STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 05-M-0090 – In the Matter of the Systems Benefits Charge III

The National Association of Energy Service Companies (NAESCO) submits these comments in response to the Commission's NOTICE SEEKING ADDITIONAL COMMENTS, dated April 1, 2005.

NAESCO's current membership of about 100 organizations includes firms involved in the design, manufacture, financing and installation of energy efficiency and renewable energy equipment and the provision of energy efficiency and renewable energy services in the private and public sectors. NAESCO numbers among its members some of the most prominent companies in the world in the HVAC and energy control equipment business, including Honeywell, Johnson Controls, Siemens, Trane and TAC Americas. Our members also include many of the nation's largest utilities: Pacific Gas & Electric, Southern California Edison, New York Power Authority, and TU Electric & Gas. In addition, ESCO members include affiliates of ConEdison, PEPCo, Sempra, Northeast Utilities, Equitable Resources, and Alliant. Prominent national and regional independent members include American Synergy Corporation, Custom Energy, Onsite Energy, EnergySolve, Conservation Services Group,, AMERESCO, UCONS, Chevron Energy Solutions and Energy Systems Group. NAESCO members have delivered thousands of projects, worth hundreds of millions of dollars, to New York industrial, commercial, institutional and residential customers during the last twenty years through the NYSERDA administered System Benefits Charge program as well as independently of the program.

The Commission seeks comments on the impact of the proposed budget amendment language contained in S.3669/A.6843, Part I Section 2, which would make the System Benefits Charge (SBC) funding, and the energy efficiency and R&D programs currently administered by NYSERDA, subject to the annual state budget appropriations process. Based on its national experience over the last twenty years, NAESCO believes that proposed language is a very bad idea, which would substantially undermine New York's establishment of energy efficiency and renewable energy as the foundation of state energy policy. The current NYSERDA-administered programs are in many ways a national model. They are predictable, multi-year programs, operated with a very low overhead structure by an agency that has no agenda other than continuous program improvement. The energy efficiency retrofits facilitated by SBC funding have benefited all New York ratepayers by relieving power infrastructure congestion, capacity restraints, and avoiding the need for at least some additional power generation. Specifically, the SBC-funded programs have:

- Created more than 4,200 new jobs;
- Facilitated the development of more than 150 energy service companies;
- Saved ratepayers almost $200 million; and,
- Leveraged SBC funds about 4:1 with private investments in energy efficiency and new energy technologies.

It would be a shame if this model program were beset with the kinds of problems that NAESCO sees in other states, the kinds of problems which S.3669/A.6843, Part I Section 2 would create.

First, in other states that have adopted this approach to funding energy efficiency programs, such as Wisconsin and Connecticut, the first thing that happens is that energy efficiency program funding is diverted to other programs. When that happens, the energy efficiency industry pulls back, reducing employment and investment in the state. The net benefits that accrue to New York from energy efficiency programs, amply documented in the annual reports submitted by NYSERDA to the New York Public Service (PSC) Commission, would wither or disappear.

Second, successful energy efficiency programs require secure multi-year budgets, for the simple reason that good programs and major projects have multi-year development cycles. Annual funding cycles result in stunted programs which are much less cost-effective than longer-term programs. The state of California, for example, has spent the better part of the last three years working through an elaborate set of regulatory proceedings so that it can replace its annual program cycle with multi-year programs. New York has been a model for California to emulate, and it would be ironic if New York suddenly decided to reverse course and opt for the program instability that California has struggled to escape.

Third, an annual legislative appropriation cycle adds a layer of political complexity to a business that is already very difficult to sustain. New York's current portfolio of energy efficiency and renewable energy programs has been painstakingly assembled during the past eight years with solid support from all branches of the state government – Executive, Legislative and regulatory. The success of these programs is highly dependent on this continued, across-the-board support. To throw away the fruits of eight years of effort is a crime but to throw away a program which is the national model for the successful creation and delivery of energy efficiency and renewable resources is a tragedy.

NAESCO therefore asks the Commission to do everything in its power to convince the Governor to veto the proposed budget amendment language. In the event that the language becomes law, NAESCO urges the Commission to do everything in its power to mitigate the negative effects of the language on the SBC-funded programs, so that they can continue to deliver benefits to New York ratepayers.

Respectfully submitted by,

Terry E. Singer
Executive Director
202-822-0950
tes@dwgp.com