

Reference Case 05-M-0090 - In the Matter of the System Benefits Charge III
Public Service Commission responses

I am Richard Cherry, President of the Community Environmental Center (CEC). As a not for profit our work is dedicated to energy conservation and renewable energy as well as related environmental issues. Our focus is on improving lives in the metropolitan area, particularly for lower income residents.

CEC manages the largest Weatherization Contract under DHCR. We are also involved in several SBC programs under contracts with NYSERDA. For the **Assisted Multifamily Program (AMP)**, we provide or oversee all the technical services, including energy audits and construction oversight. We are also one of the selected technical assistance providers under **ResTech**. For one to four family buildings we are a **Home Performance** contractor and provide services under the Weatherization Network Initiative.

In addition, we are actively providing Green Building technical assistance to community organizations under the **New Construction Program**, and we run an Environmental Learning Center with NYSERDA support at **Stuyvesant Cove** on the East River in Manhattan.

I would like to take the opportunity to submit responses to your following questions:

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

CEC is not in a position to have a global position on this question, but recalling that the overall goal of the SBC was to “provide a funding source ... for public policy initiatives that are not expected to be adequately addressed by competitive markets”, we can assure you that we see energy efficiency measures implemented in every project in every program that are cost-effective and of concrete value to New York State, but that would not have been undertaken by the building owners in the absence of these programs. For a myriad of reasons, competitive markets have not provided sufficient incentives to encourage owners to undertake energy efficiency measures, and SBC funding has made a critical difference in moving forward hundreds of projects, projects which will save or are saving millions of kilowatt hours, thousands of kilowatts, and trillions of BTUs in programs carried out or overseen by us.

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?

We emphatically believe that SBC should be continued for a minimum of 5, preferably 10, more years. The programs under SBC have reached a high level of effectiveness and sophistication; it would be wrong and wasteful to scuttle them at this point. NYSERDA has shown its ability to adjust and even eliminate that which is not working well or has accomplished its goals. But most programs have just begun to touch the market sector they serve, and there is so much more to do.

This is a perfect time for increased investment in SBC. The maturity of the programs will make the investment go further than ever. And most programs are leveraging significant private sector investment in energy measures. For example, in AMP, \$31 million in NYSERDA funds have leveraged \$125 million in private investment and loans, all dedicated to improved energy efficiency in buildings. We, therefore, believe SBC funding should be increased to \$200,000,000. This is still less than had been required of utilities over 15 years ago.

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?

The goals and objectives of SBC are even more appropriate now given the significant increase in the cost of energy today, the ever-increasing importance of climate change and the necessity of lowering emissions of climate-altering gasses, principally CO₂. Increased energy efficiency is the surest road to reduced emissions at the same or enhanced levels of service. The value of the SBC, both to assist working New Yorkers with financial needs and to serve the larger environmental needs of the country and the world, has never been greater.

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

In reauthorizing the SBC the Public Service Commission should focus on market sectors, rather than programs, in establishing priorities. In this regard we believe that the residential sector has been underserved, particularly given its contribution to the SBC. Apartment buildings throughout the State, and particularly in New York City, represent an ever-increasing energy demand. Our work under AMP and ResTech has demonstrated what significant savings can be achieved. This past year we have had more calls for information and services from apartment building owners than in all the previous years combined. While DHCR's Weatherization Program has had, and continues to have, a market impact on the very low income occupied building, no programs other than those of the SBC are reaching the rest of this vast sector.

Last year, under the New Construction Program, CEC began serving a sector that had not heretofore been addressed: community organizations seeking to go Green with housing, community and health centers, and schools. The demand for our services and SBC funding has been more than we can handle. There is a quickly growing desire in the not for profit sector to do the right thing and build it Green, but the traditional funding sources that finance these projects are very tight. Without SBC funding these important public service buildings would

continue to be built to the inefficient and unhealthy standards of yesterday. With continued SBC funding these new buildings will be shining public examples of the right way to build.

At our Environmental Learning Center at Stuyvesant Cove we are in daily contact with the general public and with teachers and school children. Thanks to the work of SBC and NYSERDA, there is definitely an increased awareness and interest in reducing our energy demand and cleaning our air. But awareness is only step one in creating change. We must continue to work with the general public, and particularly our school age children, to reinforce this interest with specific information about what they can do. Programs that reach the general public and provide this education should receive a high priority under SBC 3.

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)?

The Renewable Portfolio Standard (RPS) is a laudable and important step forward, but it requires very little adjustment of the SBC's efficiency programs, if any. The RPS requires that an increasing fraction of the electricity produced in New York State come from renewable sources. Hence, it is inherently a *supply* program. The SBC's energy efficiency programs attack the problems of energy cost and pollution primarily by reducing *end use demands*. Together, the two programs provide a pincer that will lower emissions by independent mechanisms. However, because the RPS only foresees the replacement of a modest fraction of New York State's electricity over the next decade, it will have no impact on the value of SBC programs. Nor will the SBC programs, for all the efforts we, and others, put into them, so reduce energy consumption as to lower the value of the RPS. Realistically, the programs are complementary and independent.

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

We believe that program design and development should be left to NYSERDA and their consultants who have the expertise in each of their fields; the Public Service Commission should continue to set policy and priorities as discussed in question 4 above. NYSERDA has demonstrated that it continually looks for ways to improve the programs and, where appropriate, cut back or eliminate them.

That having been said, we do believe that the programs we are directly familiar with should each be continued and expanded for the following reasons.

The **Assisted Multifamily Program** currently has approximately 100,000 apartments and over 300 projects in its pipeline. Many will not be completed before SBC 2 expires. And even after construction is complete the work is not done. To assure that the projected savings are achieved, AMP monitors the building and provides support to the maintenance staff for three years. This monitoring also allows us to gather important data concerning energy system operations that will help design better systems in years to come. Still, with all the projects already in the pipeline, the majority of government-assisted housing (e.g. tax credit, section 8, special needs housing, etc.) has not been reached. There is still a vast opportunity for reducing energy use in this sector as well as helping keep this housing affordable.

Under AMP we have changed the standards used by NYC's housing agency to high efficiency standards, impacting the thousands of units upgraded by this agency each year. Without AMP and SBC, this policy initiative would not have happened. We need to move forward to work with other municipalities and the federal government to further reduce energy consumption in this sector.

While we are always looking for ways to improve, AMP presents a "well oiled", efficient and effective program for reaching the tens of thousands of low income residents living in apartments throughout the State. Look at its statistics and you will see how significantly AMP helps keep housing affordable, lowers energy usage, and cleans the air we breathe.

The market for **ResTech** is just waking up. As an example, for years I have been talking to property managers and coop boards of buildings on the upper west side of Manhattan about the value of energy conservation. I had met with no success until this past year when Peter Smith made a presentation to these groups, telling them about ResTech. During the last few months, managing agent after managing agent has been bringing one or two buildings into ResTech to test the waters. Each of these agents manages 60 to 80 buildings. After they have one or two satisfactory experiences they will be looking to bring their whole portfolio into the program. Similarly, Related Properties, an owner of many low income and market rate properties throughout NYS, has been doing substantial energy conservation work on its low income portfolio, but it wasn't until this past month that they decided to bring all their market rate properties into ResTech. Increased fuel prices will make ResTech an important program that will be highly in demand over the next few years.

Our work with community facilities under the **New Construction Program** indicates a growing demand for Green buildings that will not be met without SBC funding assistance. These buildings are on very tight budgets and will not be able to afford the incremental cost of going Green without SBC assistance. Whether they are health centers, youth facilities or community centers, these are important public facilities and a great way to introduce the public to well designed energy efficient buildings. The interest from this not for profit sector is burgeoning, and SBC is needed to meet this demand.

Home Performance program has proven its effectiveness in several upstate communities. Because of NYC's vast market, NYSERDA appropriately waited to roll it out in NYC to be sure the program was tested and there was contractor capacity in the City. As a Home Performance contractor, we spent this last year "testing the waters" and preparing for a significant expansion. Therefore, it will really be under SBC 3 that Home Performance and Assisted Home Performance can blossom in NYC. As demonstrated by the response elsewhere in the State, the demand for these programs in the NYC metropolitan area will be great.

The **Stuyvesant Cove Environmental Learning Center** is a very special project that could not have happened without SBC funding. On choice Manhattan property made available for this purpose by the City of NY, we now operate the

only solar powered classroom in NYC, Solar One. We hold professional education programs for architects, engineers, housing developers, and community organizations. Hundreds of children have come with their classmates to take classes about where energy comes from and about renewable energy. Thousands of people just stop in to get information about NYSERDA and PSC programs. We are also the home to the Solar Powered Performance series where musicians, dancers, story-tellers and lecturers speak or play into the only solar powered microphones in the City.

Plans are just about completed for a Solar Two to go on the site. When built, this will be an 8,000 square foot museum to the environment housed in NYC's first net zero building. We are hoping that SBC 3 can be part of this exciting opportunity at Stuyvesant Cove.

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

The consumer most in need of SBC funds is the low income consumer. Low and low moderate income families are higher users of energy per unit. More people are home during the day in this sector, and it not only provides great opportunity for energy use reduction but also shifting of demand. And these energy users are the most in need of continuing assistance to keep their homes affordable. An even higher percentage of SBC funds should be allocated to service these consumers.

As indicated above, we feel programs aimed at the residential sector have been underserved and, if emphasized, these programs would result in a more equitable distribution of resources.

The whole residential sector is underserved but particularly apartment buildings in New York City. The percentage of SBC funds going into the residential sector is not as high as that which comes from that sector. This is even more the case when you recognize that many apartment buildings in the sector are treated as commercial accounts.

We also suggest that more funding ought to go to buildings and programs that serve the public. Funding of work in such buildings, or energy education programs, service energy consumers more broadly for each dollar spent than that spent in private buildings. It is through education and other programs that reach the public that we can ensure enduring changes in the way people consume natural resources.

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

We have nothing but praise for NYSERDA's administration of SBC funds. Personally, I have over thirty years experience of work under various federal, state and city programs. I have never experienced better run programs with as efficient an administration. The programs have intelligent, thoughtful guidelines and oversight and a minimum amount of bureaucracy which allows the program implementor to do its best while assuring that program objectives are met. What is particularly noteworthy is NYSERDA's staff openness to and solicitation of suggestions from outside expertise. NYSERDA has created and is implementing

extremely effective programs that provide high motivation to do your best for all that work under them.

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

In general the evaluation process seems fair and valuable.

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 utilities will see the value of doing their own distribution research and will fund themselves, unaided. We are not familiar with how the Independent System Operator manages the transmission system, but it would seem that the same argument would apply there, as long as they feel pressure from the PSC for long-term cost minimization consistent with reliability and safety.

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

Natural gas should be included in SBC 3 but funding should be over and above the amount needed to continue and expand the existing SBC programs. Most of our work under SBC, whether in a one family home or an apartment building, involves taking a whole building approach and recognizing the interactive nature of how energy systems operate. An "all fuels" approach to energy use reduction is the only sensible way to maximize savings. This is particularly true in the residential sector.

All SBC programs should definitely be expanded to include natural gas customers. Reductions in electric use and demand under SBC programs are valued because they save New Yorkers money, make the air cleaner, reduce the cost of gas and oil imported into New York State, and contribute to lowering climate change emissions. They do this by using technical assistance and incentives to overcome market imperfections that prevent building owners from realizing the value of these cost-effective measures. Every one of these advantages and arguments applies equally to the direct consumption of natural gas in New York State, and SBC programs will be of just as much value in this sector.

As a low income program AMP includes gas efficiency measures. Adding gas efficiency measures to the SBC's portfolio has been shown to be of great value in AMP, and the reason is whole-building analysis. Most buildings, commercial and industrial enterprises, and residences use both gas and electricity, and the uses of the two fuels are inextricably intertwined. In AMP, we recommend conversion of electrically heated buildings to gas, which serves the purposes of the "standard", electrically-oriented SBC program, but we can also recommend the conversion to condensing gas boilers, resulting in a further 10-15% reduction in gas use. This flexibility should be available to all programs. In particular, the inability of the New Construction program to provide incentives for gas efficiency measures has severely limited its value in the residential sector. (This is now being somewhat alleviated by a special New Construction Pilot Project under REAP, which will give incentives for gas efficiency measures.)

If so:

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

A wide range of high-efficiency gas technologies is available, exemplified by the condensing boiler, which is not in common use in the United States. These are mature technologies, widely used in Europe, which are held back by lack of familiarity, training, and understanding that the modest increase in maintenance cost is repaid many times over in fuel savings. SBC gas programs should aim to overcome these market imperfections by targeting technical assistance and incentives at condensing boilers for space heat and water heating, gas conversions for electric process heat (including clothes drying), cogeneration systems, and absorption chillers in association with cogeneration. (Direct-fired absorption chillers are a niche product, of value only in deep electric load pockets, due to their low efficiency.)

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

The focus of the SBC's gas-oriented programs should be on residential programs, since it is here that the market imperfections are greatest, since the small size of buildings' gas bills when compared to mortgages or payrolls leads to a certain amount of management indifference. Commercial and industrial gas bills are normally large enough to receive the attention of an energy manager, leading to a more rational allocation of capital in these sectors. (We are not arguing that gas funding should go exclusively to the residential sector, but that it should get a share of SBC funding at least equal to its share of gas expenditures, 54% in 2002.)

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?

The rationale and mechanisms for a gas SBC can be adopted directly from those that have been so successful for the electric SBC. A small tax on gas consumers will leverage investments that will result in overall life cycle savings for the same set of consumers, promoting equity while lowering emissions. A natural gas SBC should be independent of and additive to the electric SBC, with the funds commingled in programs that can attack gas and electric consumption in buildings, industries and commercial enterprises in a coherent and unified way.

New York used 911 trillion BTUs of gas in 2002. An SBC of \$0.001 per therm (about 0.1% of sales) would provide about \$90 million. REAP programs, AMP in particular, are now committing around \$10 million to gas efficiency measures, so this SBC level would allow a significant but reasonable expansion of these efforts.

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?

A five year initial period would allow the program to develop without year-to-year instability, permit coordination with the electric SBC, and not lock the PSC into a dangerously inflexible commitment.

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

As discussed above, most of the gas SBC funds should be commingled with electric funds and used in programs that attack both gas and electric consumption in buildings, commercial enterprises, and industries in a coherent and coordinated way.

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

Thank you for this opportunity to present our views.