



NEW YORK STATE BUILDERS ASSOCIATION, INC.

Philip A. LaRocque
EXECUTIVE VICE PRESIDENT

March 2, 2005

Jaclyn A. Brilling, Secretary
New York State Public Service Commission
3 Empire Plaza
Albany, New York 12223-1350

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U.S. DEPARTMENT OF JUSTICE
PUBLIC SERVICE
COMMISSION
OFFICE OF THE SECRETARY

Attached please find the original and 15 copies of the New York State Builders Association's comments to CASE 05-M-0090 In the Matter of the System Benefits Charge III.

Thank you,

Frank Champitto
Program Director
New York State Builders Association
Research & Education Foundation
One Commerce Plaza
Suite 704
Albany, NY 12210
Phone: 518-465-2492
Fax: 518-465-0635
Email: frankc@nysba.com

cc: Philip LaRocque



STATE OF NEW YORK PUBLIC
SERVICE COMMISSION

CASE 05-M-0090 - In the Matter of the System Benefits Charge III.

NOTICE SOLICITING COMMENTS

(Issued January 28,2005)

INTRODUCTION

In Opinion No. 96-12, in Case 94-E-0952,¹ the Public Service Commission (Commission) called for the establishment of a System Benefits Charge (SBC), stating that a "system benefits charge would provide a funding source during the transition, and possibly over the long term, for public policy initiatives that are not expected to be adequately addressed by competitive markets."² The Commission also ordered that the SBC program should be revisited sometime after retail competition has commenced to determine whether funding levels were appropriate and whether the SBC program should be continued.³

In Opinion No. 98-3,⁴ the Commission provided additional direction on the use of SBC funding and named the New York State Energy Research and Development Authority (NYSERDA) as third-party administrator, under the oversight of the

¹ Case 94-E-0952 et al., In the Matter of Competitive Opportunities Regarding Electric Service, Opinion and Order Regarding Competitive Opportunities for Electric Service (issued May 20, 1996) (Op. 96-12).

² Id at 61.

³ Id at 62.

⁴ Case 94-E-0952 et al., supra. Opinion and Order Concerning Systems Benefit Charge Issues (issued January 30, 1998) (Op. 98-3).

Department of Public Service (Staff).⁵ The Commission also established in Opinion No. 98-3 an initial SBC term for three years,⁶ encompassing July 1, 1998 to June 30, 2001.

On January 26, 2001, the Commission issued an Order extending the SBC program for an additional five years, encompassing July 1, 2001 to June 30, 2006.⁷ In the SBC Extension Order, the Commission increased the SBC program's annual funding level from approximately \$78.1 million to \$150 million "to provide program flexibility and to accomplish the important electric demand reduction component while maintaining the momentum of ongoing market transformation programs."⁸ The Commission ordered that NYSERDA complete "detailed evaluations" of the SBC and its funded programs for the calendar years 2002 and 2004, with "interim status reports" for the remaining program years.⁹

At this time, Staff is initiating an SBC program review so that NYSERDA may have adequate time to prepare for the future of SBC programs. To facilitate this review, Staff seeks comment on several questions. The comments received pursuant to this notice will be used by Staff to develop a proposal regarding the future of the SBC program. Staff's proposal will then be made available for public comment before Staff makes its final recommendations to the Commission.

MATTERS FOR COMMENT

In light of the above, Staff seeks input from all interested persons or parties on the following matters:

⁵ Id at 13-14.

⁶ Id at 13.

⁷ Case 94-E-0952 et al., supra. Order Continuing and Expanding the System Benefits Charge for Public Benefit Programs (issued 26, 2001) (SBC Extension Order) at 26.

⁸ Id at 12.

⁹ Id at 28. For reference, a copy of the most recent New York Energy SmartSM Program Evaluation and Status Report can be found on NYSERDA's website at http://www.nyserda.org/Energy_Information/04sbcreport.asp.

1. To what extent have the goals and objectives established by the Commission been achieved?
 - Good momentum has been achieved throughout the programs, consumer and participant awareness and participation have increased substantially but more time is necessary to achieve true market transformation and sustainability of the programs.
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?
 - Though it has begun to produce some positive results, the program should continue for another six years at a funding level equal to the current funding with the capability of adjusting for inflation. This will allow the needed time for proper program planning, identification of additional funding sources, and program time to achieve a measurable level of market transformation.
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?
 - No
4. If assuming continuation of the SBC, how should programs be prioritized to meet those goals and objectives?
 - Programs should be prioritized based on their health and safety benefits, social benefits, and their overall influence on the marketplace as well as their achievements in energy efficiency and savings, not just on their simple cost/benefit ratio.
 - Program funding should be prioritized allowing funding to be spent on programs that directly benefit the rate class from which it was collected.
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)?
 - Funding the renewable energy portfolio through the SBC would substantially reduce the available funding for traditional, proven energy efficiency programs, reduce their effectiveness, and limit the possibility of creating new programs. Therefore, funding for the renewable energy portfolio should remain separate from the SBC.

6. In what ways might the current SBC fund collection and allocation process be improved?
 - SBC fund collection processes, having proven successful, should continue but regulations should be enacted that require allocation of the funds to be distributed among programs that directly benefit the rate classes from which the funds were collected.
7. What specific program(s) should be eliminated expanded or created?
 - Energy efficient programs, especially residential and commercial programs, should be expanded to include all fuels.
8. How can future SBC funded programs be more responsive to the needs of New York's energy consumers?
 - Additional marketing and consumer awareness program investment is necessary to increase and retain the public involvement and more resources are necessary to move the programs into the marketplace and better establish them for a long term, market transformation presence.
 - Program funding should be spent on programs that directly benefit the rate class from which it was collected.
9. How can SBC funded programs be marketed more effectively?
 - Through more comprehensive consumer awareness programs, more direct involvement in consumer and trades events, a more contiguous marketing program with fewer lapse times between media purchases, and increased resources to move the programs into the marketplace in areas outside the major media markets.
10. In what ways can NYSERDA improve its administration of the SBC?
 - NYSERDA's single management structure, encompassing the entire SBC territory, creates uniformity of programs, reduces consumer and participant confusion, and allows for economies of scale in program implementation. With its statewide alliances, NYSERDA has established partnerships and fostered good cooperation between retailers, manufacturers, builders, and contractors who operate across the state and the country. Providing additional funding and giving NYSERDA the option to add more qualified personnel would allow them to be even more responsive to the marketplace.
11. Is the current NYSERDA program evaluation process adequate? How might it be improved?
 - When evaluators apply evaluation methods developed for DSM programs, to market transformation programs implemented in New York, it understates program benefits and often mislabels market

transformation benefits as free riders leading to poor evaluation results. Market transformation programs should be evaluated based on their health and safety benefits, social benefits, and their overall influence on the marketplace as well as their achievements in energy efficiency and savings, not just on their simple kwh savings and cost/benefit ratio. Cost/benefit alone does not account for long term and wide spread effects and is inadequate for evaluating these programs.

- Additional outreach to and feedback from the end-user program participants is necessary to better understand the long-term effects of the program on the participants and the marketplace.
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?
- Not if doing so will cut into conservation funding, hurt successful programs and limit the possibility of creating new programs. Rather, improve the market research and efficiency savings data collection for the programs currently in place.
13. Should the scope of the SBC program be extended to include programs for natural gas customers? If so:
- Yes.
- a What kinds of programs would benefit New York's gas consumers?
- Small homes and light commercial programs that include credits for fuel switching, the use of high efficiency gas equipment and appliances, and water savings.
- b Which classes of customers would be served most effectively by a natural gas SBC program?
- Homeowners.
- c How should a natural gas 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?
- Funding could be achieved through a natural gas SBC designed to supplement the electric funding without reduction to the current electric funding levels.
- 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?
- Yes, this should be designed to coincide with the extension of the electric SBC.

- e How might a natural gas SBC be administered and evaluated and how should it differ from the administration of the electric SBC?
 - When funding and program oversight are separated, it leads to conflicts between program administrators, inconsistency across the programs, and confusion for the consumers and the participants. NYSERDA has proven to be a knowledgeable central administrator capable of providing a cohesive program for all participants and they should administer all programs.
 - These programs should be evaluated, as with all market transformation programs, based on their health and safety benefits, social benefits, and their overall influence on the marketplace as well as their achievements in energy efficiency and savings, not just on their simple cost/benefit ratio.
14. Do you have any other suggestions for improving the overall SBC program that are not addressed by the above questions?
- Much has been accomplished since the establishment of the SBC but there is still much more to do. Market transformation requires long term planning as well as stability, uniformity and consistency within the programs. Commitments to various partners, participants, and consumers must be able to be fulfilled without the threat of major funding reductions or the possibility of program discontinuation before the commitments have been met. Funding for the programs must be committed in sufficient amounts and over a long enough period to assure that the commitments made by the program administrator can and will be fulfilled.
 - Applying evaluation methods developed for DSM programs, to the market transformation programs implemented in New York, understates program benefits and often mislabels market transformation benefits as free riders leading to poor evaluation results. Market transformation programs should be evaluated based on their health and safety benefits, social benefits, and their overall influence on the marketplace as well as their achievements in energy efficiency and savings, not just on their simple kwh savings and cost/benefit ratio. Cost/benefit alone does not account for long term and wide spread effects achieved by market transformation programs and is inadequate for evaluating these programs.

Those persons who are interested in receiving the comments of other parties should submit their contact information, including an e-mail address, for an Active Parties list by notifying the Secretary (at secretary@dps.state.ny.us) and also submitting a hard copy letter addressed to Jaclyn A. Brillling, Secretary, New York State Public Service Commission, 3 Empire State Plaza, Albany, New York 12223-1350, by February 11, 2005. The list will be posted on the Commission's web site located at <http://www.dps.state.ny.us> after February 18, 2005. Electronic service to the parties is permitted provided that the original and 15 copies of the comments are filed with the Secretary on or before March 4, 2005. For ease of review, please respond by question number.

To facilitate distribution of the comments, an e-mail listserver has been set up. To subscribe, send an email to [sbc\(o\),dps.state.ny.us](mailto:sbc(o),dps.state.ny.us) and type the word "subscribe" in the subject of the e-mail message. Full instructions on using the listserver will be provided in a response e-mail confirming your subscription.

(SIGNED)

JACLYN A. BRILLING
Secretary