

March 3, 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.

Submitted March 3, 2005

Conservation Services Group is a national energy conservation and renewable energy firm with offices in Albany, Syracuse, and Haphauge, New York, as well as Westborough, Massachusetts, Portland, Oregon, Austin, Texas, Hesperia, California and Tampa, Florida, among other locations. CSG manages or assists in the implementation of residential conservation programs in more than a dozen states. CSG and our affiliate CSGServices install and manage solar power plants, actively trade in Renewable Energy Credits, recycle appliances and carry out commercial and industrial energy efficiency retrofits in several states. CSG has been an active participant in state and national energy conservation policy for twenty years. In New York CSG is the implementation contractor for the Small Homes programs (New York ENERGY STAR Labeled Homes, and Home Performance with ENERGY STAR) that are funded by SBC charges and administered by NYSERDA. CSGServices demanufactures air conditioners, refrigerators and other appliances at our facility in Syracuse. We have developed solar power stations in several New York locations and are actively preparing for participation in New York's market for renewable energy credits.

Answers to Questions

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

The Commission's goals for the SBC system for 2001-06 are to:

- 1) Improve system-wide reliability and increase peak electricity reductions through end-user efficiency actions;
- 2) Improve energy efficiency and access to energy options for underserved customers;
- 3) Reduce the environmental impacts of energy production and use; and
- 4) Facilitate competition in the electricity markets to benefit end-users.

The programs administered by NYSERDA have helped create an infrastructure for delivering energy efficiency services to market customers and disadvantaged customers throughout the SBC service territory. In the residential sector in particular, this infrastructure, while dramatically larger and more effective than it was four years ago, is just starting to break out of a niche market and enter the mainstream. There has been tremendous progress, but much remains to be done to ensure that all customers have ready access to high quality residential conservation services, and that all customers are aware of these services and their benefits.

The energy efficiency improvements that have been implemented have had significant, measurable impacts on energy use in homes and businesses and on the system as a whole, and these impacts have been well documented in evaluations of these programs. These savings, in turn, mean reduced environmental impacts, and have had measurable impacts on peak demand, particularly in the greater New York City area (particularly through Keep Cool and other efficient appliance programs). For the residential markets, there remain very significant

opportunities to build upon what has been created thus far – most new homes being built in New York do not yet meet New York ENERGY STAR standards and millions of homes could still benefit from highly cost effective energy efficiency improvements

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?

From our national perspective, the range and quality of programs operated in New York with SBC funds is extraordinary in terms of the range of services provided, the integration of programs, the mix of new and well established technologies, and the common approach to designing programs to enhance rather than supplant market actors. This approach, combined with the relatively long commitment of funds, has encouraged an energy efficiency and renewable industry to develop in New York, to the great benefit of New York ratepayers, employees and entrepreneurs. This success is in the context of a broader regional effort in surrounding states, an effort which has improved reliability and availability of power throughout the highly interconnected region.

This job is not done. New York remains dependent on expensive, imported and polluting fuels, and the ratepayers and businesses of the state are still facing rising bills and supplies made unstable by international events and by the declines in domestic production. While there has been great progress, the electric grid remains vulnerable to interruptions and subject (in some locations) to capacity strain during system peaks. Natural gas, though not subject to SBC II charges, has become a critical fuel both for its traditional uses and as a source of both peak and baseline electric power. Natural gas has seen a major price increase, and, since future New York and northeastern US demand for natural gas is likely to be met more and more through liquefied natural gas imports from unstable foreign sources, there is every reason to expand gas energy conservation programs. And, as will be discussed below, there remain many opportunities for programs to be expanded, and for some new programs to be developed. For all of these reasons, the SBC program should be continued and expanded for a minimum of a 5 year extension.

The arguments for SBC have generally been framed in terms of a need to help a transition in the market for electricity (and natural gas) as it moves from traditional utility regulation to a competitive market for energy purchased over the wire or through the pipeline. This appears to be too narrow a view of the need. For the foreseeable future, electricity, gas and other common energy sources will come with costs that are external to the company selling the energy – pollution, release of gases that affect global warming, and United States entanglement in the affairs and stability of dangerous or hostile parts of the globe. These ongoing concerns create a public interest in promoting energy efficiency and alternative, non-polluting and renewable energy that will go on beyond any effective transition to competitive electric and gas sales. These concerns argue for a longer term commitment to an SBC program and one that has an explicitly broader set of goals given the economic and environmental conditions.

CSG is one of the implementers of the residential programs. The programs we are implementing and the others that we observe have completed a start-up and shake-down phase and are now producing significant results. Continuing the SBC funding and continuing these programs will take full advantage of this start-up and ensure that ratepayers get the full benefit of the programs that have been developed. In particular, the small homes programs (Home Performance with Energy Star and New York Energy Star Labeled Homes) have built a significant efficiency infrastructure of builders, energy raters and contractors. Volume of production is rising,

standards are being raised incrementally to improve energy savings, and incentives are being reduced on a unit basis, as both programs break out of the niche they are in. All of these trends show higher savings per dollar of SBC funds each year, and continuing the programs is the best way to reap the public benefits of the investment already made.

From our perspective there are several reasons for a long term extension of the SBC system. These programs are designed to transform markets, and as such, are designed to succeed as public incentives decline over time. This is certainly true of the two residential programs that CSG implements (New York Energy Star Labeled Homes and Home Performance with Energy Star). Both programs have been operated by NYSERDA to start up with significant public incentives, and to have those incentives gradually ratchet down, especially in markets where the transformation is demonstrably underway. Both programs will need several more years of support before the large scale incentives can be reduced; it is difficult to say how long, but both programs are still “niche” players - important, but still niche players - in the new homes and retrofit markets. Both programs are undergoing significant upgrades in terms of the required standards and the energy efficiency improvements expected.

Beyond specific program lifecycles, in any case, there will be an ongoing need for a public role in marketing and public education, and establishment of standards and quality assurance. Part of that public role is played through minimum standards (building code and contractor licensing requirements, for example). But as long as there is a public interest in increasing energy efficiency and reducing dependence on fossil fuels and imported oil, there will be an ongoing public interest in promoting efficiency in homes, business and industry. Because home building and energy efficiency home improvements are the kinds of investments that most families make only a few times in their lives, consumers need unbiased sources of information and quality assurance to assist them in making their decisions. Since the R&D funded by SBC sources (and private investment) is constantly creating new products and services that promote energy efficiency, today’s best technology will be replaced by tomorrow’s best, and there will be a continuing need for public support for the rapid development and deployment of these new technologies. Lastly, there is a tremendous economic development and job creation benefit to New York that comes from being a leader in investing in energy efficiency and renewable energy that argues for continuation of the SBC funds.

From our experience, the five year commitment to SBC II represents the minimum commitment to be made to a successor program. The five year span allowed the Small Homes programs to recruit builders, home energy raters and various contractors. The long term commitment allowed us to assure builders and contractors of the ongoing training support and access to technology and marketing they need to shift their business from business-as-usual. The firms participating in the programs now use an approach that saves energy and provides other benefits to the public, such as improved indoor air quality, reduction of CO exposure, and increased durability of the housing stock.

Part of the reason the New York programs have been successful is that we have been able to deliver continuity over time to program partners. We are regularly dealing with builders who are on a two year planning cycle, for whom the multi-year stability of these programs is a critical factor in gaining their commitment. As the programs are expanded to encourage developers to build energy efficient high rise apartment buildings, the planning cycle will only get longer, arguing for a seven to ten year commitment with a chance to check progress during the extended term and make mid-course corrections.

Current SBC collections are designed to collect \$150 million per year, or about 1.3% of electric revenues. This dollar amount has been fixed during the term of SBC II so that the percentage rate of collections has been declining. According to an ACEEE study of Public Benefit Programs published in April of 2004, this rate of collections is fairly typical for states with SBC programs, and well below the collection rates of states in the region (Massachusetts at 3.06%, Connecticut at 4.05%, or New Jersey at 1.95%). In that regard, New York has been achieving significant results with relatively low collections. On the other hand, there is room to increase collections without creating a competitive disadvantage with respect to neighboring states. There is significant work to be done expanding existing programs and educational efforts, and effective programs are still being developed for several large markets. In that regard, it seems reasonable to have electric collections increased to take account of inflation – and adjusted to maintain the purchasing power of the fund. This approach would mean that 2006 collections would be set at about \$175 million for 2006 and would rise about 3% per year thereafter.

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

When SBC was authorized in 1998 and then again in early 2001, energy policy in New York State and elsewhere was dominated by the need to adapt to newly competitive electric and gas markets, and an ongoing concern about the pollution and global warming impact of energy consumption. Since then, concerns around pollution and global warming have grown more acute, and the world has been forcibly reminded about how unstable and unsafe our energy sources in the Middle East, and, to a lesser extent, in Latin America are. Oil and natural gas prices are up substantially since 1998. Since 2001, the “gas bubble” – the appearance of abundant domestic or North American natural gas supplies – has burst and we have had several vivid examples of peak availability crises and one truly spectacular, though mercifully brief, illustration of the vulnerability of the electric grid to failure caused by a mixture of human error, utility underinvestment (outside of the New York Regulatory framework) and simple bad luck.

Energy efficiency and renewable energy, if adopted on a large scale, provide welcome relief from these problems, improve the local economy, reduce the impact of higher prices on homeowners, tenants and businesses, reduce pollution and slow global warming. New York also has an enviable record of turning these potential benefits into real savings and effective programs as well as thousands of new local jobs.

Since the establishment of SBC the gas and electric industries have become much more intertwined. In particular, natural gas has become the principal fuel used in new electric power plants in the northeastern part of the US, including New York State. This means that programs that save natural gas affect the availability of electricity, as well as providing direct public benefits by saving customers money, replacing out-of-state natural gas purchases with in-state purchases of energy efficient appliances or services, and reducing pollution.

Finally, one of the major changes since the initiation of SBC is that the programs now have a track record of success. When SBC started, many of these programs existed only as outlines, prototypes or inspirations. The PSC and NYSERDA now have a seven year history of what works, what doesn't work and a list of improvements and enhancements waiting in the wings. There are several programs emerging from a start-up or development phase that are now ready for greater and deeper deployment.

Finally, the political commitment of the government of New York to energy efficiency and reduced environmental impact has grown over the years. There is widespread support for continuing and expanding effective programs.

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

- a. The program mix should include significant funding for programs that provide for broad participation, and the mix should ensure that there is little or no cross subsidization from one rate class to another. Special projects of general benefit (low income programs or programs targeted at T&D bottlenecks) are reasonable exceptions from this no-cross subsidization rule.
- b. Programs should be designed to be cost effective over the long run, rather than held to an arbitrary, short term cost effectiveness measure. Especially in market transformation programs, the benefits accumulate in the market as the business practices are transformed. So it is typical for a market transformation program to run negative on a cost benefit test for the first year or more of operation as training, technical enhancements, and public education change customer expectations and suppliers' capacity. During the course of the program, there is a shift as the benefits start to come in in greater volume, and administrative and development costs shrink as a portion of overall costs. Eventually incentive levels can be reduced, and the benefits keep arriving through changes in the market. Programs that have high long term benefit cost ratios turn out to be the best investment, given an adequate time frame.
- c. Reduction of peak electricity consumption has been a priority. Given the close connection between gas supply and price and the cost of providing electricity on peak, it makes sense to run gas saving programs, best funded through a natural gas SBC program, as a part of a broad strategy to ensure system reliability on peak. Full societal tests for peak reduction strategies need to be developed since the value of this spillover between gas savings and benefits to the production of electricity from gas power plants has not been well researched.
- d. The program mix should evolve. There are gaps in the full scale program menu now that should be filled on the basis of results of pilots now underway – in particular, programs for new multi-family buildings and for improvements in existing mixed use buildings are urgently needed to fill out the portfolio of services for highly urbanized areas.
- e. The development of a robust retail market has not occurred as a result of the restructuring carried out to date. The benefits of restructuring may have been significant but they have not been specifically tied to retail competition at the residential and small commercial level. The ability to stimulate this competition is beyond the ability of the SBC funds and therefore should be a lower priority. The only exception would be to help stimulate the opportunity for customers to buy green power through the voluntary market. This can best be carried out through the implementation of a transparent accounting system similar to the Generation Information Systems that are developing in other parts of the country.

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)?

In the Commission's order of September 24, 2004, regarding the Renewable Portfolio Standard (RPS), NYSERDA was designated as the administrator for the central procurement component

of the RPS system. This order gives NYSERDA a new mandate, parallel but different from its mandate under the SBC rulings. Each mandate includes performance obligations, and the two mandates can and should be carried out so as to be mutually supportive. But these are separate mandates. It is very important that the funds for the two programs be kept separate and not overlap or compete.

The SBC-funded efforts to promote renewable energy development in New York should be adjusted to take advantage of the emerging market for renewable energy credits (REC). NYSERDA will have full knowledge of both programs and will be in a good position to ensure that both development incentives and the income stream from renewable energy credits are considered in the feasibility planning for renewable energy projects. As the central procurement agent, will not only know the price that it is able to pay for RPS compliance RECs, but through the RPS open bidding process what Renewable developers need to make projects move forward.

The relative role of SBC funding and REC revenues will vary by both the type of projects being considered and the value of the RECs in the market. CSG has directly and indirectly been involved in a significant number of solar PV projects in Massachusetts where the combination of SBC-funded support and an income stream from RECs have been critical for successful project financing. However for all of these projects, CSG has sold the REC, not into the MA RPS market but into a much higher value voluntary solar REC market. For other lower cost renewable technologies such as landfill gas, sale of RECs into RPS compliance markets is sufficient for project funding. SBC funding will continue to be a critical tool for promoting the development of emerging renewable energy technologies, such as agricultural waste digester gas, solar, and biofuels.

Establishing a viable REC accounting platform, compatible the adjacent markets will increase the viability of every qualified renewable power development. In addition to using CSG to support individual projects, CSG urges NYSERDA to invest SBC funds on initiatives focused on expanding the voluntary green power market and reducing the barriers to implementation of renewables, such as supporting a better accounting systems, reducing rate penalties and modifying difficult interconnection standards. This will lower costs over the long range for all types of renewables.

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

We have no comment on SBC fund collection processes. The allocation process, as we understand it, ensures that the rate payers who contribute to SBC are the ones who benefit from it. This is primarily achieved through the rule that SBC funds can only be expended in programs that directly benefit customers in the SBC service territories, effectively excluding service to municipal customers, and customers of NYPA and LIPA. The allocation at this level continues to make sense. Then the funds are divided among the several purposes of the SBC: energy efficiency; research and development; environmental protections; and low income programs. Within the energy efficiency allocation, we see an allocation issue among rate classes. At present, programs aimed larger users (commercial and industrial users) are receiving a funding share larger than their contribution to the SBC fund, while non-low income residential customer programs are receiving an allocation smaller than their proportionate contribution to the SBC fund. To our knowledge, the PSC has not addressed this issue. We recommend that there be a general instruction to NYSERDA to allocate the energy efficiency monies on the basis of

contribution by broad rate class (residential; commercial/industrial) to ensure that ratepayers get the direct, as well as the indirect, benefits of their contributions

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

The current menu of residential programs leaves a few gaps that should be filled either by creating new programs, or by expanding the scope of existing programs. At present, there is no program to promote building of new, efficient multi-family (apartment) buildings of more than three stories and/or more than four units. While a surprising number of low rise developments (townhouse, garden apartments) meet these criteria and are included in the New York ENERGY STAR Labeled Homes program, many high rise buildings are excluded. This is a problem for developers who often build complexes including both townhouse and high rise components. NYSERDA is conducting a set of experiments in this field to determine the technical standards and modeling requirements for energy efficient multi-family buildings. It would be very beneficial to New York's efforts to promote energy efficient new residential construction for these pilots to be completed successfully, evaluated and rolled out to general programs.

Similarly, urban areas very frequently have "mixed use" buildings – with retail, service, or even light manufacturing facilities on the first floor, and apartments on higher floors. At present there is no program that promotes energy efficiency for the entire structure. This omission is intentional, in that treating mixed use buildings is complex, involving technical questions about indoor air quality, and a variety of code issues. Nonetheless, given how common these buildings are in major cities, a program should be developed to provide these buildings with the same sort of assistance that is now available to their single use neighbors.

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

The existing system includes a variety of methods of getting feedback from energy consumers including focus groups, meetings with customers and program partners, surveys and comment cards in the various programs. These mechanisms seem to be effective in providing NYSERDA with information about how the programs are viewed by participants and non-participants alike and we commend NYSERDA for their efforts in this area. In practice, programs have been adjusted in response to this feedback, balancing suggestions for improvement against program goals, commitments and achievements. This system should be extended and adequately funded, and the program management should continue to have the flexibility to adjust programs as they evolve and the needs of energy consumers change and become more explicit.

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

SBC programs are currently marketed through the Get Energy Smart web site, public relations efforts, and a variety of program-specific marketing efforts including paid media. Overall, this effort has been very successful, as evidenced by high rates of participation in most programs. It has also been a critically acclaimed success, as evidenced by the awards that NYSERDA has received for its marketing efforts. The marketing effort has been successful because of creative administration, and because of the sustained effort that the five year time horizon of SBC programs has allowed. Marketing has been critical to building public awareness of the programs and of the importance of saving energy.

One unintended consequence of implementing SBC programs through a state agency is that coordination of marketing with the electric and gas companies has been complicated by issues of

customer privacy. For residential programs, having access to bill stuffers and other utility to customer marketing would enhance other program efforts at relatively low cost.

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

NYSERDA has done an excellent job of administering the SBC funds. Administration by a state agency has become a model for other states starting or gearing up SBC conservation and renewable energy programs. CSG manages programs for individual private electric companies, consortiums of utilities and various configurations of state agencies. All of these systems can work, given clear mandates, effective and committed leadership, and adequate management authority. NYSERDA is particularly successful at managing a variety of programs, adjusting them to meet consumer needs and taking advantage of opportunities as they emerge, and blending R&D with implementation projects. For example, the residential new construction program (New York ENERGY STAR Labeled Homes) is labeling approximately 10% of eligible new units after only about four years of operation, an impact similar to that achieved in other relatively slow growing markets in twice the time. In general, other programs in the northeast have significantly higher levels of public support and have developed less robust mid-market partners. Home Performance with ENERGY STAR, a program developed in New York, is now a national model with about 10 states either running or piloting such programs. All of this speaks to good administration.

That being said, the attempt to accomplish a great deal in a short time with limited resources clearly strains the NYSERDA staff. Aside from the human cost, this strain creates some bottlenecks in decision making and therefore some missed or delayed opportunities. With increased funding levels and a longer time horizon, these strains could be relieved with a modest increase in staffing.

Another possible improvement would be to establish a pattern and calendar for program changes and improvements. NYSERDA's administration has been extraordinarily flexible, sensitive to customer feedback, and eager to adjust programs to solve problems and seize opportunities. As the programs reach significant scale, these changes can tax the ability of the program to adjust, since the successful programs involve hundreds of program partners scattered throughout the SBC service territory, each with a slightly different business strategy and approach. Frequent changes can produce a certain amount of conflict and, in the extreme, some fatigue by participants who must adjust. The programs could benefit from a system of announcing changes well in advance, giving partners more time to comment and adopting the changes at predictable intervals. Both of the small homes programs are moving in this direction.

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

The evaluation process needs to more quickly evolve to fairly value the types of market transformation programs carried out by NYSERDA. Most evaluation firms are schooled in the evaluation of demand side management programs, where costs are only expended by the program or customers on program measures, where all the benefits are captured in program reports, and where customers or partners who carry out energy efficiency actions outside of the program are viewed as evidence that the program has not changed behavior. Market transformation programs, when they succeed, often get customers to carry out energy efficiency measures for other reasons, such as increased comfort, prestige, or improved value of their homes, and therefore the energy efficiency measures are often bundled with less efficient or

irrelevant measures. In successful market transformation programs, program partners will (and frequently do) sell energy efficiency measures outside of the program framework, making reporting a challenge for those implementing the program and making the evaluator's task much harder. Finally, successful market transformation programs have major spillovers – both program partners and their imitators do better work outside of the program reporting structure.

The evaluation process for SBC programs has not fully absorbed this difference. We would suggest some open and frank discussions among NYSERDA, the program implementers, and the program evaluators to help create an evaluation process that fully values the market transformation approach that has both a timing and scope aspect. As with so much of the New York SBC experience, such an approach could be another significant contribution to energy efficiency and renewable energy program design in the United States.

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?

The rules for retail and wholesale electric market competition were set out by the PSC in the same order that established the original Systems Benefit Charge system. This competitive market appears to be succeeding in the larger commercial and industrial market, and is struggling to succeed in sales to smaller users. This experience is similar to that in other jurisdictions in this part of the country and elsewhere. As we have stated previously, the causes of this are based on larger market forces and the structure of the electricity markets that are beyond the ability of SBC funds to change. For this reason, we argue that most SBC funds should focus on delivering energy efficiency and renewable energy benefits to NY consumers. This will have the greatest impact on the majority of small and medium size energy users. The most significant exception is the need and benefit of implementing a GIS system that can facilitate the voluntary green power market to complement and verify the RPS approach.

If the funds available are increased, it makes sense to expand programs to encompass research and development on the impact of efficiency and renewable generation on the transmission and distribution reliability and system costs. This should not be done to the extent that these R&D projects supplement and do not replace the obligation of the utilities to invest in transmission and distribution system modernization and reliability but rather help identify better planning tools to evaluate using these resources in the T and D system.

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

Yes. Clearly, the same concerns about market development, availability of energy conservation services to low income customers, and the public benefits of energy efficiency that led to the establishment of electric rate-funded SBC programs apply to the natural gas market. Also, since the SBC system was initiated, the gas and electric industries have become more closely connected. Conserving natural gas is part of a broad strategy to ensure reliability in the electric grid.

If so:

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

Many of the programs now being implemented are fuel blind in their approach. In these cases, simply expanding the funding, enhancing the marketing and education

components, and adjusting the evaluation criteria will produce significant increases in results. Existing efficient appliance programs should be expanded to include efficient gas appliances. This seamless expansion of mission of existing programs will be cost effective and have very rapid results. In areas where there are investor-owned gas companies serving localities with municipal electric companies who choose not to match the electric SBC programs, there would be a gas-only program that would broaden the reach of SBC generally.

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

All classes of customers (residential, low income and hard-to-serve, commercial, industrial and institutional) could benefit from gas conservation efforts. In our experience in other venues, there are no significant barriers to serving gas and electric customers with the same set of programs, including the obvious adjustments for measures to be included.

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

The funding approach used for electric SBC is applicable to a natural gas SBC program – a modest surcharge on gas sold in the SBC territory. The annual level of funding should be enough to ensure that there is an expansion of services – approximately ¼ to 1/3 of the electric collections seems to be a reasonable target and is consistent with other jurisdictions.

How might natural gas SBC affect current electric SBC funding levels?

We see natural gas SBC funding as an addition to the electric SBC funding level.

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

The natural gas SBC should be funded for long enough to get started and produce results that can be evaluated. It makes sense to have the term coincide with the extension of electric SBC, but to have a major review of progress in three years to allow the PSC to make adjustments on the basis of the start-up experience.

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

There are very significant advantages to having the natural gas and electric SBC programs administered through the same agencies. The Massachusetts practice of having gas and electric conservation programs administered by different utilities has produced ongoing friction, disparities in the way customers are served, and evaluation anomalies, particularly with regard to fuel switching issues, that have taken years to rationalize. Avoiding this sort of split at the beginning is a very good idea.

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

No, the initial list of questions is quite comprehensive.