

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

Proceeding on Motion of the Commission
Regarding an Energy Efficiency Portfolio
Standard

Case 07-M-0548

**CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. AND ORANGE AND
ROCKLAND UTILITIES, INC. CALCULATION OF INCENTIVES FOR 2009-11 EEPS
ELECTRIC AND GAS PROGRAMS**

Introduction

Consolidated Edison Company of New York, Inc. (“Con Edison”) and Orange and Rockland Utilities, Inc. (“O&R”) (together “the Companies”) provide the following calculations of the incentives they have earned under the shareholder financial incentive mechanism established by the Commission for electric utilities in its August 22, 2008 *Order Concerning Financial Incentives* and for gas utilities in its May 19, 2009 *Order Establishing Targets and Standards for Natural Gas Efficiency Programs*.

Assumptions in Calculating Penalties and Incentives for EEPS Programs

A utility earns incentives or incurs negative adjustments for its electric or gas EEPS portfolio based upon the extent to which it achieved its energy savings targets during the years 2009-2011. Maximum potential incentives/negative adjustments for each utility are calculated by multiplying \$38.85/MWh for electric savings and \$3.00/Dth for gas savings times the utility’s cumulative electric and gas energy savings targets for each portfolio. If a utility achieves over

80% of a portfolio's energy savings target, it earns an incentive scaled linearly from zero percent of the available incentive at an 80% achievement level up to 100% at a 100% achievement level. Portfolio performance of 70-80% does not earn an incentive or incur a negative adjustment. Negative adjustments are calculated in a symmetrical manner to the incentives calculation with the full negative adjustment imposed at the 50% achievement level and decreasing linearly to zero percent at the 70% level.

The attached tables show the Companies' portfolio targets, portfolio achievements from the beginning of the programs in 2009 through December 31, 2011, including committed project savings as of December 31, 2011, and the percentage of each portfolio achieved.

Con Edison is also able to earn an incentive calculation on certain demand savings calculated by multiplying \$100,000 per megawatt saved up to a maximum of \$5 million (maximum 50 megawatts).¹ The \$5 million megawatt-based incentive is capped by the level of achievement in the megawatt-hour incentive in the electric portfolio.

Results

Con Edison - As shown in the attached Table I, Con Edison's net electric portfolio achievement rate is just over 90%. The result is an earned incentive of \$7,553,384, plus another \$587,000 for the MW incentive. The gas portfolio achievement is just under 73%, resulting in no incentive or negative adjustment. Con Edison has earned a total incentive of \$8,140,384.

¹ As stated in the Commission's August 22, 2008 *Order Concerning Utility Financial Incentives*, "The metric for measuring utility performance for such added incentive shall be achieved peak-hour megawatt reductions, defined as the savings of four times or more megawatt-hours during the hour of system peak than savings during an average hour of the year for the program (i.e., the peak coincidence factor must be 0.25 or less)." (p. 40) Con Edison has used the Technical Manual calculations as the best available measure of peak coincidence factor. See New York Standard Approach for Estimating Energy Savings from Energy Efficiency Program, October 15, 2010, pp. 37-8 (central air conditioning), pp. 63-64 (room AC recycling) and pp. 75-6 (room air conditioner).

O&R – As shown in the attached Table II, O&R’s net electric portfolio achievement is just over 91%. The result is an earned incentive of \$780,341. The gas portfolio achieved 107% of its energy savings target of 26,828 Dth, resulting in an incentive of 100%, or \$82,979. O&R has earned a total incentive of \$863,320.

Discussion of Results

The electric results are positive because of the Companies’ aggressive actions in 2011 to maximize savings before December 31, 2011, the Commission’s significant target savings reductions in its February 17, 2012 *Order Approving Utility Target Adjustments*, and the inclusion of 2011 committed project’s savings. The Companies spent more on marketing in 2011, including Con Edison’s expansion of its Green Team awareness campaign, and drove sales in the Small Business and C&I markets. These actions enabled the Companies to overcome, to some extent, the impacts of the poor economy that existed earlier in the cycle, ramp-up delays by contractors and the need to phase-in programs.

For Con Edison, gas results also benefited from aggressive year-end actions, limited target savings reductions in the February 17, 2012 order, increased marketing and committed project’s savings. Con Edison’s gas results were limited by Multi-family program design issues, which Con Edison will be addressing in a filing on or before May 11, 2012.

For O&R, gas results were very positive, a direct result of its grass roots marketing campaign and consistent support from the contractors who market the program when gas equipment is replaced.

Payment Proposal

The Companies propose that they be authorized to recover their earned shareholder incentive from already collected SBC funds. As detailed in the uncommitted balances reports the Companies are submitting today, the Companies have adequate uncommitted funds available to cover all earned incentives.

Conclusion

Con Edison and O&R respectfully request authorization to recover their earned shareholder incentives, as set forth above, from already collected SBC funds.

New York, New York
April 2, 2012

Respectfully submitted,

CONSOLIDATED EDISON COMPANY
OF NEW YORK, INC. and ORANGE AND
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By Their Attorney



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Table 1

2009-2011 Utility Financial Incentives

	Con Edison Electric (MWh)	Con Edison Gas (Dth)
2009-2011 Total Portfolio Targets ⁱ	378,693	542,036
2009-2011 Total Portfolio Achievements ⁱⁱ	341,839	394,086
2009-2011 Total Portfolio MW Achievements ⁱⁱⁱ	5.87	
2009-2011 Total Portfolio Achievements (%)	90%	73%
2009-2011 Total Portfolio MW Incentive	\$587,000	
2009-2011 Total MWh Incentives	\$7,553,384	
2009-2011 Utility Financial Incentives ^{iv}	\$8,140,384	\$ -

ⁱ Total Portfolio Targets per the 2/17/2011 Order

ⁱⁱ Total Portfolio Achievement per the 12/31/2011 Scorecard filed with Secretary Brilling on March 31, 2012. This includes acquired savings from 12/31/2012 and committed savings reported on February 15, 2012

ⁱⁱⁱ Reported MWs using the New York Standard Approach for Calculating Energy Savings (TRM) earned under the Con Edison Residential Room AC, Con Edison Residential HVAC, and Con Edison Residential Appliance Bounty Program

^{iv} 2009-2011 Utility Financial Incentives is calculated based on methodology described in 8/22/2008 Order and 12/10/2010

Table II

Orange and Rockland, Utilities, Inc.		
2009-2011 Utility Financial Incentives		
	Electric	Gas
	(MWh)	(MCF)
2009-2011 Total Portfolio Targets ¹	35,540	27,660
2009-2011 Total Portfolio Achievement ²	32,449	27,660
2009-2011 Total Portfolio Achievement %	91.3%	100.0%
2009-2011 Utility Financial Incentive ³	\$780,341	\$82,979
¹ Total Portfolio Targets per the 10/25/2011 and 2/17/2011 Orders		
² Total Portfolio Achievement per the 12/31/2011 Scorecard, filed with the Secretary on March 30, 2012 This includes acquired and committed savings.		
³ 2009-2011 Utility Financial Incentive is calculated based on the methodology described in 8/22/2008 Order.		