

April 8, 2005

Ms. Jaclyn A. Brillling
Secretary
New York State Public Service Commission
3 Empire State Plaza
Albany, NY 12223-1350

RE: Comments of Conservation Services Group, Inc. regarding CASE 05-M-0090, in the matter of the System Benefits Charge III.

Dear Ms. Brillling:

Attached please find an original and fifteen (15) copies of Conservation Services Group's comments regarding CASE 05-M-0090, in the matter of the System Benefits Charge III.

Thank you for the opportunity to comment on SBC III. If you have any questions regarding these comments, please contact me at (508) 836-9500.

Sincerely,

Stephen L. Cowell
Chief Executive Officer

Case 05-M-0090: In the Matter of the Systems Benefits Charge III.

**Comments from Conservation Services Group, Inc.
in response to the State of New York Public Service Commission's
Notice Seeking Additional Comments
issued April 1, 2005**

Submitted April 8, 2005

The Budget Amendment (Senate 3669, Assembly 6843) requires the governor to "...provide appropriations for currently non-appropriated monies received by the New York energy research and development authority....collected for the purpose of public policy energy programs." This amendment implements a laudable goal of providing legislative oversight over public purpose monies, but may cause great harm to the process by which system benefit funds are used to promote energy efficiency and to encourage renewable energy.

The current system has several characteristics which may be lost inadvertently through legislative oversight and appropriation.

- 1) Unified programs with a coherent approach. NYSERDA offers a variety of programs for different customer groups or technologies. But all are designed around common themes of market transformation, cost effective treatment of measures and advancement of technology. The programs are generally available to all eligible customers throughout the state. If legislative appropriation results in the creation of many programs with a variety of managers (NYSERDA, utilities, municipal or county governments, etc.) New York could easily end up with a dispersed, ineffective and confusing mix of programs, including mixes that would, unintentionally, mean that the same sort of customer in different parts of the state might be eligible for different programs, or no program at all.
- 2) Multi-year commitments. This may be the most critical problem with the appropriation approach. Appropriations are annual. Significant energy conservation is a multi-year investment project. Programs for all types of customers need multi-year commitments to be viable. In particular, programs that affect new construction (both residential and commercial/industrial) routinely deal with multi-year building cycles, where standards and incentive levels have to be set two three or even more years in advance of the expected completion date. Over the past four years, as we have been recruiting contractors and builders to join the successful NY ENERGY STAR Labeled Homes and Home Performance with ENERGY STAR programs, we have been asked over and over again, "This is a state program. Why should I change my business to be in a program that is going to go away or change every year?" And we have been able to say, "This program is part of a five year commitment to builders and contractors like you. If you

commit to building energy efficient high quality homes, or to fix existing homes to the program standards, New York will stick with you for the next five years.” This is the promise made and delivered over the past few years, and that promise has brought real benefits to New York consumers and real, unprecedented savings in energy.

This kind of commitment is possible under the current system. Annual appropriations will kill this multi-year approach, limiting energy conservation programs to projects that can be designed and completed within a 6-10 month time frame, given the practical realities of annual appropriations. These quick fix projects tend to have shallow, short term effects, and have been proven to be less cost effective than longer term, more comprehensive approaches.

Going to a year-to-year appropriation would be an enormous step backwards, setting energy conservation in New York state back a decade or more. In public works projects, the funding is usually done through bonding or some other mechanism that takes the public support out of the year-to-year appropriation cycle. Any such longer term commitment involves a compromise on legislative oversight – there is a trade off between the benefits of long term projects against the costs and risks of public review being less frequent. Energy efficiency and the promotion of alternative energy are long term projects which require that some publicly accountable authority have both the power and the responsibility to carry out the project.

We strongly recommend that the budget amendment be modified to ensure that energy conservation funding will continue to be implemented through NYSERDA, that program unity and focus be maintained, and that NYSERDA continue to have the power to plan and implement multi-year programs.