

March 2, 2005

Ms. Jaelyn Brillling
Secretary
NYS Public Service Commission
3 Empire Plaza
Albany, NY 12223-1350

Dear Ms. Brillling;

The following Comments reference Case 05-M-0090- In the Matter of the Systems Benefit Charge III as contained in the Notice Soliciting Comments on the Future of SBC, Issued January 28, 2005.

These comments are made on behalf of the Building Performance Contractors Association of New York State, a voluntary association of building performance contractors, Home Energy Raters and others associated with building performance issues in New York State.

Our perspective is that of private contractors and consultants delivering services to homeowners, builders and new home buyers throughout New York State. We are small business people who are committed to making buildings safe, durable, energy efficient and comfortable.

Our involvement with SBC is primarily through the Home Performance with Energy Star program for existing houses and the Energy Star Labeled Homes for new construction. These programs are initiatives under the New York Energy SmartSM program. For many of us, the introduction of these programs by NYSERDA in 2001 permanently transformed the way we treat houses and has resulted in significant growth in our businesses, in some cases doubling and tripling our volume in the last 4 years, with a corresponding increase in our workforce. Prior to these programs, we were primarily specialty remodeling contractors engaged in such trades as heating, ventilating and air conditioning, or insulating or installing replacement windows. The Home Performance with Energy Star program, based on modern building science, promotes a whole house systems approach to energy efficiency which recognizes that any change to a building's shell or mechanical systems has potential consequences for combustion safety and indoor air quality, and that these factors must be monitored before, during and after work on the building is done. In addition, by treating the whole

house, the effectiveness of each measure will be maximized. The synergies realized by employing a whole house strategy maximizes the energy efficiency and comfort obtained for the consumer.

These are subtle concepts to market, and require incentives to initially stimulate the public's interest. The programs sponsored and administered by NYSERDA have used effective marketing along with consumer and contractor incentives to create an industry where virtually none existed in the short span of four years.

1. To what extent have the goals and objectives established by the Commission been achieved?

The Home Performance with Energy Star program and the Energy Star Labeled Homes program have reduced energy demand by making building's more energy efficient, and have provided access to "cost-effective energy efficiency". These programs have specifically addressed, as part of their strategy, the issue of mitigating "the environmental and health impacts of energy use", by stressing the need to ensure that buildings treated under the program have no combustion safety issues or moisture issues before, during and after energy efficiency services are performed. In addition, the programs have "create[ed] economic opportunity and promoted economic well-being by supporting emerging technologies, [and] fostering competition" in the emerging building performance industry.

2. Should the SBC program continue beyond its current expiration date of June 30, 2006? If so, for what duration should the SBC be extended and at what funding level?

The Home Performance with Energy Star program for existing homes and the Energy Star Labeled Homes program for new residential single family homes have begun to transform the way new and existing homeowners perceive energy efficiency in their homes. The whole house approach which is at the core of these programs delivers energy efficiency while assuring that homes are left safe, durable and comfortable. The market transformation process that started in 2001 with the introduction of these programs has continued, but still needs the support that these programs bring in order to ensure that momentum is not lost or slowed. The SBC program should be renewed for another 5-year term at funding levels equal to or greater than currently existing.

3. Have conditions changed since the establishment of the SBC that would necessitate a change in the overall goals and objectives of the SBC? If so, what changes are recommended?

Fuel prices, which remained stable for most of the 1990's have increased significantly since 2001 and are likely to continue to increase for the foreseeable future. In addition, there is an increased concern for indoor air quality among home and business owners. The goals of the SBC should be broadened to include optimizing indoor air safety and quality along with energy efficiency. These non-energy benefits have great societal economic value in the form of increased health and increased building durability.

4. If assuming continuation of the SBC, how should programs be prioritized to meet those goals and objectives?

5. How might the SBC programs be adjusted given the Commission's order, issued September 24, 2004, regarding a Renewable Portfolio Standard (Case No. 03-E-0188)?

Energy efficiency programs are more cost-effective than renewable programs. While the goal of 25% of the State's energy needs being provided by renewable energy is a noble and desirable one, it should not be at the expense of energy efficiency programs. SBC funding should not be reduced as a result of the Renewable Portfolio Standard.

6. In what ways might the current SBC fund collection and allocation process be improved?

7. What specific program(s) should be eliminated, expanded or created?

The Energy Star Labeled Homes program needs to be expanded, with more incentives for builder and home buyers.

The Home Performance with Energy Star program should be expanded to include incentives for gas savings as well as electric savings (see 13. below).

8. How can future SBC funded programs be more responsive to the needs of New York's energy consumers?

9. How can SBC funded programs be marketed more effectively?

10. In what ways can NYSERDA improve its administration of the SBC?

In general, NYSERDA's administration of these programs has been excellent. However there could be better ongoing communication between NYSERDA and

the contractors and raters who deliver the services these programs sponsor. There also needs to be better communication between NYSERDA and the contractor hired to manage the programs in New York State.

11. Is the current NYSERDA program evaluation process adequate? How might it be improved?

If the current NYSERDA program evaluation process looks only at KWH saved, then significant benefits of the Energy Smart program will be missed in the evaluation process. These benefits include market transformation which is creating a building performance industry in New York State which has become a model for the nation; increased health and safety of the occupants of buildings treated with a whole house approach, and increased building durability also due to a whole house approach which looks at the impact of energy efficiency measures on the transport of water through the building structure as part of the work scope.

Prior to the advent of the Home Performance with Energy Star program and the Energy Star Labeled Homes program, these issues were rarely, if ever, addressed, when energy efficiency measures were performed on homes.

12. Should SBC funds be extended to programs that encompass research and development into retail and/or wholesale electric market competitiveness issues, or transmission and/or distribution of the State's energy resources?

13. Should the scope of the SBC program be expanded to include programs for natural gas customers? Yes

If so:

a. What kinds of programs would benefit New York's gas consumers?

A significant number of new and existing homes in New York State are heated with natural gas, or have domestic hot water provided by gas heat. The whole house approach promoted by the Home Performance with Energy Star and Energy Star Labeled Homes programs would be significantly increased if there were incentives for high efficiency gas burners and controls. This would result in substantial reductions in gas usage throughout the state as consumers participate in the programs. This would further accelerate the market transformation that was a fundamental part of the two programs.

b. Which classes of customers would be served most effectively by a natural gas SBC program?

Residential low-income gas customers and owners of 1-4 family homes would be served most effectively by a natural gas SBC program.

c. How should a natural gas SBC program be funded and what annual level of funding might be considered reasonable? How might a natural gas SBC affect current electric SBC funding levels?

A natural gas SBC could be funded in a similar fashion to the funding of the electric SBC with a small line-item charge on natural gas bills. A natural gas SBC should not displace the electric SBC but should be in addition to the electric SBC.

d. What should be the initial duration of a natural gas SBC, and should that term coincide with the extension of an electric SBC, if the electric SBC is extended?

The term of the natural gas SBC should coincide with the extension of the electric SBC.

e. How might a natural gas SBC be administered and evaluated and how should it differ from the administration of the electric SBC.

The natural gas SBC should be administered by NYSERDA along with the electric SBC. The data collection and evaluation process for the electric SBC has already been worked out by NYSERDA. The same methodology and administrative experience could be used by NYSERDA to administer the gas SBC.

14. Do you have any other suggestions for improving the overall SBC program that are not addressed by the above questions?