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November 24, 2008

Via E-Mail and Overnight Delivery
Honorable Jaclyn A. Brilling
Secretary
New York State Department
of Public Service
Three Empire State Plaza
Albany, NY 12223

Case No. 08-E-1007

Dear Secretary Brilling:

Enclosed for filing are an original and five copies of the Reply Comments of Consolidated Edison Company of New York, Inc. in the above referenced proceeding.

An electronic copy will be provided to Staff Counsel assigned to this matter and copies will be provided through the ListServer in Case 07-M-0548.

Thank you for your assistance in this matter.

Sincerely,

cc: Anthony Belsito, Esq, Staff (*via e-mail*)

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

Petition of Consolidated Edison Company of New York, Inc. for Approval of an Energy Efficiency Portfolio Standard "Fast Track" Utility-Administered Electric Energy Efficiency Program	**PSC Case No. 08-E-1007**

Reply of Consolidated Edison Company of New York, Inc.
to Comments on its
"Fast Track" Electric Energy Efficiency Programs

Introduction

In it's Order Establishing Energy Efficiency Portfolio Standard and Approving Programs, issued and effective June 23, 2008 in Case 07-M-0548 ("EEPS Order"), the New York State Department of Public Service ("Commission") explained that one of the highest priorities of New York State and the Commission is to develop and encourage long-term, cost-effective energy efficiency measures while also immediately implementing and augmenting near-term efficiency measures (EEPS Order at p. 1). Consolidated Edison Company of New York, Inc. ("Con Edison" or "Company") fully supports the Commission's goals and has been an active participant in this proceeding since its inception on May 16, 2007.[1]

In the EEPS Order, the Commission established specific, interim targets for MWh reductions, approved specific energy efficiency programs for immediate implementation,

[1] Case 07-M-0548, Petition on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard, issued and effective May 16, 2007.

and, most importantly, called for New York's utilities to file energy efficiency programs for approval. The call for a substantial utility presence was based in part on the utilities knowledge and ability to reach their customer base, the ability to offer a diversity of approaches that would create competitive energy efficiency programs and the need to contribute to achievement of the substantial energy efficiency goals established by the Commission.

The comments filed by Department of Public Service Staff ("Staff") on the Company's proposed programs depart from the Commission's framework for obtaining immediate and long-term, cost effective energy efficiency measures. First, Staff recommends a generic, Statewide Residential HVAC Program, which is contrary to the Commission's express goal of seeking innovative, utility specific programs.

Next, Staff proposes to preclude Con Edison from a joint-marketing effort for its electric and gas energy efficiency programs – which the Company believes is the most cost effective manner in which to proceed and meet the State's goals.

Finally, Staff proposes a series or operating procedures and reporting requirements that would deny the Company the flexibility to manage its programs to achieve the Commission's goals, which is inconsistent with the Commission's determination to provide subject utilities to an incentive/penalty regime for administration of their programs.

Staff's comments have delayed the implementation of the Company's energy efficiency programs that the Commission categorized as expedited programs. Therefore, the Commission should approve the Company's program proposals, as consistent with the requirements of the EEPS Order.

Background

On June 23, 2008, the Commission issued the EEPS Order which authorized, New York's electric utilities and certain gas utilities to submit program plans, for Commission approval, for two "fast track" expedited electric utility programs (EEPS Order, Ordering Clause 9, pp 71-72) and one "fast track" expedited residential gas heating, ventilation and air conditioning ("HVAC") energy efficiency program (EEPS Order, Ordering Clause 11, pp. 72-73).

The EEPS Order was issued following more than a year of intensive collaborative processes, filings and comments (EEPS Order, at pp. 3-8). These extensive interactions enabled the Commission to develop and provide explicit criteria under which the utility electric energy efficiency programs would be evaluated including the applicability of the Total Resource Cost ("TRC") Test, a demonstration that collaborative discussions had taken place between utilities, NYSERDA and other interested parties, and the development of detailed protocols for measurement and verification, and compliance with the requirements of Appendix 3 (EEPS Order at 58). It should be noted that the EEPS Order provided the proposals would be "be deemed to satisfy the numerical and narrative requirements identified in Appendix 3" (*Id.*), upon a submission that demonstrated the foregoing.

In its ruling, the Commission also recognized the need for a longer-term framework that included a "more substantial role for utilities" and established that framework (EEPS Order at p. 35). As the Commission explained in the EEPS Order, "[t]here are numerous reasons. . . for establishing investor-owned utilities as program administrators. Utilities have direct access to customers and customer usage information.

They offer a diversity of approaches that may lead to a wider offering of programs than would occur under a centralized administrator" (EEPS Order at p. 49). The Commission, accordingly, determined that utility–administered programs would account for slightly more than half of the fast track funding, significantly higher than the 20% figure initially proposed by Department of Public Service Staff ("Staff") (EEPS Order at p. 36).

Following this direction, Con Edison designed and submitted to the Commission its Small Business Direct Installation and Residential HVAC Programs filing on August 22, 2008 ("60-Day Filing"). The 60-Day Filing complied with all of the criteria articulated by the Commission in the EEPS Order.

The Commission subsequently established Case 08-E-1007 - Petition of Con Edison of New York, Inc. for Approval of an Energy Efficiency Portfolio Standard "Fast Track" Utility – Administered Electric Energy Efficiency Program – as the venue for reviewing Con Edison's 60-Day Filing.

On November 17, 2008, Staff filed initial comments on Con Edison's 60-Day Filing in Case 08-E-1007 ("Staff's Initial Comments"). Staff has stated that it may serve supplemental comments and, if Staff does so, Con Edison will respond to those comments to the extent appropriate.

The Con Edison Programs

Major Program Parameters

In terms of the major program parameters, many of Staff's initial comments were supportive of Con Edison's electric energy efficiency programs.

Staff compared Con Edison's proposed fast track electric energy efficiency programs with the program budgets and goals implied or stated in the EEPS Order. The Company's proposed budget for its Residential HVAC and Small Business Programs is one percent less than the Commission's target budget but is designed to realize a 0.3% greater annual saving than targeted by the Commission in the EEPS Order (Staff's Initial Comments at 4). Staff determined that "[t]he proposed program budgets and energy savings are in satisfactory compliance with the EEPS Order" (Id.).

Staff's review of the Company's evaluation plans determined that "Con Edison's filing demonstrates an overall understanding of the elements of an acceptable evaluation plan. It adheres generally to the Evaluation Guidelines issued by Staff and includes good descriptions of its programs and the evaluation approach it will use" (Staff's Initial Comments at 7).

Finally, Staff determined that "Con Edison's plans for program marketing and operational coordination with other utilities and NYSERDA appear adequate" (Staff's Initial Comments at 34).

Con Edison Small Business Program

For Con Edison's Small Business program, Staff determined that it "meets the EEPS Order requirements regarding customer eligibility, marketing, eligible measure types and rebate structure as set forth for this program in Appendix 2" (Staff's Initial Comments at 6).

Con Edison Residential HVAC Program

For Con Edison's Residential HVAC program, Staff determined that it complied with all of the EEPS Order Appendix 2 requirements, except for the incentives. (Staff's

Initial Comments at 5). While Staff agreed with Con Edison that "customer incentives would be a more effective approach at the outset of a new residential program rather than using upstream incentives in the equipment manufacture, sale and installation markets" (Id.), Staff proposed that upstream incentives be implemented later, as the program matures.

Energy Efficiency Policy Considerations

While the Company has many areas of agreement with Staff's Initial Comments, there are other areas where Staff's recommendations, new proposals and new evaluation criteria will negatively affect the development of the long term, cost-effective, innovative energy efficiency policy and programs sought by the Commission. Rather than evaluate the Company's programs based on the guidelines established by the Commission, Staff has proposed a new, generic, statewide residential HVAC program, changed the TRC methodologies established by the Commission and created unnecessary and burdensome reporting and operating requirements that will impede the innovation in, and broad and deep penetration of, energy efficiency that the Commission seeks.

Statewide Residential HVAC Program

In contrast to the EEPS Order that looked to utilities to bring the knowledge of their service territories to the efficiency marketplace, Staff has recommended that all electric utilities establish Residential HVAC programs with the same program attributes, including identical efficiency measures and eligibility levels (Staff's Initial Comments at 19). Staff expressed concerns about the uniqueness of the proposed utility programs with differing eligible measures, acceptable qualifying efficiency measures and proposed incentive levels. Staff is concerned these programs will create "great confusion" in the market and that individual customers will be "easily confused" by differing programs in the same media market (Staff's Initial Comments at 18-19), but provides no detailed explanation. Staff even proposes specific dollar amounts for incentives to be applied statewide (in contrast to Con Edison's proposal for incentives based on a percentage of incremental installed cost of measures)(Staff's Initial Comments at 20-22).

Staff's proposal changes the structure set forth in the EEPS Order and contradicts Commission recognition of the uniqueness of individual utility service areas and the need to tailor programs to local needs in setting program requirements. The Commission did not require that utilities "conform to a single program model" for its fast track programs (EEPS Order at p. 36) but recognized that utilities "offer a diversity of approaches that may lead to a wider offering of programs than would occur under a centralized administrator" (EEPS Order at p. 49). Staff's statewide generic proposal appears to be an attempt to continue the model of a single statewide operator for Residential HVAC programs, by limiting the ability of the utilities to utilize customized approaches that are suitable to the unique characteristics of their respective service territories.

Staff proposes a virtually insurmountable standard for the adoption of program attributes that differ from the Staff proposal: "Those utilities proposing such deviations from a statewide standard should be required to demonstrate that programs would result in minimal trade ally and customer confusion, and that the benefits of such deviations are greater than the burdens of any confusion" (Staff's Initial Comments at 22-23). Staff adds that "there should be a high bar to be cleared before deviations are allowed" (Staff's

Initial Comments at 23). Staff does not propose how "confusion" can be measured and then how a utility would demonstrate that the benefits would be "greater than the burdens of any confusion." Unquestionably, adoption of this standard would be directly contrary to the Commission's desire, as expressed in the EEPS Order, that utilities be allowed to implement programs tailored to their service territories. While Staff states that the "Commission also recognizes that differences among the utilities may be warranted in order to meet the needs of their service territories" (Staff's Initial Comments at 17), that statement significantly misstates the importance that the Commission sees in individual utility-administered programs. In the EEPS Order, the Commission greatly expanded on this idea and stated:

> In recent years New York's rate-payer funded energy efficiency programs have been realized primarily through a single provider model. Notwithstanding the simplicity, economy and reliability of expanding this model, additional policy considerations have been put forward that support the addition of utilities and other entities as program administrators. These include aligning utility financial interests with energy efficiency in utility resource planning; development of on-bill financing as a means of reducing reliance on ratepayer funded programs; benefiting from utility access to identify potential program participants among customers; **and benefiting from competitive efficiency and diversity of approaches** (*emphasis added*)(EEPS Order at p. 44).

Given the clear direction of the EEPS Order that utilities use their service territory, system and customer knowledge to develop efficiency programs the Commission should reject Staff's proposed standard for adoption of the Residential HVAC program and instead use the most appropriate measure – the one adopted in the EEPS Order – that clearly cost-effective programs should be approved and allowed to proceed. Even assuming arguendo that Staff's standard should be adopted, then Con Edison's program meets that test.

A statewide Residential HVAC program with identical eligibility measures, acceptable qualifying efficiency measures and incentive levels is of particular concern in the Con Edison service territory. There is no doubt that the Con Edison service territory is different.[2] In fact, in the New York Energy $mart^{sm} Program Evaluation and Status Report, Year ending December 31, 2007 (the 2007 New York Energy $mart^{sm} Program Report), presents evaluation results of NYSERDA's New York Energy $mart program, describes The New York City Process Study Approach (at 2.4) undertaken by NYSERDA and states "NYSERDA staff recognizes that, in order to serve and educate New York City (NYC) end users on energy efficiency and to transform the market, there is a need to reach more of them." The 2007 New York Energy $mart^{sm} Program Report then continues at 2.4.1 "...initial evidence suggests that, compared to the rest of the State, residential and commercial/industrial end users in NYC/Westchester have different motivations for participating in energy efficiency and demand response programs" and "...NYSERDA and Staff have cited a number of key differences in this market, compared to the rest of the state, that are important to investigate."

The Commission has also recognized that Con Edison's service territory is unique and should have demand side management programs that reflect this uniqueness. The Commission-approved Joint Proposal developed under Case 04-E-0572,[3] recognized that a distinctive System-wide Demand Reduction Program (SWP) was necessary "(g)iven the

[2] The latest data from the US Department of Labor Bureau of Labor Statistics and the New York State Department of Labor shows that for Heating, Air Conditioning and Refrigeration Mechanics and Installers wages are higher in the New York City than in New York State. For example, for the counties of New York State minus the five counties of New York City the mean annual income as of May, 2007 was $42,166. For five counties of New York City alone, however, the mean annual income was $51,880. This is a 23% difference.

[3] Case 04-E-0572, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service, Order Adopting Three-Year Rate Plan, issued and effective March 24, 2005.

uniqueness of the Company's service territory and the projected growth in peak demand" (Joint Proposal at p. 63). The SWP, as developed and administered by NYSERDA, modified core statewide SBC programs through greater incentives and higher customer caps to increase participation in Con Edison's territory.

In the same case, the Commission, recognizing the high cost of doing business downstate due to higher labor and material costs, established a base cap for both Con Edison and NYSERDA-administered programs "based on costs incurred for similar programs from 1998 through 2003, as adjusted upward by 25 percent for inflation and higher implementation costs in New York City."[4]

Notwithstanding the foregoing, however, the Company believes that certain programs could lend themselves to statewide application that would address quality assurance concerns including, for example, requiring that an ACCA Manual J calculation be submitted, offering contractors a $100 incentive for submitting Manual J calculations, and standardizing certain training content. Standardizing certain aspects of training provided to contactors participating in the program may reduce costs and better ensure quality. Contractor training and orientation are critical to the success of the Residential HVAC Program. Con Edison will coordinate with O&R, National Grid, NYSEG, RG&E and Central Hudson to explore the development of consistent training for contractors across the utilities' respective service territories.

Program Delivery and Marketing Restrictions

In its Fast Track proposal, Con Edison proposed to combine the expedited residential gas and electric programs into one integrated Residential HVAC Program for

[4] *Id*, at p. 61.

the purpose of streamlining outreach and marketing activities and delivery of the program.

Despite Staff's determination that "Con Edison's plans for program marketing and operational coordination with other utilities and NYSERDA appear adequate" (Staff's Initial Comments at 34), Staff determined that combining the gas and electrical programs into one marketing program would be impractical and inefficient. Staff states that it "believes" marketing a single program would cause customer confusion within the Con Edison and National Grid NY[5] gas customer service territory and that the trade allies for the two programs are different in many instances. Staff concludes that Con Edison has not made a "sufficient case to support the combination residential HVAC Program" (Staff's Initial Comments at 6).

In discussing the appropriateness of Program Administrators, the Commission stated "NYSERDA offers a number of advantages, including...the ability to integrate gas and electric programs" (EEPS Order at 49). The Commission further recognized that "[a] clearer disadvantage to the utility option is the difficulty that non-combination utilities may have in offering integrated gas/electric whole-customer programs" (*Id.*). Staff's recommendation is contrary to the Commission's established recognition of the advantages of combined energy efficiency program marketing that Con Edison's proposed Residential HVAC program provides.

Con Edison is a combination utility serving a particularly densely populated area and has the ability to integrate gas and electric programs similar to NYSERDA. The Company believes that the customers and service providers in the combined Con

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[5] National Grid NY refers to The Brooklyn Union Gas Company d/b/a National Grid NY, formerly known as Keyspan.

Edison/National Grid NY service territory have the sophistication to understand and manage energy efficiency programs offered in coordination by the two utilities. These customers have received separate gas and electric services determined under different tariff structures and resulting in separate bills provided by the two utilities for some time. Marketing materials for energy efficiency will clearly delineate the responsible utility. In addition, Trade Allies and contractors know when they are dealing with Con Edison and when the utility is National Grid NY and will coordinate their activities accordingly. The provision of energy efficiency services by different utilities, although marketed together, is not difficult to comprehend for these Trade Allies or contractors. There is simply no evidence that any confusion will result in the combined Con Edison/National Grid NY service territories.

Con Edison also takes exception to this claim as it contradicts the current trends in best practice program design toward an increasingly integrated approach to promoting DSM programs. Indeed, in most jurisdictions with aggressive DSM initiatives, utilities are seeking ways to increase joint marketing and delivery of their DSM services to maximize economies of scale and to streamline and facilitate participation. The December 2004 "National Energy Efficiency Best Practices Study" report recommends an integrated approach for the delivery of energy efficiency services.[6] In designing an integration strategy, this report recommends seeking to include programs with related and complementary goals, (for example, energy conservation, water conservation, renewables and demand response). Such an integrated approach offers clear benefits in several key areas, including scale of economies, operational efficiency, consistent messaging, and increasing the depth of savings at participant homes and facilities.

[6] National Energy Efficiency Best Practices Study, Portfolio Report, page P1-5.

The integrated marketing and delivery approach is a well-established practice in many jurisdictions with successful DSM programs. Combination utilities in California[7] have traditionally organized their electric and natural gas programs jointly, particularly in areas such as promotion, participant recruitment and technical facility audits. Initiatives are under way in California to expand joint program marketing and delivery to integrate demand response and energy efficiency in the context of a new approach called Integrated Demand Side Management, or IDSM.

Sempra Energy (Sempra) in California offers an integrated demand-side management (IDSM) approach. This IDSM approach is a complete energy management solution that helps customers save energy and control their energy costs. Sempra's Small Business Super Saver Program, for example, offers financial incentives for electric and natural gas energy efficiency measures through an integrated delivery approach.

The Pacific Gas and Electric (PG&E) in California offers fully integrated DSM programs, such that customers can choose from a menu of service options. Under this approach, PG&E has determined that the most effective way to reach its customers was to integrate marketing, and outreach of the utility's portfolio of energy efficiency, demand response and distributed generation program efforts. Under PG&E's "portfolio" sales and delivery approach, customers are offered a portfolio of integrated options based on their specific needs. Once customer needs are identified, PG&E facilitates the process

[7] Staff notes that California takes a statewide approach (Staff's Initial Comments at 19), but this overstates the uniformity of programs in California. There are two different types of programs in CA – state-wide and utility-specific. Incentives are the same only for state-wide programs. For example, for a whole house fan, San Diego Gas & Electric (SDG&E) offers a $50 rebate and Southern California Electric (SCE) a $100 rebate and for a multi-speed pool pump SDG&E offers a $100 rebate and SCE a $200 rebate.

of customer electric and natural gas energy management, through its network of program implementation contractors.

In other jurisdictions such as Iowa, Washington and Oregon, combination utilities with successful energy efficiency programs all integrate their electric and gas energy efficiency marketing activities. In states such as Iowa, joint marketing and delivery of certain energy efficiency services such as energy audits are integrated not only within service areas of combination utilities, but also among utilities serving the same customer base.

Overall, Con Edison supports market based prescriptive technology programs as the best method for achieving incremental energy efficiency opportunities (and to this end the Company commends staff for developing its Technical Appendix, discussed in more detail below, as a first step in developing standards). Prescriptive based programs provide an effective pathway to a more integrated or whole building approach while taking into account customer needs and budgetary considerations. The road to optimum efficiency is an iterative process and these programs open doors, establish customer savings and create openings to build long term sustainable energy savings.

Con Edison sought to design a more efficient delivery process that provides depth of savings opportunities and incentivizes trade allies and moves the energy efficiency equation a step forward. By combining both the Gas Residential Equipment Program and the Residential HVAC program into one overall delivery vehicle, Con Edison eliminates administrative duplication, offers customers expanded product choices and limits customer intrusion.

The integrated program approach (directed at the same end-use markets, that is residential space heating, water heating and cooling) will further build and strengthen the trade ally network allowing contractors an array of technology offerings (efficient gas hydronic/steam boilers, gas furnaces, water heating, central air conditioning units and heat pumps) and customers an expanded set of value options

The combined gas and electric approach is particularly beneficial in the downstate housing market which has a very different composition from the rest of the state.[8]

Within the 1-4 residential housing market, major manufacturers such as ECR, York, Trane, Carrier, Lennox, Bryant, Burnham, etc., provide products and services across many technology lines including gas/oil hydronic/steam boilers, gas/oil warm air furnaces, central air conditioning systems and heat pumps through their distributors and installation contractors.

While major manufacturers move products and services through HVAC contractors or plumbing contractors (as noted above) depending on the equipment or service requested by the customer, heating and cooling (gas, oil and electric) technology offerings are often clustered together, targeting the small residential or private dwelling market.

Finally, Con Edison's integrated technology approach is designed for the entire electric area, which includes the overlapping gas and electric systems of National Grid NY and Con Edison. Where Con Edison distributes power and National Grid NY offers gas service, Con Edison plans to deliver electric efficiency via central air conditioning

[8] There are approximately 850,000 1-4 family buildings in Con Edison's electric franchise area, 600,000 buildings (70 percent) include gas or oil hydronic systems or boilers and 250,000 buildings (30 percent) contain gas or oil warm air furnaces and/or central air conditioning systems. There are also approximately 4,000 1-4 family buildings with electric heat.

systems, heat pumps, lighting and the additional measures called for in Con Edison's 90 day filing and join forces with National Grid NY to deliver gas efficiency (gas furnaces/gas boilers). A clear coordinated and efficient approach will be developed to present to the customers an integrated, easy to understand program with an expanded set of efficiency options and technology solutions across both fuels.

Cost Effectiveness/Total Resource Costs

In its initial comments, Staff unilaterally changed the avoided costs used by Con Edison (and the other utilities) in its TRC calculations for "accuracy and comparability purposes" (Staff's Initial Comments at 15). This unilateral change is contrary to the guidelines previously provided in the EEPS proceeding by Staff in its report, "March 2008 DPS Staff Report on Recommendations for the EEPS Proceeding" and creates an unreasonable process for establishing TRC in this proceeding.

In its 60-day and 90-day filings, Con Edison used the Staff's March 2008 estimates of avoided costs, but Staff is looking to use their October estimates to evaluate the Company's programs. Staff's changes now, after programs have been developed, and without notice in the midst of this proceeding, create additional uncertainty.

The avoided transmission and distribution (T&D) costs used for Con Edison's service area, from Staff's March estimates, reflect a load weighted average of $110/kW-yr for New York City and $55/kW-yr for Westchester. In fact, these avoided T&D costs are highly conservative. In Con Edison's 2007 electric rate filing (Case 07-E-0523), the marginal T&D costs were $608.86/kW-yr, which is about five times higher than Staff's March 2008 estimates that were used in Con Edison's EEPS filings. The $608.86/kW-yr reflects actual T&D capital projects to meet load growth over the next five years. Con Edison, as recommended by Staff, used the March 2008 estimates, though these estimates understated the true avoided costs. Staff should now do the same. The alternative would be for Con Edison to seek a similar recalculation with avoided T&D costs that are five times higher.

Staff also indicated that its updated estimates of avoided costs (October 2008 estimates) show avoided T&D costs to be about 80% lower than their March 2008 estimates (Staff's Initial Comments at p. 16). Based on inquires from Con Edison to Staff, the Company learned that the updated avoided T&D estimate is based on Rider U to Con Edison's electric full service tariff. The use of Rider U is inappropriate.

Rider U – Distribution Load Relief Program (DLRP), which is for emergency demand response, is not an appropriate source to use in determining long-term avoided T&D costs or avoiding planned T&D infrastructure. The Company initially developed the Rider U rate based on the probability of having to rely on emergency distributed generation for a very short period of time and the cost to rent and operate this emergency distributed generation.[9] Con Edison does not plan its T&D infrastructure needs based on avoiding the probability of having to rely on emergency distributed generation, but instead considers contingencies when planning its needs to ensure the reliability of our service area that includes our nation's financial center, New York City.

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[9] In June 2008, the Commission approved changes to the Company's DLRP that included higher payments to participants. These increased payments were proposed by Staff, stating that they were "based on" payments made to defer T&D as part of the Targeted Program. The calculations were not shown in the Order, and the Company continues to believe that the more appropriate cost-based measurement for this program is the cost of mobile generators. In any event, there is not enough of a detailed evaluation in the Rider U Order to support the assertion made by Staff in its initial comments here (the Company will file a cost-effectiveness evaluation of the DLRP on December 1).

Staff indicated that its updated energy and generation capacity avoided costs in October 2008 were about 10% lower than the March 2008 estimates (Staff's Initial Comments at p. 16). The lower estimates may be consistent with current fuel prices and show the volatility in fuel prices over this past year. However, because fuel prices are volatile, it becomes too easy to select the estimates that would achieve a desired result. For example, if later estimates show the avoided costs to be 10% higher, should those be used instead? To avoid this bias of selecting the estimates to achieve a desired outcome, the same estimates (or close to them) that went into developing the EEPS targets should be used to evaluate potential EEPS programs to ensure a fair evaluation. Using the October 2008 estimates would not avoid or minimize this bias. Given the volatility of electricity prices avoided costs at any point in time are no more correct than avoided costs at any other point in time when evaluating a long term program. Therefore, Staff's March avoided energy and capacity costs (which the company used to develop its programs) serve the purpose for evaluation and the first year of programs. Going forward, avoided energy and capacity costs can be revised annually and program administrators given an opportunity to revise their forecasts, programs and targets accordingly.

As such, the initial TRC ratios developed by Con Edison are the most appropriate and should be used in any evaluation of the Company's proposed energy efficiency programs by the Commission. In any event, whether the Staff or Company TRC ratio is used, both the Small Business Program and the Residential HVAC Program pass the Commission's test and should be approved.

For the Small Business Program, Con Edison estimated a 2.41 TRC ratio. Staff's cost effectiveness analysis produced a TRC ratio of 1.79 which, according to Staff, "is high enough to indicate that any future adjustments in measure inputs would be unlikely to render the program not cost effective" (Staff's Initial Comments at 34).

Staff, however, believes that "the Residential HVAC program is not cost effective at this time due to lower than expected projected value of electricity saving from the program" and "that the Residential HVAC program not be approved for implementation pending further analysis" (Staff's Initial Comments at 4-5). Con Edison believes that further analysis is not required.

For the Residential HVAC Program, Con Edison estimated a 3.17 TRC benefit/cost ratio. Staff's analysis produced a TRC ratio of 2.14, which is still higher than the 1.79 ratio for the Small Business Program that Staff deems cost effective. Further analysis by Con Edison indicates the program is cost effective even under the conservative assumptions proposed in Appendix A to Staff 's Initial Comments. It is unclear from Staff's comments why the higher TRC ratio for the Residential HVAC Program is unacceptable to Staff. The Company submits that it meets the Commission guidelines and should be approved.

Operational and Reporting Concerns

Staff has also proposed numerous restrictions that will limit the flexibility of program administrators to respond to changing market conditions and run their programs as they see fit. These rigid requirements are not consistent with the Commission's goal of supporting competitive and diverse energy efficiency programs. Staff has also proposed additional reporting requirements that are unnecessary.

Such detailed oversight is unnecessary given that the Company has proposed ambitious targets within the budget set forth in the EEPS Order and faces incentives and penalties for meeting or failing to meet those targets. This structure is an integral component of the Commission's Order Concerning Utility Financial Incentives issued and effective August 22, 2008 (Incentives Order). In the Incentives Order, the Commission subjected the utilities to penalties if they do not achieve among the highest thresholds in the country (70%) (Incentives Order page 41). By adding layers of approval and mandates that restrict the Company's ability to modify its programs in response to evaluations and the market, Staff changes the risk equation and imposes additional risk on the Company. It is simply unreasonable to put the utility program administrators at risk for penalties while denying them the ability to make basic business decisions to administer their programs.

Budget Allocations and Expense Tracking

Staff proposes that any utility proposal for changes to approved program budgets, eligible energy efficiency measures, or customer rebates be submitted to Staff for review and comment 90 days prior to implementation (Staff's Initial Comments at 28). Staff review of all such proposed changes is unnecessary and unduly burdensome. The utilities are responsible for running the programs and meeting established goals. The utilities are subject to penalties for failure to make those goals. The proposed process will hinder the Company's flexibility and ability to make changes quickly when needed to improve the performance of the Company's programs and achieve the proposed goals. Other business would be unlikely to embark on new businesses under such restrictive circumstances.

Staff also proposes that budget reallocations of more than 10% from the total approved annual budget be subject to Commission approval (*Id.*). Again, the need to address changing market circumstances (particularly in the current market climate in which conditions have declined dramatically since budgets were proposed in August and September) and provide innovative programs is inconsistent with this type of oversight for small program changes. In its 60-day filing the Company proposed that it be allowed flexibility to shift a certain level of funds between and among programs without Commission approval and in its cover letter dated August 21, 2008 to the 60-day filing, the Company proposed that level be up to 40% (Cover letter page 3). The potential delay that Staff's proposal will impose is unreasonable and will slow the delivery of energy efficiency programs and thus savings to be achieved by such programs. Unanticipated changes can, and will, occur during any year (*e.g.*, substantial changes in energy prices that can affect customers' willingness to pursue energy efficiency), and the Company should have the ability to quickly respond to those unanticipated changes, which can significantly change short-term energy efficiency program results. It is also likely that certain programs will work better than others, the evaluations will provide important information on this front and the Commission should encourage utilities to act on such program evaluations expeditiously and also expand those programs that do work well and develop new programs. The potential delay for a relatively small program change, 10% of the approved budget, combined with the "no borrowing or banking" criteria stated by the Commission in its Incentives Order, substantially changes the risks utilities face under the EEPS Order and Incentives Order.

Staff also noted its concern with determining whether "internal costs charged to a utility's energy efficiency program are truly incremental to the base rate expense allowances, and thus recoverable through a separate SBC surcharge, is very difficult, if not impossible, to prove." (Staff's Initial Comments at 3) The Company believes that all costs related to efficiency programs can be adequately identified through the use of accounts designed to track the various activities that will comprise programs. As it did during its Enlightened Energy Program, the Company will develop accounts adequate for that purpose.

Monthly Scorecard

In addition to reports on a quarterly and annual basis as required by the order (June 23rd at Order at 73), Staff is recommending an additional monthly "scorecard report" from all program administrators (Staff's Initial Comments at 32). Con Edison supports uniform reporting of results and uniform, full public reporting by all entities receiving ratepayer funding. Staff has recommended, and Con Edison agrees, that quarterly reports be submitted within 45 days of the end of the quarter and its annual report within 60 days of the end of the year.

Con Edison does not, however, support the additional requirement of monthly reporting. Monthly reporting will not materially add to public understanding of program spending or achievements but will create additional burdens, increase the complexity of the reporting function and thus increase program costs. The Company does not expect large changes in program information on a month over month basis, particularly during start up. Producing reports that do not provide meaningful information is unduly burdensome.

Sole-Source Procurement

Staff stated that "Con Edison proposes that it be allowed to use sole-source procurement for energy efficiency equipment installed under its programs" (Staff's Initial Comments at 28). That statement is incorrect.

In its 60-Day Filing Con Edison stated (page 9) that "[i]n cases where a third-party contractor is required, the Company's general policy is to procure materials, equipment, or services competitively, however, there may be circumstances where the competitive method is not practical. In such cases, sole-source procurement ***may*** (emphasis added) be used." In the attendant footnote (page 9), the Company stated that "The Company has an established RFP procedure that is overseen by the Purchasing Department, which is independent from the operational groups." Sole-source procurement may be required in rare and extraordinary circumstances when time is of the essence or very specific expertise is required and of limited availability. Staff recommends that any sole source contracts be submitted to the Director of the Office of Energy Efficiency and the Environment for review and approval (Staff's Initial Comments at 27-28). This suggestion is unreasonable and unnecessary. Requiring approval by the Director of the Office of Energy Efficiency and the Environment takes away any benefits that would have required the sole-source procurement in the first place. Con Edison understands Staff's concern over sole-source procurement and will give the Director of the Office of Energy Efficiency and the Environment notice of any sole sourced contracts.

Audit Fee

Staff has recommended that each utility establish a customer energy audit fee of $50 for the small business program (Staff's Initial Comments at 35). The Company disagrees.

As was noted in the EEPS Order (Appendix 1, page 2), the small business direct install effort in New York is currently very small. The small business segment is a difficult segment to reach. As the Company noted in its filing, the market barriers to addressing this segment include cost awareness and limited time of owners to focus on anything other than direct business efforts (60-Day Filing at p. 22, Table 8). The Company also noted that declining economic conditions are a barrier to reaching this market segment (60-Day Filing at p.22, Table 8). Since the Company's filing, economic conditions have deteriorated dramatically. Requiring an audit fee will only act as another barrier to entry for small businesses that are looking, possibly for the first time, at energy efficiency.

The audit is coupled with the direct installation of simple measures that will result in immediate savings. While the audit may not result in a small business customer undertaking a costly efficiency project in every instance, the combination of the audit with free measures will produce immediate savings and good will (and this is the basic structure of the Company's proposed program that has proposed a TRC of 2.41). The Company believes that quick, broad penetration of the small business market is critical for success, particularly in this economic climate, and an audit fee will hamper that penetration.

Direct Installation Limits

Staff has recommended that Con Edison limit the free direct install measures to $50 per small business customer (Staff's Initial Comments at 33). Con Edison disagrees but notes that the weighted average cost per participant of the proposed free measures, based on projected installations, is $45.

As noted in the Company's 60-day filing (page 14), Con Edison will provide direct installation measures that are appropriate to each individual customer's building type and business sector. Not all measures apply to all customers. For example, a high-pressure rinse sprayer is only appropriate for customer facilities that include a commercial kitchen.

Staff does not detail its reasoning for recommending the $50 limit and because the program is cost effective the Company does not see good reason to change the proposed structure. If Staff is concerned about any particular customer receiving more than its fair share, the Company suggests that the limit for an individual customer be higher, $200. A low limit on free direct installation measures coupled with an additional fee for the audit will only serve to limit the program's success.

Customer Eligibility for Incentive Payments

Staff recommended that only customers who pay the SBC funding energy efficiency be eligible to participate in programs and receive incentive payments from those programs. Con Edison agrees. Staff also recommended that customers who pay the SBC for only a portion of their electric usage also be allowed to participate and that their incentives be adjusted according to their SBC proportionate payments (Staff's Initial Comments at 26). While understanding Staff's reasoning for this approach, the Company believes that implementing this recommendation will be complicated and lead to unwarranted complexity and provide no material benefit. The goal of the State's 15x15 and the EEPS is to drive efficiency savings state and system-wide. Given that broad goal, this level of tracking and its increased cost and complexity is unwarranted.

Continued Review

On several occasions, Staff claims not to have enough information to review certain aspects of the proposed Con Edison programs. For example, Staff claims that "Con Edison did not provide enough specific information to evaluate the adequacy of its plan for training program contractors" (Staff's Initial Comments at 13), that "a proposed quality assurance plan be included in a program implementation plan" (Staff's Initial Comments at 14)[10], and that "Con Edison describe in its implementation plan how it will coordinate program delivery with other entities to make customers aware of all programs for which they are eligible and to avoid double-counting of savings and dual incentive payments for the same energy efficiency measures" (Staff's Initial Comments at 15).

Con Edison is committed to filing an implementation plan. The implementation plan, however, awaits approval of programs to be implemented. The same is true for quality assurance programs, contractor training programs and other post program approval activities. It is not cost effective or reasonable to expect any prospective program administrator to develop such supporting documentation without knowing the programs, budgets and targets to which such documentation would apply. In addition, since the implementation plans will be developed in conjunction with outside vendors,

[10] Staff later states that "Con Edison's proposed quality assurance plan is generally adequate" (Staff's Initial Comments at 34).

the Company needs the actual program information in order to develop the appropriate requests for proposals (RFPs) pursuant to which vendors will be engaged.

In conjunction with the solicitation process to acquire contractual administrative and technical support, Con Edison will develop final implementation plans with vendors chosen pursuant to the RFPs. Therefore, the implementation plans are expected to be in place after contractor selection and award. The solicitation will call for implementation plans, in conjunction with program logic models that clearly address market descriptions by program, goals and objectives, existing and potential barriers, integration with other efficiency programs and stakeholders, performance measures and effective steps to meet budgetary and energy savings targets. The solicitation is also expected to request information on Trade ally network, contractor training, energy analysis, application review, processing, reporting, quality control and assurance protocols and product and service warrantees.

In response to the solicitation, vendors will submit an overall marketing strategy and approach and detailed implementation plans that will include management systems, marketing materials, promotional activities, communication themes and key messages, and requisite schedules. In addition, vendors will submit comprehensive staffing plans outlining qualifications, allocated resources and program commitment and other information described above.

Staff also indicates that certain information is outstanding or insufficient. For example, Staff claims that the Company did not provide adequate documentation concerning its energy savings estimates by program and measure (Staff's Initial Comments at 11). That statement is incorrect. In response to the first two interrogatories issued by Staff, the Company provided the detailed models, calculations and source data that were used to calculate the energy savings estimates by program and measure. Staff did not advise the Company that those responses were insufficient.

Staff also claims that "Con Edison did not model an estimate of its potential estimate of potential utility performance incentives as directed in the EEPS Order" (Staff's Initial Comments at 16), but, the Order Concerning Utility Financial Incentives[11] was issued on August 22, 2008, the day after the Company served its 60-Day Filing.[12] Moreover, the Company did file this information, as required by the EEPS Order, in the Company's 90-day filing.

Simply put, until the Staff submitted its initial comments, the Company was not advised that any material or interrogatory responses were insufficient. To the extent that any information is currently available,[13] the Company is prepared to respond.

Free-Ridership and Spillover

Staff has asked for the basis for the 10% initial assumption for free ridership and spillover (Staff's Initial Comments at 8). In evaluating the cost effectiveness of its proposed programs, Con Edison assumed a 10% *a priori* adjustment for free-ridership. As explained in the Company's response to Staff's interrogatory number 58, the 10% figure was used as a preliminary assumption for planning purposes and a proxy measure of uncertainty concerning consumers response to the program. It was meant to ensure

[11] Order Concerning Utility Financial Incentives in Case 07-M-0548, Issued and Effective August 22, 2008.
[12] The Company served its 60-Day Filing via overnight delivery on August 21, 2008.
[13] As discussed above, the implementation and evaluation plan, among other documents, can only be developed upon Commission approval of the Company's programs.

that the proposed programs would continue to be cost effective after its implementation even if the net ex post savings fall below what was assumed in the plan.

The use of such *ex ante* assumptions is common practice in energy efficiency program design and serves as a risk management measure. The actual level of free-ridership, however, is a function of a large number of variables including consumer sector, the particular energy efficiency technology and its vintage, and incentive amounts, among other things. In California, for example, the widely used Database for Energy Efficiency Resources (DEER) provides estimates of free-ridership for all individual energy efficiency measures with a wide range of values that average about 15% for many measures. The Energy Trust of Oregon, on the other hand, has used a 10% estimate for planning purposes.

The actual levels of free-ridership in the proposed programs are ultimately an empirical question to be answered after the programs are implemented and evaluated. The Company's evaluation plans clearly outline methodologies for determining free-ridership for each of the fast track programs. In the absence of actual data, the Company contends that the use of a 10% free ridership planning assumption is reasonable and consistent with current practices in energy efficiency program planning.

Staff also questioned why the free ridership and spillover preliminary adjustments differed between Con Edison and Orange and Rockland (Staff's Initial Comments at p. 8). Con Edison, like the other New York utilities, including Orange and Rockland, developed programs customized for their respective service territories. It bears emphasizing that Con Edison's 10% free ridership estimate is, as noted above, merely a proxy used for program development that will be revised when impact evaluations are completed. Moreover, even if the more conservative 20% assumed free ridership were used, the programs would still be cost-effective.

Market Research, Evaluation and Related Issues

Evaluation Costs

In accordance with the guidelines set forth in Commission's June 23, 2008 Order, Con Edison allocated approximately 5% of the proposed budgets of each of the fast track programs to evaluation[14]. Staff has expressed its concern that the Company's marketing activities are ambitious and will detract from its evaluation efforts to evaluate the programs (Staff's Initial Comments at 10).[15] Additionally, in its comments, the Staff has raised concerns about how the Company intends to allocate these costs between evaluation and marketing activities and recommends that " funding for market research be reviewed by the EAG and approved by the Director of the Office of Energy Efficiency and the Environment" (Staff's Initial Comments 32).

Con Edison believes that these concerns may be based on misconceptions and can be addressed by the following discussion of the terminology and program funding submitted in the filing. First, regarding Staffs concerns that the Company's marketing activities are ambitious and will detract from its evaluation efforts to evaluate the programs an on the allocation of funds. The market research activities references in conjunction with evaluation and included under the cost category of "Evaluation and Market Research" represent market research such as consumer and trade ally surveys,

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[14] This 5% was allocated after deducting 1% that would be allocated to Staff for evaluation purposes.
[15] Based on Staff's comments, the Company reviewed its interrogatory responses to the questions on MV&E and realized that the answers to those interrogatories should be amended and revised. The Company will submit such revisions immediately

which support evaluation activities and are independent of program marketing costs. These activities costs are well accepted parts of evaluation and as such do not detract from evaluation. Con Edison would like to clarify that projected marketing-related expenses are under and included in the "Marketing and Trade Ally" category. It should be noted that Staff concluded in their initial comments that: "The residential HVAC marketing budget was allocated at 15% or, a cost per participant of approximately $48. The Small Business program's budget was allocated at 5% or a cost per participant of approximately $226." Staff then continues "...that the approach Con Edison outlined in the proposal to be adequate."

Efforts to undertake research to support potential program changes or issues identified by program evaluations are part of the normal course of business and should not require approval of the Director of Energy Efficiency and the Environment. Because protocols will be set for evaluation and, in fact, evaluation may ultimately be conducted on a statewide basis, Staff's concern about adequacy of evaluation is misplaced and additional approval should be unnecessary. Review and approval of market research proposals funded from the evaluation budget can only lead to more delays and hinder the Company's ability to run programs.

NEEP

Staff recommends that Evaluation Advisory Group (EAG) established under the EEPS Order review New York's role in the Evaluation, Measurement and Verification (EM&V) forum of the Northeast Energy Efficiency Partnership (NEEP) (Staff's Initial Comments page 30).

Participation in the EM&V Forum may provide benefits, for example, costs for multi-state projects and studies may be less than if those projects were undertaken on a state–by-state basis. But any multi-state study must not ignore the unique characteristics of Con Edison's service territory which is generally not similar to, or represented elsewhere in, New England. In addition, to the extent such multi-state studies include matters not particularly germane or valuable to New York, the cost of those particular matters must be carefully weighed against the benefits garnered from the economies of scale. Potential participation in the EM&V Forum should be evaluated, prioritized, and meshed with other state priorities, as defined by working subcommittees (Budget and Energy Efficiency Studies) of the Energy Advisory Group, based on detailed analyses described above.

Program Evaluation Efforts

Staff notes that the Company must ensure that program administration efforts and separate from program evaluation efforts (Staff's Initial Comments at 8). As the Company responded in interrogatory 47, and Staff notes in its comments, the Company has established a new Measurement, Verification and Evaluation (MV&E) Section in the Energy Efficiency Department. This section will have performance indicators unrelated to program performance. The section manager of the MV&E section will report to the director of Energy Efficiency. In addition, the MV&E section will be responsible for oversight of MV&E contractors and will "own" the MV&E contractual relationships. RFPs necessary for selection of the MV&E contractor will be developed by this new section in conjunction with the corporate purchasing department and the market research section of the energy efficiency department (currently the market research section is handling the evaluation of the Company's Targeted DSM Program). Evaluation results are expected to inform program development on a going forward basis. Program development personnel will not, however, be involved with evaluation activities.

Additional Items

Staff has recommended that the budget and savings goal for the Con Edison Small Business Direct Install program be approved (Staff's Initial Comments at 5). The savings, budgets and targets proposed in the 60-day filing, and more importantly in the 90-day filing, in which the specific ramp rates for the programs and utility incentives have been incorporated, were developed assuming the programs would be adopted largely as submitted and could begin implementation in 2008. With the issuance of Staff's Initial Comments, the potential for additional comments, proposed material program changes and continued delay, Con Edison notes that it will likely need to review all of its models and at a minimum, revise all of its program ramp rates and targets to account for programs that will now begin implementation in 2009 rather than 2008. Con Edison also notes, that upon final approval of programs, should differences exist between the approval and program submissions, additional revisions to budgets and models may be necessary.

Con Edison and Orange and Rockland Utilities, Inc. will coordinate the Request For Proposal(s) (RFP) process for implementation, technical and administrative contractor services in the delivery of the energy efficiency programs outlined in each Company's Energy Efficiency Portfolio Standard (EEPS) filings. The determination of whether to issue a joint RFP remains under review.

At this juncture, the RFP will specify a full range of tasks across multiple program specific areas. The RFP will address marketing requirements, education, trade ally outreach and support services, incentive review and processing services including payments. Program-specific promotional activities will also capture trade ally and local work force recruitment and training, responses to customer inquiries, call center responsibility, energy assessments/advice, rebate applications, payment processing and referrals to corresponding programs or parallel service suppliers such as NYSERDA, NYSEG, Central Hudson, and National Grid NY.

Since the RFP remains a work in progress, additional program tasks and items will be added or eliminated as the Companies evaluate and determine the final set of contractor requirements.

Technical Manual Appendix A

As part of Staff's Initial Comments, Staff informed Con Edison (and other utilities) that Staff had "requested that the independent consultant providing EEPS related evaluation advisory service to Staff (TecMarket Works), develop a technical manual illustrating standardized approaches, calculations and assumptions for program administrators to estimate Fast track program energy savings at the measure level" (Staff's Initial Comments at 27).

Con Edison has preliminarily reviewed the New York Standard Approach for Estimating Energy Savings from Energy Efficiency Programs, Appendix A to the Staff Comments. This document, which is currently in draft form, describes and seeks comments on methods and technical assumptions for calculating energy savings from twenty (20) residential and commercial energy efficiency measures. Six of the measures analyzed in the document are residential measures, including two of the five measures incorporated in Con Edison's proposed Residential HVAC program, namely central air conditioning and heat pumps.

Con Edison's review indicates that the algorithms used in the calculation of savings for these measures are consistent with accepted engineering practices, as those utilized by Con Edison in developing its Residential HVAC program. Calculations reported in Appendix A, however, rely on certain technical assumptions that are at slight variance from those used by Con Edison. In general, values for certain technical parameters proposed in Appendix A tend to be more conservative than those assumed by Con Edison in its filing.

For example, in the Residential HVAC program, savings for the single family central air conditioning and single-family heat pump measures are lowered by an average of 37%. Con Edison's engineering model was adapted from a comparable cooling zone, but may not have reflected the specificity of the models proposed in Staff's Appendix A. Savings for Multi-Family Central Air Conditioning and cooling load on the Multi-Family Heat Pump also show lower savings by an average of 11%.

For Small Commercial Direct Install, four measures were included in Appendix A that are comparable to those considered in Con Edison's plan: Refrigerator Case Light LEDs, Vending Machine Controls, Anti-Sweat Heater Controls, and Economizers. With regards to Refrigerator Case Light LEDs, Con Edison's calculation factored in only direct lighting savings, while the Appendix A calculation included refrigeration savings resulting from the reduced heat from the lighting. This change results in an average 129% increase in the savings from Refrigerator Case Light LEDs.

For Vending Machine Controls, Appendix A notes that there are many different varieties of controls and implementation strategies. Appendix A recommends metering as the most effective method of determining kWh savings. The calculation developed by Con Edison is consistent with what is proposed in Appendix A. In the case of Anti-Sweat Heater Controls, Appendix A listed an annual savings of 1,764 kWh per door whereas The Cadmus Group calculated a value of 1,840 kWh per year, a 4% change. With respect to Economizers, Appendix A has provided per-unit estimates of savings for only four of the building types considered in Con Edison's program. Of these, two indicated nearly identical savings (Retail and Warehouse), while two presented significantly different savings (Office and Restaurant), as shown in the table below:

Building Type	Con Edison Plan (kWh/Year)	Appendix A (kWh/Year)
Retail	85	95
Small Office	53	186
Restaurant	280	31
Warehouse	23	25

The differences between the savings for restaurant and small office building types resulted from differences in the inputs used to develop the DOE-2 models by Con Edison and compared to those specified in Appendix A. In the case of both models for the building types, Appendix A makes different assumptions for operating hours, construction details, temperature set points, lighting power densities, plug load densities, and HVAC system sizing. Since the Public Service Commission staff has already approved the Small Commercial Direct Install program without Economizers included, Con Edison believes that it would be more appropriate to determine the correct savings values for these building types through an evaluation.

Con Edison's analysis further shows that the assumptions proposed in Appendix A do alter the savings estimates associated from some of the measures included in the proposed programs. These changes, however, are not large enough to affect cost-effectiveness of the program and the program remains cost effective.

Nevertheless, regardless of how these assumptions affect the economic outcomes of the propose programs, Con Edison believes that the proposed assumptions in Appendix A should be considered preliminary and should not be used pending more rigorous analysis by experts. Con Edison supports the development and adoption of a standard set of methods and assumptions for calculation of savings from various measures by New York utilities. However, the final adoption of such standards by the Commission should be subject to a public review process before they are adopted.

Conclusion

The Commission has established aggressive, but obtainable, goals for energy-efficiency programs to be implemented in New York. These goals are worthy and Con Edison is committed to assisting the State meet these goals.

The Commission has also established a detailed process and procedure for the filing, review, implementation and approval of these plans. In proposing its energy efficiency programs, Con Edison has complied with those requirements and its programs meet the goals established by the Commission.

Because the Con Edison has complied with the Commission's established rules and processes in this proceeding, its programs should be approved, with revised targets and budgets to be filed, as noted above, as filed, so that the Company can expeditiously begin to implement these necessary energy-efficiency programs.

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Respectfully submitted,

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