March 4, 2005

Ms. Jaclyn Brilling
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Reply to Notice Soliciting Comments on System Benefits Charge (SBC III) Case 05-M-0090 – Comments of the City of New York

Dear Secretary Brilling:

Please find attached comments of the City of New York in support for the extension of New York's System Benefits Charge.

Thank you for the opportunity to comment on this important program.

Very Truly Yours,

Tim Daniels
Asst. Vice President – Energy Policy
NYC Economic Development Corporation
110 William Street
New York, NY 10038
(212) 312-3770
tdaniels@nycedc.com

State of New York

Public Service Commission

Case 05-M-0090—In the Matter of the System Benefits Charge III

Reply to Notice Soliciting Comments

Submitted By The City of New York

March 4, 2005

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

The Commission's major goals for the SBC program have been summarized by NYSERDA (2004 at ES-iii) as follows:

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 under-served customers.
3. Reduce the environmental impacts of energy production and use.
4. Facilitate competition in the electricity markets to benefit end-users.

The SBC program has been generally successful in promoting all four of these objectives, but it has also been difficult to gage the precise progress of the programs because of a lack of specific and quantifiable goals

1. The SBC programs to date have increased end-user efficiency thereby increasing peak electricity reduction and improving systemwide reliability. Yet, many opportunities remain. For example, the SBC programs currently authorized through June 2006 and all other initiatives planned as of August 2003 would realize only about 5% of the achievable economic energy efficiency and 8% of the achievable economic renewables through 2012.[1] Patibandla, Levy, Hedman, Darrow, and Bourgeois (2002 at 02-12) found that continuing business as usual would bring on-line less than 30% of the achievable combined-heat-and-power capacity in economic clean on-site generation units smaller than 20 MW.

   The achieved load reductions have improved reliability. Without the SBC program, transmission capacity into New York City would have been inadequate and reliability into the City might well have fallen below minimum zonal capacity requirements as set by the NY ISO and the New York Reliability Council. As load continues to grow throughout the state, and generation expansion continues to slow, further load reductions will be necessary to maintain existing reliability. The New York City Energy Task

---

[1]Computed from Plunkett et al. (2003 at Tables 1.6 and 1.10). Note that the "high" avoided costs used in this study are far lower than current market prices or forwards, and include no avoided transmission and distribution costs. The Commissions recent RPS order in Case 03-E-0188 would increase the renewable energy achieved by currently planned initiatives.

Force (2004 at 35) advocates supporting the increased use of cost-effective energy efficiency, fuel switching, and clean distributed generation as a least-cost strategy for providing distribution load relief and improving system reliability.

2. The SBC programs have improved energy efficiency for low-income customers, but many such customers remain to be served. Even customers who have participated in the SBC programs with respect to some equipment or end-use would benefit from future SBC-funded programs to improve additional end-uses as older equipment wears out and technologies improve.

3. The efficiency measures and clean generators installed under SBC-funded programs have reduced the environmental impacts of energy production, especially by reducing the amount of fuel burned. However, much more can be accomplished. Technologically advanced and cleaner devices such as fuel cells and solar cells still have small market share and penetration (NYC Task Force Report, 2004, p. 33). SBC funding can reduce barriers to implementation, such as the significant upfront costs and risks, and will continue to deliver environmental benefits as additional systems are installed and new technologies are brought to market.

4. The NYSERDA programs have played an important role in promoting competition by relaxing constraints in the energy and capacity markets. The load reductions achieved by the SBC programs have improved the load-resource balance, especially downstate. The degree of competition that has occurred in the electric markets would not have been possible in the much tighter markets that would have prevailed without the SBC. Nonetheless, the electric energy and capacity markets remain tight, especially downstate.

   As the New York City Energy Task Force (2004 at 10) notes, the available electricity capacity in the City exceeded its requirement (80% of forecasted peak load) by only 71 MW; approximately 1,000 MW of additional resources (including such distributed resources as peak-load management, energy efficiency, and clean on-site generation) would be needed to assure market stability. To address this need, the New York City Energy Task Force (2004 at 27) recognizes the importance of extending the SBC and implementing the RPS for reducing price volatility.

   The problems in the generation and transmission markets, discussed in response to Question 3 below, continue to seriously impede market responses to the tightening supply conditions. Distributed resources will remain critical in maintaining competitive reserves in the energy and capacity markets, in New York City and statewide.

2. Should the SBC program continue beyond its current expiration date of June 30, 2006?

Yes. The program has been successful and should continue with some changes as described below in responses to Questions 4, 8, 10, and 11.

2.a. For what duration should the SBC be extended?

For continuity of program planning, the SBC should be extended for at least another five years. Short-term, last-minute extensions in the SBC could diminish the effectiveness of the programs by creating uncertainties and confusion for customers, contractors, and trade allies. Predictability is essential for attracting scarce attention and resources to the SBC programs by architects and engineers designing new buildings, retailers planning advertising, or HVAC contractors deciding whether to train staff to meet program standards.

The Commission should also consider ordering a review of the programs every two to three years to reevaluate program objectives, to assess whether program goals are being met, and to determine whether to further extend the program.

2.b. At what funding level should the SBC be extended?

In the longer term, the Commission should adjust the SBC funding as necessary to achieve the current SBC goals of reducing customer energy bills, facilitating a competitive generation market, relieving capacity-constrained areas, reducing pollution, as well as additional goals outlined in the response to Question 8.

The RPS will allow NYSERDA to spend less of the existing SBC budget on renewable projects, as the Commission has noted in its Order in Case 03-E-0188 at 12. Since renewables appear to have used only about 9% of the SBC I and II budgets, and some of that will likely continue as renewable R&D funding, the RPS will release only a small amount of SBC funds for non-renewable programs (NYSERDA 2004 at Table 6, Figure 10).

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 most important changes in conditions are the collapse of the merchant-generation sector, the dramatic increase in market energy prices, and the sharp divergence of the upstate and New York City markets. At the time of restructuring, when the SBC was established, some analysts predicted a wave of merchant generation and transmission projects. Those projects would have relieved or eliminated the high-cost load pockets, especially the New York City pocket; driven

down energy and capacity prices; increased reliability; and reduced usage of older plants with higher emissions (and even replaced some of those plants). None of these predictions has come true to the extent originally projected and merchant developers of transmission and generation projects continue to undergo widespread financial distress and bankruptcy, further decreasing the prospect of rapid transformation of the state's wholesale production and transmission infrastructure.

Market prices have also changed considerably since the earlier SBC proceedings. In its stranded-cost analysis in Case 96-E-0897, Con Edison (1997) projected 2003 all-hours market energy prices of $27.9/MWh upstate and $30.4/MWh in New York City. Actual 2003 prices were $44/MWh–$52/MWh upstate (depending on zone) and $63.8/MWh in New York City. Current forward prices for on-peak energy in 2006 exceed $60/MWh in Zone A upstate and exceed $90/MWh in New York City *(Megawatt Daily* Feb. 28 2005 at 4). For many residential and commercial energy users these price increases have resulted in a greater energy burden.

These new realities of chronic capacity shortages and increasing wholesale prices strongly suggest that the need for, and benefits of, the SBC have increased since the earlier authorizations. Even NYSERDA's 2003 analysis of cost-effective potential (Plunkett et al. at Table 1.12) uses 2006 avoided energy costs of about $30/MWh in Zone A and $35/MWh in New York City.[2] The changes in conditions have increased the need for NYSERDA programs that increase options for energy consumers, increase demand elasticity and reduce overall demand.

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

Prioritization of programs should be done by NYSERDA, in coordination with the Commission and the SBC Advisory Committee, in order to achieve the goals set for the SBC overall and for the individual programs. Those goals should emphasize permanent reductions in load, since the problems with price, supply, and the imperfections in the market do not appear to be transitory. Programs should also emphasize peak energy savings and price response, particularly in New York City.

---

[2]This calculation includes about 10% inflation from 2003 dollars to 2006 dollars.

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 RPS will lead to the acquisition of energy from *established* renewable technologies through a competitive market mechanism. Therefore, the funding of renewables through the SBC should concentrate on demonstrations of new *pre-commercial* renewable technologies that have large potential applicability in New York. Examples of such technologies might include small-scale hydro-electric generation that does not require dams to generate electricity from rivers and tidal currents, opportunity-fuel generation technologies, photovoltaic systems integrated into new and remodeled buildings, and small wind turbines that could be installed in dense urban environments.[3]

The RPS should allow NYSERDA to decrease funding of renewable projects from the SBC, freeing resources to fund energy efficiency and clean onsite generation. As noted in response to Question 2 above, this effect appears to be small in magnitude.

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

The present system of allocating the SBC charges to all utility customers on an equal percentage of revenues is reasonable, so long as the spending of the those funds roughly mirrors the collection practice. As of the end of 2003, the funds collected and committed by service territory were distributed as follows:

			Variation	
	Collected	**Committed**	*Points*	*Percent*
Con Edison	50.51%	46.00%	-4.51%	-9%
O&R	3.57%	2.78%	-0.79%	-22%
CHG&E	4.36%	4.08%	-0.28%	-6%
NYSEG	13.56%	12.34%	-1.22%	-9%
NMPC	25.52%	30.94%	5.42%	21%
RG&E	2.48%	3.86%	1.38%	56%

Source: NYSERDA 2004 at Figure 6.

In regard to regional equity of SBC expenditures, the Commission's SBC II Order states (at 10, emphasis added), "it would be both impractical and unnecessary to assign or apportion the benefits of statewide programs directly to individual territories, but the source of funds will be considered in the plan for their

[3]Opportunity fuels include landfill gas, wastewater-plant digester gas, and gas that is produced as a byproduct of industrial processes.

distribution." The Order also, in reference to regional equity, states, "such balancing need not be *exact"* (emphasis added). While the City does generally agree with this position, the balance of returns on SBC contributions for different service territories is far from "exact."

As NYSERDA's own evaluation shows, the distribution between utility services territories in terms of return on SBC contribution varies dramatically. While Con Edison ratepayers received roughly 91 percent of the SBC revenue they contributed, Rochester Gas and Electric ratepayers received 156 percent of their SBC contribution. Especially with the statewide adoption of the RPS and the resulting incremental revenue stream for renewables NYSERDA should be required to demonstrate return on SBC contributions of no less than 5 percent for each utility area over a rolling 2-year period.

The Commission may find that a revenue-based allocation is unwieldy, considering the differences in the percentage of load that is served by competitive suppliers, both across utilities and over time. In that case, SBC charges might be allocated on an equal dollar-per MWh basis.

Finally, regardless of the structure for revenue collection and allocation, loads served by NYPA, which separately provides and charges for energy efficiency programs, should not be charged the SBC.[4]

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

In general, the details of program designs should be created by NYSERDA in coordination with the PSC and the SBC Advisory Committee to meet the needs of specific market sectors and local market conditions. The response to Question 8 below includes some specific program recommendations related to the needs of New York City as outlined by the New York City Energy Policy Task Force.

---

[4]The Energy Cost Reduction Program, an exemplary collaborative effort between the City and NYPA, has financed energy efficiency capital projects since 1997. Between January 1997 and September 2003, the program completed 164 projects at a cost of $153 million, generating annual energy savings of $14 million, annual electrical energy savings of 55,000 MWh, and 8.7 MW in baseline energy demand reduction. Similarly, City agencies have undertaken major energy efficiency initiatives of their own. New York City agencies also participate in NYPA's Peak Load Management Program to help reduce the electric system's load on peak summer days (New York City Energy Task Force 2004 at 48–50).

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

The City believes that the following categories of programs can be improved:

Clean On-site Generation—The New York City Energy Policy Task Force (2004) identified clean on-site generation as one of the most effective means of reducing energy costs and improving reliability. In particular, the Task Force (at 30–32) sets a goal of achieving 343 MW of clean onsite generation by 2008. NYSERDA has played a key role in making progress towards achieving this goal. Specifically, NYSERDA should focus on the following areas for this program:

- encouraging clean on-site generation that helps support the grid and is fully integrated into utility system planning as part of a least-cost strategy for achieving load relief.
- introducing new emissions-control technologies
- supporting clean on-site generation that can provide security benefits by operating during grid power failures.

Energy Education Programs—NYSERDA should continue to support a range of energy education programs, both to encourage participation in investment programs and to effect changes in behavior that are cumulative with energy investments.

Residential Real Time Pricing and Demand Response—Residential energy use makes up the single largest share of energy consumption in the New York City market. Therefore, even small changes in user patterns in the residential sector can deliver great benefits for all consumers in the market through reduced prices and increased reliability. Residential markets are generally the least served by energy-service companies because of low customer volume and high transaction costs. It is this large market share and lack of coverage by traditional market services providers that makes this program area so critical. NYSERDA should continue funding pilot projects and create a comprehensive residential real-time-pricing program that results in significant market penetration.

Peak load reduction programs—With much of the energy transmission-and-distribution infrastructure built to serve only a few peak hours, programs that help level off spikes in demand have large economic and reliability benefits for all market participants. The SBC should be directed more towards peak energy savings in Con Edison's service territory and particularly New York City, both because Con Edison customers have been paying more than they

have been receiving in direct program payments and because dollars spent in the New York City load pocket will have greater benefits than dollars spent elsewhere. The avoided energy and capacity prices are higher in New York City than elsewhere, load reductions in New York City will decrease prices both in the city and statewide, and the generation market is less competitive in New York City than upstate. Below are several more specific goals that these programs should adopt:

- encouraging the use of steam and gas chillers, as well as thermal energy storage technologies.
- encouraging the use of new and existing standby generators to participate in reliability-based demand response programs.
- encouraging real time pricing programs, especially in the residential sector.

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

While the City has no specific suggestions at this time, the wide gap between efficiency potential and the achievements of the existing programs indicate that NYSERDA should continue to work with the Commission, the SBC Advisory Committee, and distribution utilities to improve the marketing of SBC programs.

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

The SBC Advisory Committee would benefit from access to program-level information on expenditures and load reductions geographically, whether by utility service territory, NY ISO zone, county, or municipality. Providing this information to the SBC Advisory Committee would allow for a more-effective design of programs and setting of program goals in the following ways:

- Understanding (and forecasting) changes in local load growth, as SBC activity changes. This effort should be coordinated with the ISO and distribution utilities.
- Planning for targeted load reductions to relieve overloads in constrained areas.
- Determining whether the SBC has deferred large identifiable transmission and distribution investments.
- Informing decisions about further allocation of SBC charges among utilities.

Additionally, it is crucial that NYSERDA continue to work with the PSC and SBC Advisory Committee to make the application process more streamlined and flexible for ratepayers.

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

In coordination with the SBC Advisory Committee and the Commission, NYSERDA should develop a standardized data collection and tracking system that will record *all* SBC expenditures including purpose, specific geographic area, and link to stated program goals. In addition to specific information, data should also be summarized in several categories including expenditures by service territory, ISO zone, and program area. This information should be submitted quarterly to the Commission and the SBC Advisory Committee.

Programs should be evaluated against *specific* and *quantifiable* goals that are established by NYSERDA in coordination with the SBC Advisory Committee and the Commission.

NYSERDA should work closely with the Commission and SBC Advisory Committee to shape program goals and structures to meet shifting market needs.

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?

Research into most aspects of "retail and/or wholesale electric market competitiveness" or development of administrative or regulatory approaches to facilitating competitiveness does not appear appropriate for NYSERDA. These issues seem to be more appropriate obligations for the Department of Public Service or the NY ISO. There may be opportunities for NYSERDA to contribute to technology development and implementation to facilitate demand response, increasing competitiveness of the retail and wholesale electric markets. It might also be necessary for NYSERDA to conduct limited investigations into market competitiveness for purposes of program evaluation.

On the other hand, research and development related to transmission and distribution issues directly related to New York's energy resources appears to be an appropriate area for limited activities by NYSERDA. Specifically, NYSERDA might usefully support research and development into the integration of distributed resources into the transmission and distribution planning process, to facilitate

targeted load reductions that improve reliability and most effectively reduce transmission and distribution investment.[5] Funds from the SBC normally should not be spent on transmission and distribution technology, with very limited exceptions in some circumstances.[6]

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

The Commission should consider creating a gas SBC program for New York ratepayers. Any new program that is created should be based both on gas efficiency market-potential estimates and on gas market needs. For the Con Edison service territory, if a new gas SBC program is to be created it should build upon the Gas Efficiency Pilot Program (Case 03-G-671) and should incorporate the results of the market-potential study being undertaken as part of that pilot in formulating a larger gas-SBC-program structure and set of goals. In the absence of a new gas SBC program, funds from the electric SBCprogram should not be diverted from their primary purpose of serving electric ratepayers.

If the Commission does choose to create a gas SBC program it should weigh the issues outlines below. Increasing the efficiency of natural-gas use and hence reducing the consumption of gas by participating users will have multiple benefits for New York residents and businesses, including the following:

- Most directly, with gas prices hitting record high levels, reduced gas use will reduce bills for households and businesses, reducing the cost of living in the state, improving the financial performance of local businesses, leaving more money for discretionary consumption and business expansion, and making local businesses more competitive.
- Since New York's gas supply is almost entirely imported, every dollar of gas saved is a dollar that would otherwise have flowed out of state. In contrast, a large amount of the spending on energy-efficiency programs would occur within the state, increasing employment and stimulating the economy. More importantly, the net bill savings to ratepayers will free up money to be spent in the state, as some mix of consumer spending, retained local business

---

[5]The joint proposal in Case No. 04-E-0572 (Con Edison 2002 at 65) requires Con Edison to seek cost-effective opportunities to apply energy efficiency and distributed generation "to defer and possibly avoid transmission and distribution infrastructure investments."

[6]For example, if NYSERDA identifies a highly innovative technology that the utilities are reluctant to adopt due to technical uncertainties, it might help fund a demonstration project.

activity, increased hiring, and new construction and investment. The 2004 evaluation of the SBC programs found (Plunkett et al. 2003 at §2.5), through 2006, the SBC phase I and II programs would create about 4,000 permanent jobs due to bill reductions and another 5,000 temporary jobs in delivery of the efficiency programs and measures. These increases are net of the small job reductions due to reduced utility employment and the costs of the programs. The New York State Energy Planning Board (2002 at 2-108) found that programs saving $152 million annually would create or retain 2,900 jobs; the direct and indirect effects of the gas SBC could be several times that large.

- Natural gas efficiency programs could reduce New York's reliance on a single, imported fuel source, enhance reliability, and reduce price volatility (New York City Energy Task Force 2004 at 26).
- An analysis commissioned by American Council for an Energy Efficient Economy estimated that reducing New York gas use by 24,300 BBtu in 2008 through renewable electric generation would reduce New York's volume-weighted average annual citygate gas price by 1.8% (Elliott, Shipley, Nadel, and Brown 2003a; 2000b).[7] That gas-use reduction is about 3% of annual New York retail gas sales. Hence, every 1% reduction in New York retail gas usage would reduce the city-gate gas price by about 0.6%.[8] That price reduction would benefit all the retail gas users in the state, as well as reducing the cost of gas used by electric generators and hence the market price of electricity. Since electric energy costs in New York total about $10 billion, and most of these costs are set by gas prices (either directly through the inclusion of gas costs in charges for both utility and non-utility generators, or indirectly through the dominance of gas at the margin in the electric energy market), a 1% reduction in retail gas use would likely save consumers tens of millions in electric energy costs. In addition, a 0.6% reduction in citygate price would reduce costs to retail gas users by about $35 million. Combining the price effects on retail gas and electricity produces price savings of at least $50 million, close to the $60 million or so in annual savings from reduced volume of purchases.

The exact magnitude of the benefits from reductions in natural gas prices as a result of a gas SBC would vary considerably depending on load growth,

---

[7]The discussion here focuses on 2008 because that is the last year for which the report provides all the relevant information.

[8]The ratios of price change to gas-use reduction are similar for other years in the study.

supply additions, and what other gas-use reductions are implemented.[9] If New York's extension of the SBC to natural gas inspires similar actions elsewhere, New York consumers will benefit even more.[10] In any case, the effects could be substantial, benefiting all gas and electricity users, not just participants in the gas SBC programs.

- Increasing the efficiency of natural-gas use in New York would reduce the emissions at the burner tip. The reductions in NOx and CO_2 from the gas energy efficiency programs would reduce the costs of meeting state and federal clean-air and greenhouse-gas targets.

  A second important effect of increased efficiency in gas usage is that more gas would become available for dual-fuel boilers in industry, large commercial and residential buildings, and power plants, displacing oil with higher emission rates. Elliott, Shipley, Nadel, and Brown (2003a) estimate that about 65% of the gas freed up by additional renewable generation would be used, mostly by generators and industry, rather than left in the ground. Most of that gas would be displacing oil, and to some extent coal. Compared to keeping the gas in the ground, using it to displace heavy oil in a boiler will reduce CO_2 emissions about 40% more; displacing coal doubles the CO_2 reduction.

  Other environmental benefits of reduced gas use include reduced oil consumption, a much smaller reduction in emissions from gas compression on pipelines, and the reduced need to build gas pipelines, which often affect environmentally sensitive areas.

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

This question cannot be answered fully until the gas market-potential study (part of the new Con Edison Gas Efficiency Pilot Program) is completed. However, the City expects that most gas-efficiency programs can be implemented as extensions to existing electric efficiency programs, including residential new construction, commercial new construction, residential appliance efficiency, low-income programs, technical assistance, commercial HVAC, and custom commercial and industrial programs. In some cases, especially weatherization of existing buildings,

---

[9]Including gas and electric efficiency standards and programs and renewable energy programs, in New York, the Northeast, and beyond

[10]Indeed, New York currently benefits from utility natural-gas efficiency programs in Ontario, Massachusetts, Rhode Island, and other states.

the gas component of a program would dominate the electric portion. In other programs, the electric aspects would dominate.

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

This question cannot be answered fully until the gas market-potential study (part of the new Con Edison Gas Efficiency Pilot Program) is completed. The largest gas-efficiency opportunities in New York are likely to be found in the residential and commercial sectors, although the SBC should not ignore industrial efficiency opportunities. About 50% of retail gas use in New York is by residential consumers, 40% by commercial customers (which may include some multi-family housing), and only 10% by non-generation industry (U.S. Energy Information Administration 2005b).

2.c1. How should a natural gas SBC program be funded and what annual level of funding might be considered reasonable?

If the Commission does decide to create a gas SBC, the City believes that for simplicity the Commission should favor an equal dollars-per-MMBtu charge on all gas sold or delivered to end users by jurisdictional utilities. Below are some considerations that should be addressed in any gas SBC.

- Converting the $1.56/MWh charge from electricity to gas at the energy-content equivalent of 3,413 Btu/kWh (or 3.413 MMBtu per MWh) would result in a gas SBC of $0.46/MMBtu, a total budget of about $380 million, and a 4% increment to residential gas rates (before any offset from reduced market prices for gas).
- More than 3,413 Btu of gas are required to generate one kWh of electricity, and more than 3,413 Btu of gas are required to produce the energy services of one kWh of electricity. For example,
    - An efficient new combined-cycle plant requires about 7,200 Btu to produce a kWh of electricity.
    - Older boiler electric plants typically require about 10,000 Btu to produce a kWh of electricity.
    - A good new gas heating system might operate at 80% efficiency, while electric resistance heating provides 100% efficiency, and electric heat pumps provide still higher efficiencies, so the equivalent of one kWh of electricity for heating might be 4,000 to 7,000 Btu of gas.

- Similarly, efficient gas water heaters are about 65% efficient, while electric water heaters are close to 100% efficient, so a kWh of electricity for water heating is equivalent to about 5,250 Btu of gas.

The following table summarizes the gas SBC that would be equivalent to the present electric SBC, for various conversion rates:

Equivalent Gas SBC

Btu per kWh	*Dollars per MMBtu*	*Millions of Dollars*	*% Residential rates*
4,000	$0.39	$325 M	3.4%
5,250	$0.30	$248 M	2.6%
7,200	$0.22	$181 M	1.9%
10,000	$0.16	$130 M	1.4%

- Setting the gas SBC at the 1.23% of revenues used in SBC II would produce a gas SBC of about $0.12/MMBtu, and an annual budget of about $100 million.

2.c2. How might a natural-gas SBC affect current electric SBC funding levels?

The funding of any gas SBC should not affect electric SBC funding levels. Adding gas savings into the existing electric SBC programs should increase the effectiveness of the programs.

2.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 initial duration of any gas SBC should match the period of the electric SBC extension, and coincide with that extension, to facilitate rational and efficient program planning.

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

The City has no response to this question at this time.

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

The City has no response to this question at this time.

Works Cited

Con Edison. 1997. Unpublished analysis provided on discovery in NY PSC Case 96-E-0897.

Con Edison. 2002. "Joint Proposal" filed in NY PSC Case No. 04-E-0572.

Elliott, R. Neal, Anna Shipley, Steven Nadel, and Elizabeth Brown. 2003b. "Natural-Gas Price Effects of Energy Efficiency and Renewable Energy Practices and Policies" Research Reports E032. Washington: American Council for an Energy-Efficient Economy."

Elliott, R. Neal, Anna Shipley, Steven Nadel, and Elizabeth Brown. 2003a. Untitled spreadsheet of detailed modeling data used to prepare Elliott, Shipley, Nadel, and Brown (2003b). <www.aceee.org/energy/e032drcasecomp.xls.> <3/2/2005.> Washington: American Council for an Energy-Efficient Economy."

New York City Energy Taskforce. 2004. "New York City Energy Policy: An Electricity Resource Roadmap." New York: City of New York.

New York State Energy Planning Board. 2002. *2002 State Energy Plan and Final Environmental Impact Statement.* Albany: NYSERDA.

NYSERDA. 2004. "New York Energy $mart Evaluation Program and Status Report: Report to the System-Benefits-Charge Advisory Group" Final Vol. 1 "Executive Summary." Albany: NYSERDA.

NYSERDA. 2005. "Evaluation of Potential natural-Gas-Efficiency Programs in Con Edison's Territory" RFP No. 908. Albany: NYSERDA.

Patibandla, Nag, Dana Levy, Bruce Hedman, Ken Darrow, and Tom Bourgeois. 2002 "Combined Heat and Power Market Potential for New York State" NYSERDA Report No. 02-12. Albany: NYSERDA.

Plunkett, John, Philip Mosenthal, Steven Nadel, R. Elliott Neal, David Hill, Chris Neme, and Christine Donovan. 2003. "Energy Efficiency and Renewable Energy Resource Development Potential, Final Report" Vol. 1 "Summary Report" Albany: NYSERDA.

U.S. Energy Information Administration. 2005a. "EIA's Natural Gas Prices for New York" <http://www.eia.doe.gov/emeu/states/ngprices/ngprices_ny.html> <2/2/2005.>

U.S. Energy Information Administration. 2005b. "Natural Gas Production & Use by New York" <http://www.eia.doe.gov/emeu/states/ngprices/ngsales_ny.html> <2/2/2005.>