooling of MPP, including improvements to the program paperwork requirements, processing improvements, new approaches to working with gut rehabs and smaller buildings, refocused marketing strategies, and new program components to better attract customer types not previously served by MPP.

It is anticipated that this incentive structure would be effective July 1, 2012. NYSERDA intends to announce the new incentive schedule to the MPP Partner network at least 60 days in advance pending your approval. NYSERDA looks forward to your approval of this request. Please feel free to contact me if you have any questions or need additional information.

Thank you for your consideration,

Michael T. Colgrove

Michael T. Colgrove, Director of Energy Programs, NYSERDA – NYC Office

cc: Honorable Jaclyn A. Brilling, Secretary, NYS Public Service Commission