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June 1, 2022

Honorable Michelle Phillips
Secretary
State of New York Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

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

Dear Secretary Phillips:

As noted in its May 13, 2022 letter¹ regarding its Clean Heat Petition filing, Con Edison updates, as appropriate, the information in that letter here.² As previously noted, based on the high demand for Clean Heat incentives, the Company paused the Clean Heat program on May 9, 2022 and is no longer accepting applications for air-source heat pump projects. When it announced this program pause, the Company requested that all incentive applications be submitted by May 13, 2022, regardless of completion status, to provide the Company with information regarding program activity. This update documents the status of the Company's Clean Heat program as of May 24, 2022 and reflects a preliminary view of all

¹ Case 18-M-0084, *In the Matter of a Comprehensive Energy Efficiency Initiative* ("NENY Proceeding"), Correspondence regarding Con Edison's February 24, 2022 Clean Heat Petition ("May Update") (filed May 13, 2022)

² NENY Proceeding. Petition of Consolidated Edison Company of New York, Inc. to Support Clean Heat Market Growth Through Transfer of Unspent and Previously Authorized Funding (filed February 24, 2022) ("Clean Heat Petition").

incentive applications to the program, up to and including the pause on air-source heat pump applications.³

As of May 24, 2022, the Company had received 12,659 applications⁴ for incentives which are eligible for payment in 2022 and later, with a total incentive value of \$640 million. This represents 1,442 more applications (totaling \$153 million) than included in the Company's May 13 update. When adding the 2020-2021 program expenditures of \$113 million with the \$640 million projected for 2022, this \$753 million in total incentive applications exceed: (a) the Company's authorized \$443 million of Clean Heat funding⁵ plus (b) the transfers the Company requested in the Clean Heat Petition,⁶ by approximately \$100 million. As a result, funding program activity for submitted applications as of May 13, 2022⁷ will require Commission authorization of the Continuity Funding Mechanism⁸ the Company proposed in its Clean Heat Petition of roughly \$100 million to cover program expenditures. Now, this authorization is necessary so that the Company can end the program pause.

Clean Heat Program Achievement and Budget

The Clean Heat Program activity in 2022 has exceeded the Company's Clean Heat Petition forecast as well as its May 13 update.

³ The Company will file another revision to this data on July 1, 2022 reflecting program activity through June 25, 2022. Note that projects will continue to change until completed and therefore the program expenditure amount may increase or decrease.

⁴ This includes 932 applications for residential projects which have not been completed.

⁵ This amount is comprised of the NENY Clean Heat budget of \$227 million plus the \$216 million in authorized transfers in the Clean Heat Petition (pp. 8-14).

⁶ These requests include transferring funding from already collected programs and changing annual energy efficiency program goals to cumulative program goals in the Clean Heat Petition (pp. 8-14).

⁷ The Company plans to reinstate the program in the future at which point additional funding would be required.

⁸ The Company expects that funding for the Continuity Funding Mechanism may be drawn from sources including funding previously authorized through the NENY proceeding.

Table 1: Dollar Value of Clean Heat Program Projects by Sector January - May 2022

	<u>Residential (\$M)</u>	<u>Non-Residential (\$M)</u>	<u>Total (\$M)</u>
As Forecasted in February Clean Heat Petition	\$ 234	\$ 90	\$ 324
As Reported on May 13	\$ 358	\$ 129	\$ 487
Preliminary Total 2022 Financial Commitment, Post-Pause on ASHP	\$405	\$236	\$640

Note: Totals may not sum due to rounding

Increased program activity up to and including the announced pause was driven by a higher volume of non-residential projects, which came in at larger sizes than had been forecast.

Contractors accelerated their submission of applications for these and other projects to meet the Company's May 13 deadline for applications and thereby remain eligible for incentives.

The below table provides an overall picture of applications to the Program in 2022.

Table 2: Applications Received and Incentive Amounts by Month

	<u>Pre-2022</u>	<u>Jan-22</u>	<u>Feb-22</u>	<u>Mar-22</u>	<u>Apr-22</u>	<u>May-22</u>	<u>3/1 extensions</u>	<u>Total</u>
Application Count	4,424	1,736	4,296	298	404	1,091	410	12,659
Application Value (\$M)	\$ 149	\$ 91	\$ 200	\$ 28	\$ 22	\$ 129	\$ 20	\$ 640

Conclusion

Based on the applications submitted, our customers continue to seek to convert to Clean Heat, which supports State policy goals. The Company will continue to work with the Commission, DPS Staff, participating contractors, stakeholders, and customers to implement this program in the most cost-effective manner, but cannot continue this program without Commission authorization of additional funding.

The Company respectfully requests that the Commission act on this petition as soon as practicable so that this program critical to State and Commission clean energy goals does not lose momentum.

Sincerely,

/s/ Mary Krayeske

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