



**-- VIA OVERNIGHT DELIVERY --**

March 3, 2005

Ms. Jaclyn A. Brillling, Secretary  
Public Service Commission  
Three Empire State Plaza  
Albany, NY 12223-1350

RE: Case 05 – M – 0090

Dear Secretary Brillling:

TRC Companies, Inc. welcomes this opportunity to respond to the PSC's solicitation of comments regarding an extension of the System Benefits Charge (SBC).

TRC is a publicly-traded engineering and environmental services firm with 90 offices and 2,200 staff throughout the United States. In New York, we are a registered engineering firm with 7 offices and a staff of 236. TRC is a technical consultant and implementation contractor to NYSEERDA for four SBC-funded programs: Residential Comprehensive Energy Management, Energy Smart Schools, Commercial/Industrial Performance, and Energy Smart Energy Auditing.

The scope of our work provides us two perspectives as a framework for our comments. As a NYSEERDA contractor, we observe first-hand the benefits that residential customers, businesses and schools receive from SBC-funded programs. As consultants working nationally on energy efficiency and environmental issues, we recognize the broad societal benefits that result from reduced need for costly new power plants and their associated environmental impacts.

Thank you for this opportunity to express our views and advocate for the continuation of the SBC program.

Sincerely,

A handwritten signature in black ink, appearing to read "RD Ellison", written in a cursive style.

Richard D. Ellison  
Chairman and Chief Executive Officer

A handwritten signature in black ink, appearing to read "Francis X. Reilly, Jr.", written in a cursive style.

Francis X. Reilly, Jr.  
National Director – Demand Side  
Management and Distributed Resources

Enclosure

## **TRC Comments Regarding Case 05-M-0090 – In the Matter of the System Benefits Charge III**

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

Progress has been made towards the goals initially established by the Commission - - inefficient uses of electricity have been reduced, the growth of peak electrical demand had been curbed, and fossil fuel heating use has also been diminished. However, the desired end state—a competitive market that provides energy efficiency services, demand management, affordable services to low income residents and prudent use of New York’s environmental resources—has not yet been achieved.

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

The SBC program should be extended for a minimum of five years, i.e. through June 2011. It takes a significant amount of time for energy efficiency programs take hold in a market—in fact, utilities across the country have been promoting energy efficiency and driving market transformation for decades. Now is not the time to discontinue the SBC, as we believe that SBC III presents an ideal opportunity for New York to significantly leverage the investments made in the SBC program since 1998. In SBC I, NYSERDA transitioned responsibilities for energy efficiency from the investor-owned utilities, successfully standardized programs across the state in key areas such as performance contracting and energy auditing, and launched a number of new innovative initiatives including advanced metering and comprehensive home performance. SBC II is currently in an implementation period where these programs and others are growing and maturing,

benefiting from the development of experienced program staffs and increasing levels of engagement and participation from customers, vendors, manufacturers, and energy services providers. We see SBC III as an opportunity to continue to foster market transformation through existing programs for sectors such as schools, multifamily buildings, and single-family homes, as well as an opportunity to further expand the reach of energy efficiency into underserved markets and regions through programs for small businesses, mixed-use buildings, and public institutions. Most importantly, SBC III is the opportunity to fully capitalize on the knowledge gained over the last eight years. We see this next five years as the time when statewide energy efficiency programs reach full maturity and are able to generate the highest level of energy savings and environmental benefits per public benefit dollar invested.

Were the Commission to choose to discontinue the SBC program or prescribe a shorter duration, we believe that the momentum gained in the first two rounds would be diminished or lost altogether.

The SBC monies invested in the state economy have generated energy savings, environmental improvements, and economic development. However, on a utility revenue basis New York spends less than similar large states, as well as its New England neighbors. According to the American Council for an Energy Efficient Economy (ACEEE), California invests 3% of its utility revenues in SBC programs; Texas invests 1.65%. New York's neighbors to the east, Connecticut, Massachusetts, Vermont and New Hampshire, invest 4%, 3%, 3.4% and 2.5% respectively. By contrast, New York's

current SBC budget is only 1.3% of utility revenues. To continue the energy efficiency benefits that the State currently enjoys and to expand these benefits to underserved markets and regions, we believe that the SBC funding level should be increased from \$150 million to \$200 million per year for electricity, and an additional gas SBC should be created and funded at \$50 million per year. Please see our answer to question #13 for a discussion as to why we believe the Commission should authorize and fund a gas SBC.

**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 competitive market for electricity in New York State is not yet providing the kinds of programs and customer assistance that the Commission noted the need for in its Order of January 30, 1998 that established the SBC. We recommend no change in the goals and objectives of the SBC for electricity; rather, there may be a need to alter the focus of programs to be more inclusive of competitive electricity providers and to better position them to assume the mantle of offering energy efficiency as a value added service. Further, as is discussed below in answers to other questions, we support the expansion of SBC objectives to include programs for gas customers.

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

Trying to rank order programs is subjective and counter-productive. For example, it is difficult if not impossible to judge whether a program for low-income multifamily buildings is more or less important to its beneficiaries than a program for small businesses. Instead, we would frame this issue as the need to ensure that program

offerings and services continue to be made available to all ratepayers in a cost-effective manner, and are increased in underserved market sectors and regions of the state.

**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)?**

SBC programs address demand side issues and the Renewal Portfolio Standard addresses supply side issues (i.e. increasing the proportion of renewables in the generation mix from 19 to 24%). To leverage demand side efforts and increase the penetration of renewables would require adjustments to SBC programs including more investment in outreach, marketing and incentives.

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

From our perspective, there is no need to alter the current SBC fund collection and allocation process.

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

As we observed in our answer to question #2, NYSERDA programs have reached a level of maturity and momentum in their respective markets that we believe should be allowed to continue. Regarding expansion of efforts in specific sectors, we believe that programs for *small and medium sized businesses* should be expanded, and programs for *mixed-use buildings* and *public institutions* should be created. We also believe that a more robust incentive program should be created, in addition to the current funding for demonstration projects and technical assistance, to promote combined heat and power (CHP) projects.

Small and medium sized businesses currently can take advantage of energy auditing, equipment incentives, and low-cost loans. However, not enough of these businesses participate, missing a critical opportunity to save money that can be reinvested in their businesses and help drive economic growth in New York State. Therefore, we recommend that existing programs be expanded so that 1) through increased marketing and outreach, small and medium sized businesses better understand the opportunities available to them and 2) small and medium sized businesses are eligible for higher incentives than larger businesses, in the same manner that low-income residential customers benefit from higher incentives than non-low income residential.

Mixed use buildings are underserved under the current SBC programs because they fall between residential and commercial SBC program areas. To remedy this, we recommend that a new program or programs be created that defines this type of building in its own sector and allows a holistic application of energy efficiency measures without regard to the mix of residential units and commercial establishments in the building.

As the Energy Smart Schools Program Implementation Contractor, TRC has worked closely with NYSERDA over the last several years to promote energy efficiency in K-12 schools throughout the State. We believe that the proven success of this program to benchmark school performance, train building operators in energy efficiency, create comprehensive maintenance tools, and set high performance school standards demonstrates that it is time to expand this approach to the rest of the institutional sector, including higher education and state and local public buildings. Leveraging the

experience to date with schools, we recommend the creation of programs for institutions of higher learning and for public buildings such as municipal buildings, public libraries, courthouses, and fire stations. These types of buildings are sometimes helped under NYSERDA technical assistance programs, yet we believe that a sector-by-sector approach to working with them would allow greater focus on their similarities with respect to building types, energy use, and methods of financing energy improvements.

The wider dissemination of CHP facilities would move generation away from central-station power plants and help to relieve pressure on the transmission and distribution systems, while providing on-site electricity plus steam, hot water, or chilled water for facilities as diverse as factories, hospitals, and apartment buildings. California has provided aggressive incentives to spur the development of CHP, and we believe that it is time for New York to augment its investment in studies and demonstrations into monetary incentives (tied to a unit's capacity and/or runtime) to help offset the cost of installing CHP systems.

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

Over the last five years of working on both residential and commercial SBC programs, we have observed NYSERDA to be highly flexible and responsive to the needs of energy consumers in New York. While no organization is without its flaws, we have seen NYSERDA nimbly identify and respond to market needs. As one example, when NYSERDA discovered that the complexities and lack of technical knowledge of advanced submetering were keeping the market from rapidly embracing the technology,

they created a pool of incentives to cost-share feasibility studies, regulatory assistance and customer education and training. For a rather modest investment NYSERDA was able to educate dozens of owners and residents of multifamily building complexes on advanced submetering, help to navigate policy barriers, and move projects forward.

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

The current marketing program includes commercials that have won national awards, a consistent brand, Energy\$TAR, effective spokespeople such as Steve Thomas of “This Old House”, and an outstanding website. We believe that NYSERDA does an excellent job marketing its programs, given its limited resources. With a greater level of funding under SBC III, NYSERDA would have the resources to expand its advertising reach to those in the state (particularly in high-marketing-cost New York City) who have not yet taken advantage of its many programs. This additional funding would also allow NYSERDA to implement more targeted advertising to underserved sectors.

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

As a national energy and environmental consulting firm, TRC works across the country with a host of utilities and public benefits programs. In our five year association with NYSERDA, we have observed that it manages SBC funds as prudently, ethically, and responsibly as any program with which we have been involved. The NYSERDA procurement process is open and fairly administered, as we have seen first hand in our roles as proposer on some programs and evaluator on others. The organization is collaborative, flexible, and results-driven, and constantly seeks the sharpest minds and best expertise it can find. Unlike a utility, consulting firm, or vendor, NYSERDA’s only

mission is to benefit New York residents, businesses, and environment. We believe unequivocally that NYSERDA fulfills this mission and should continue to administer SBC programs in New York.

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

The process is adequate; however, the implementation of the process could be improved if evaluators better understood the objectives of each program and weighed their effectiveness as a group as well as individually. For example, it appears to us that the evaluation process sometimes is not flexible enough to include the value of a program outside certain paradigms about direct energy savings. For example, in the Residential Comprehensive Energy Management Program we have found that installation of advanced metering actually drives energy efficient behavior and reduced energy use in multifamily buildings. Advanced metering also positions these buildings to take advantage of new rate structures under deregulation. However, we are not confident that all the benefits of this technology is fully understood by the evaluators, and therefore we fear that some important benefits of this program are being understated or disregarded altogether.

As a result, in the interest of fairness and to ensure that all ratepayers have reasonable access to incentives under SBC, the Commission should be careful to not apply too limited or narrow a benefit-cost test at the individual program level. Some cross-subsidy is inevitable in any group of energy efficiency programs. We encourage the Commission to view the effectiveness of the energy efficiency programs currently being administered

by NYSERDA not individually, but rather in the broader suites of programs that serve the residential and commercial markets, respectively. For example, in addition to generating energy savings, some programs also educate and train market participants, promote advanced technologies, and work toward removing policy barriers that inhibit the speed of market transformation.

With the Commission’s oversight, NYSERDA should be allowed to continue to use its best professional judgment regarding what mix of programs work best in the market, continuing to promote indirect market benefits like training, new technology development, and elimination of policy barriers that support the effective deployment of energy efficiency programs.

**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?**

If one thinks of these terms as being on a straight line: Research... development... demonstration...energy programs, then the question becomes, “where do you draw the line” that separates SBC programs from R&D programs. There is no bright line of demarcation. However, we believe allowing demonstration programs into retail and/or wholesale market competitiveness should be allowed for SBC funds. We believe that the insights found and the policy decisions emanating from such demonstrations would outweigh the potentially small energy savings they might generate.

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

Yes, the scope of the SBC should be expanded to include programs for natural gas customers. For some time, NYSERDA has taken a holistic, “all fuels” approach to energy efficiency, which means that gas energy efficiency measures have been identified and recommended along with electric measures. Indeed, it would be difficult to ignore opportunities to reduce gas usage while evaluating building performance, and many electric customers in New York State are also gas customers of the same utility.

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

Categories of programs should include: energy efficiency programs and services; public benefit research, development, and demonstration projects related to energy service, energy storage, the environment, and renewables; low income energy efficiency and energy management programs; and environmental protection programs that go beyond compliance with law or permit requirements, the same categories as electric SBC programs.

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

Residential, commercial, and industrial customers all could be effectively served by a natural gas SBC program.

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

A natural gas SBC program should be funded by a non-bypassable charge included in the distribution portion of customer’s bills. The amount of the charge should be the same proportion of an average residential gas customer’s bill as the electric SBC is a

proportion of the average residential electric customer's bill. Electric SBC funding levels would be unchanged by the implementation of a gas SBC.

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

The term of a gas SBC should coincide with the same term determined for the electric SBC. We recommend an initial five years, to run through June 2011.

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

Separate administration of gas SBC programs would be needlessly costly. Each SBC program should treat buildings holistically and encompass both electric and gas end uses.

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

We do not have any additional suggestions or comments at this time.