

**ORANGE AND ROCKLAND UTILITIES, INC.**

**CASE 08-E-1128**

**UPDATE TO EFFICIENT PRODUCTS PROGRAM**



**Orange & Rockland**  
a conEdison, inc. company

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## 1. INTRODUCTION

Orange and Rockland Utilities, Inc. (“O&R”) submitted a set of electric-only program proposals, including its proposed Residential Efficient Products Program (“Efficient Products Program”) in its September 22, 2008 filing which was provided in response to the Public Service Commission’s (“Commission”) June 23, 2008 *Order Establishing Energy Efficiency Portfolio Standard and Approving Programs* in Case 07-M-0548 (“EEPS Order”). O&R provided an update to the Efficient Products Program proposal, at the request of Department of Public Service Staff (“Staff”) on November 19, 2009.

On January 4, 2010, in its *Order Approving Certain Commercial and Industrial; Residential; and Low-Income Residential Customer Energy Efficiency Programs with Modifications*, the Commission rejected O&R's Efficient Products Program. The Commission expressed concerns that the O&R program (and other utility programs) would be competing against NYSERDA's CFL Expansion Program (at 68).

On March 8, 2010, O&R met with Staff to discuss potential modifications to the Efficient Products Program. The modifications contained in this proposal maintain the structure of the original program, and expand some measures while reducing the reliance on CFL savings for the program. This filing represents the modified program as discussed with Staff.

## **2. EFFICIENT PRODUCTS PROGRAM**

**2.1. PROGRAM DESCRIPTION.** The Efficient Products Program will support the stocking, promotion and sale of high efficiency appliances including refrigerators, clothes washers, dehumidifiers, and room and through-the-wall air-conditioners. A second refrigerator removal and recycling program component will be launched in the second year of the program. The Company will support the promotion and customer acceptance of compact fluorescent light bulbs (“CFL”) by including two CFLs with each paid rebate. The program will work closely with both retailers and distributors to jointly promote these products to O&R’s customers. While the program’s principal focus will be residential customers, small business customers will not be precluded from participating. For most products efficiency levels will be set at or above ENERGY STAR specifications. Incentives will be offered directly to customers as a mail-in rebate.

**2.2. PROGRAM BALANCE.** The Efficient Products Program efforts will be coordinated internally with infrastructure already in place to support the Residential Gas High Efficiency HVAC Program. Coordination will take place with NYSERDA’s New York’s Great Appliance Swap Out and other residential programs to ensure consistency and ease potential customer confusion across programs. The Programs will also coordinate outreach to trade allies such as retailers, builders and distributors.

**2.3. PROGRAM ADMINISTRATION AND DELIVERY.** The rebate process of the Efficient Products Program will be administered by O&R staff. O&R will utilize field support contractors for appliance recycling functions that will be selected through a competitive bid process. An O&R Residential Program Administrator will oversee the contractor’s activities and will establish monthly program goals and performance metrics for the field support contractor. The administrator and field support contractor(s) will be responsible for:

- Development of a retailer participation agreement;

- Retailer recruitment;
- Retailer sales staff training;
- Development of product rebate forms, amounts and eligibility criteria;
- Placement of rebate coupons and point-of-purchase materials;
- Development and implementation of marketing and outreach programs designed to inform consumers of the potential savings and improved quality of the efficient products;
- Tracking of national and state efficiency standards and ENERGY STAR specification developments;
- Development and implementation of a second refrigerator recycling program component planned for the second year of the program.

**2.4. MARKET BARRIERS.** The primary market barriers to participation in the Efficient Products Program are:

- Higher initial costs for efficient products;
- Lack of understanding of lower lifetime ownership costs;
- Limited availability of a full line of certain products, and absence from key retail channels;
- Perceptions of inferior performance;
- Inability or reluctance of retailer sales staff to “upsell” to efficient products;

This program employs several key strategies to overcome these barriers:

- Direct incentives to customers to lower the initial cost for efficient products and to encourage the stocking, promotion and purchase of these products;
- Marketing and outreach to customers to convey the energy, cost and environmental benefits of the program;

- Training to retailer sales staff to provide them with the information and skills necessary to upsell customers to efficient products.

**2.5. TARGET MARKET AND MARKETING APPROACH.** The target audience will be all residential customers, though O&R's small business customers will not be precluded from participating. The Program will consider a variety of marketing approaches to encourage both consumer and trade ally participation, including, but not limited to:

- Co-op advertising with retailers and distributors;
- Point of purchase materials;
- O&R's website;
- Quarterly retailer newsletter, which may be web-based;
- Mass media outreach, including direct mail and newspaper inserts;
- In store demonstrations and promotions;
- In-house corporate events;
- Bill inserts.

Where possible, the Program will leverage and coordinate with regional and federal promotions such as the ENERGY STAR® "Start with ENERGY STAR®, Change the World" Campaign as well as with NYSERDA and neighboring utility program promotions.

**2.6. COORDINATION AND CO-BENEFITS.** O&R is aware of the NYSERDA initiative, New York's Great Appliance Swap Out, and expects that the O&R program will roll-out as that program is ending thereby creating a continued market and benefit from any momentum generated. O&R will coordinate with NYSERDA and neighboring utilities to ensure mitigation of customer and contractor confusion on all energy efficient programs. The Efficient Products Program will provide positive impacts for the economy, customers, as well as reductions in air and water pollution. The

program is expected to increase sales of high efficiency products and increase customer awareness on the long-term benefits of purchasing energy efficient equipment. Additionally, the products themselves will reduce energy use providing substantial savings to homeowners and tenants as well as creating reductions in water pollution, CO<sub>2</sub> and other emissions.

**2.7. TARGET END USES, RECOMMENDED TECHNOLOGIES, FINANCIAL INCENTIVES.** The targeted end uses of the Efficient Products Program will be refrigeration, space conditioning, and lighting based on the rebate for the major appliances as listed below. Additional savings and increased customer acceptance of CFL bulbs will be achieved as the program will include two CFLs with each paid rebate. A specific list of appliances includes:

- ENERGY STAR® “Plus” refrigerators, with eligibility also tied to CEE Tier 2 and Tier 3;
- Refrigerator recycling – removal of second refrigerators;
- ENERGY STAR®(Tier 3) clothes washer;
- ENERGY STAR® and above room and through the wall air conditioners (RAC);
- ENERGY STAR® dehumidifiers;

\* O&R will include two CFLs with each rebate paid.

Incentive amounts will vary depending on the incremental cost of the measure, and on product availability. Specific rebate amounts and target volumes are cited in the chart below. Rebate levels were informed by the efforts and successes of similar on-going programs in the Northeast. Initially, rebates will be directed to the customer.

Efficient Products Program Measure Detail						
Measure Name	Customer Rebate (\$)	Measure Life	Measures/year		Total Measures	
			2010	2011		
Energy Star screw base CFL	2.50	7	2,317	6,950	9,267	
Refrigerator 2nd remove	50	9	-	760	760	
Refrigerator - bottom freezer _ ES	25	20	45	134	179	
Refrigerator - bottom freezer _ Tier 2	40	20	67	201	268	
Refrigerator - top freezer _ ES	25	20	89	268	358	
Refrigerator - top freezer _ Tier 2	40	20	89	268	358	
Refrigerator - side x side _ Tier 2	40	20	89	268	358	
Refrigerator - side x side _ Tier 3	75	20	45	134	179	
Clotheswasher - Tier 3 (2.2)	200	11	217	652	869	
Dehumidifier	10	11	175	524	698	
Room AC - 8000 Btu/hr - E Star	20	10	266	798	1,064	
Room AC - 10000 Btu/hr - E Star	25	10	25	76	101	
Room AC - 12000 Btu/hr - E Star	30	10	25	76	101	
Wall AC - 15,000 Btu/hr - E Star	75	10	25	76	101	
Total Measures			3,475	11,185	14,660	

**2.8. DEMAND REDUCTION AND SYSTEM BENEFITS.** The Program spending of \$1,247,948 will provide estimated energy savings of 2,466 MWh by year-end 2011 and reduce peak demand by 0.5 MW at a program TRC Benefit Cost Ratio, excluding the utility incentive, of 1.5 and 1.6 including carbon.

Efficient Products Program Costs and Energy Summary			
	2010	2011	Total
Energy Savings (MWh at gen)	317	2,148	2,466
Demand Reduction (MW at gen)	0.1	0.4	0.5
Total Resource Costs (\$)	558,122	1,138,216	1,696,338
Incentives Paid to Free-Riders (\$)	8,886	31,872	40,758
Participant (Net of Incentives) (\$)	111,190	296,442	407,632
Utility Costs (\$)	438,046	809,903	1,247,948

Efficient Products Program Budget Detail (nominal \$)			
	2010	2011	Total
Customer Incentives	88,861	318,716	407,577
Prgrm Plan. & Admin	182,296	186,854	369,150
Prgrm Mrkting & Trade Ally	144,986	156,149	301,135
Program Implementation	-	107,689	107,689
Eval. & Mrkt Rsrch	21,902	40,495	62,397
Total Utility Costs	438,046	809,903	1,247,948
Non-Incentives Costs	349,185	491,187	840,372

Efficient Products Program Total Resource Cost Effectiveness through 2011				
	Excluding shareholder incentive		Including shareholder incentive	
	Without CO2	With CO2	Without CO2	With CO2
NPV Benefits (million 2008\$)	1.9	2.0	1.9	2.0
NPV Costs (million 2008\$)	1.3	1.3	1.4	1.4
BCR	1.5	1.6	1.4	1.5

### 3. EVALUATION OF EFFICIENT PRODUCTS PROGRAM

**3.1. PROGRAM BACKGROUND.** The Efficient Products Program will provide rebates to customers who install energy efficient equipment in order to reduce the upfront increased cost of the more energy efficient alternative. In year two, the program will also offer incentives to customers who turn in operating second refrigerators to be removed from service and properly recycled.

The Efficient Products Program will support the stocking, promotion and sale of efficient appliances that are primarily sold at retail. The program will work closely with both retailers and distributors to jointly promote these products to O&R's customers. While the program's principal focus will be residential customers, small business customers will not be precluded from participating. For most products efficiency levels will be set at or above ENERGY STAR® specifications. Incentives will be offered directly to customers.

**3.2. PROGRAM OBJECTIVES.** The objective of the Efficient Products Program is to increase the penetration of high efficiency equipment in O&R's service territory and educate and motivate customers on the proper choice and purchase of energy efficient equipment as well as identify the cost to operate second refrigerators and the impact on the environment. By supporting the stocking, promotion and sale of efficient products, and making the turn in of second refrigerators easy for customers, the Program will create a demand and assist in the overall transformation of the marketplace to energy efficient products and help remove second refrigerators from service. By including two CFLs with each rebate, the program will also increase the

frequency of use for CFLs, increase acceptance by customers and overcome the market barrier of perceived inferior lighting performance.

**3.3. PROGRAM THEORY.** By supporting the stocking, promotion and sale of efficient products, the Program will create a demand and assist in the overall transformation of the marketplace to energy efficient products. The Program is designed to overcome several market barriers identified and described in Section 1.4. In addition, O&R will coordinate the delivery of this Program other related initiatives, such as but not limited to, the Residential Gas High Efficiency HVAC Program, NYSERDA's Home Performance with ENERGY STAR® Program, and New York's Great Appliance Swap Out.

**3.4. ANTICIPATED SAVINGS.** Approximately 5,400 customers are estimated to participate in this Program through 2011, resulting in a total savings of approximately 2,466 mWh and 0.5 mW.

**3.5. PROGRAM SCHEDULE.** O&R will begin offering this Program to customers as soon as possible following Commission approval. O&R expects this may be achieved in time to provide a continued market presence and momentum as the New York's Great Appliance Swap Out Program reaches its funding limit. As the infrastructure to offer and support the second refrigerator removal and recycling component will take longer to put in place, that component of the program is planned to begin in January of 2011 or the second year of the program.

**3.6. EVALUATION APPROACH – GENERAL.** Year One evaluation efforts will focus on evaluating how the Program is operating during Program start-up with an objective of identifying enhancements that can be made to implementation efforts that may contribute to improved results. The Company has joined with Con Edison and selected a vendor to begin process evaluation for the current suite of programs. Toward the end of Year Two, the focus will be on quantifying achieved energy and

demand savings based on post-installation operation of equipment installed through the Efficient Products Program.

O&R anticipates that its evaluation efforts will be informed by the ongoing efforts of the Evaluation Advisory Group and by collaboration with the other utilities in the State that are planning to implement a similar program. If appropriate, O&R may participate in jointly sponsored evaluation studies with the other utilities.

### **3.7. DETAILED EVALUATION APPROACH**

#### **3.6.1. YEAR ONE EVALUATION**

As described in Section 2.6 above.

#### **3.6.2. YEAR TWO EVALUATION**

As described in Section 2.6 above, with the exception of;

##### ***IMPACT EVALUATION***

The Impact Evaluation will quantify the energy and demand savings attributable to Program efforts based on pre- and post-installation measure data and how the equipment installed through the Efficient Products is operating. As a rebate program, rebate forms will be designed to collect the appropriate data necessary to calculate savings using statistically adjusted engineering algorithms. The impact evaluation contractor will be retained in Year Two for all programs to estimate savings in conjunction and support of the engineering algorithms.

- **NET TO GROSS ANALYSIS.** Prior to any additional analysis being conducted, O&R will use a 10% reduction for free-ridership net of spillover.
- **BUDGET.** Consistent with the Working Group III recommendation in the EEPS proceeding, O&R has budgeted approximately 5% of program implementation costs to fund evaluation efforts. O&R's total budget for evaluation is approximately \$61,962.

**3.8 REPORTING.** The Company will follow the existing reporting standards provided by the EAG on a monthly, quarterly, and annual basis.

**4. INCENTIVES AND PENALTIES**

While O&R has performed the TRC calculation, as required, to include the costs associated with utility incentives, O&R is requesting that incentives and penalties be waived for this program in 2010 and 2011. The late start and late market entry for this program will provide significant hurdles to achieving the desired savings goals. As such, O&R proposes that the Efficient Products Program utilize 2010 and 2011 to ramp up and begin the successful operation of the program. To the extent the Commission approves the continuation of this program beyond 2011, incentives and penalties could be evaluated for the continued program.