



David Walls
Director
77 South Bedford Street,
Suite 400
Burlington, MA 01803
781 270 8436 phone
781 270 0418 fax
dwalls@navigantconsulting.com

October 14, 2005

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

Subject: *CASE 05-M-0090—In the Matter of the System Benefits Charge III: Notice Soliciting Comments on Staff Proposal (Issued August 31, 2005)*

Dear Ms Brillling:

Navigant Consulting, Inc. (NCI) is pleased to submit the following response to the New York State Public Service Commission's Notice Soliciting Comments, In the Matter of the System Benefits Charge III, Staff Proposal for the Extension of the System Benefits Charge (SBC) and the SBC-Funded Public Benefit Programs.

NCI believes that system benefits charge (SBC) provides significant benefits and should be continued, and expanded to include supporting innovative transmission and distribution technology. We believe the areas of energy efficiency, low-income energy assistance, and energy research & development tend to be under funded when not supported with a source of continued public funding. NYSERDA in cooperation with the utilities and other agencies have implemented a number of initiatives that have received national acclaim. For example, many of NYSERDA's energy efficiency programs are consistently cited by others as being exemplary and representing best practices.

NCI agrees with the Commission, that the goals of the SBC of promoting energy efficiency, a cleaner environment and reducing the burden of energy costs on low income citizens continue to be relevant. The modifications suggested to the SBC programs accurately reflect the realities of today's energy and environmental situation. Innovation by the electric utility industry stands at an all time low. Enhanced R&D is required as the industry addresses the multiple challenges of improving system reliability, reducing greenhouse gases, improving energy affordability, and improving

environmental quality. The New York State SBC program is playing an important role in fostering innovation and support in these areas.

The Commission Staff have identified four major areas of goals for the program for the next several years. Each of these areas serves an important role in promoting energy efficiency, contributing to a cleaner environment and reducing the burden of energy costs on low income citizens. Our comments will be applied to each of the four areas.

1. Improve New York's energy system reliability and security by reducing energy demand, supporting innovative transmission and distribution technologies, and enabling fuel diversity, including renewable resources. It is appropriate for New York to provide funding to support innovative transmission and distribution technologies that will benefit the State. The US Department of Energy and the California Energy Commission (CEC) have recently established programs dedicated to the areas of transmission, distribution and system reliability. The infrastructure needs in New York are unique as compared to other regions of the country. From Manhattan to the rural farm lands of upstate New York, the T&D infrastructure in New York is old and in need of upgrade and expansion. There are unique challenges to meeting the future needs of the region, and maintaining and improving system reliability. Utility internal funding for T&D research and development is for the most part inadequate, and not as effective as it could be. NYSERDA can play an important role in supporting the development and deployment of T&D technologies in the State in the future. In addition, there is likely to be opportunity to obtain co-funding from the US DOE and in some cases to team with organizations like the CEC to leverage funding and expand programs.

2. Reduce the energy cost burden of New Yorkers by offering energy users, particularly the State's lowest income households, services that temper the effect of energy price volatility and provide access to cost-effective energy efficiency options. NCI strongly supports NYSERDA's low-income buying-power programs. In keeping with the requirement that SBC funds for low-income households be fuel-neutral, NYSERDA launched the Low-Income Heating Oil Buying Program, in partnership with the New York State Office of Temporary and Disability Assistance (OTDA). The intent of the program was to improve the buying power of approximately \$60 million of LIHEAP funds that the State of New York administers annually to heating oil households.

Based on the pilot program results, the Low-Income Heating Oil Buying Program has demonstrated that **a statewide program will result in LIHEAP funds purchasing \$5 to**

\$9 million more heating oil for low-income households receiving LIHEAP assistance.

This benefits low-income households as well as taxpayers, whose tax dollars are put to use far more productively. It also demonstrates a very effective partnership between NYSERDA and OTDA, which runs the largest low-income program in New York, enabling each to leverage the resources of the other for the good of low-income households.

Based on the success of the pilot program to date, NYSERDA and OTDA have announced plans to roll out the new LIHEAP heating oil program rules statewide over the next three heating seasons. This effort involves significant change management in the form of educating and training county LIHEAP administrators, heating oil vendors and LIHEAP clients as to the need for, and procedures required by, new LIHEAP rules.

Conclusions:

- ❑ Low-Income Heating Oil Buying Program has achieved the goals and objectives established by the Commission and executed by NYSERDA.
- ❑ NYSERDA has demonstrated that innovative public policy governing LIHEAP administration of heating oil-targeted funds will decrease the home heating energy budget burden of low-income households, and that implementation of related OTDA policy changes has a desirable effect.
- ❑ The interests of New York State should be to continue SBC funding support of the roll out of the Low-Income Heating Oil Buying Program through at least 2007, as termination of these funds would leave the Program without the resources needed to manage the transition and complete the anticipated statewide roll out.

3. Mitigate the environmental and health impacts of energy use by increasing energy efficiency, encouraging the development of renewable energy resources infrastructure, and optimizing the energy performance of buildings and products.

There remains significant opportunity to improve energy efficiency of buildings and products through improved design standards, renewable energy resources and new technology, such as LED lighting, advanced metering and communication and control technologies. Adoption of these approaches to the building and product markets is slow as a result of the conservative nature of this market and the cost associated with many of the design and technology options. NYSERDA plays an important role in helping to increase awareness of these new technologies and design approaches, while mitigating the risk associated with their deployment.

4. Creating economic opportunity and promoting economic wellbeing by supporting emerging energy technologies, fostering competition, improving productivity, growing New York energy businesses, and helping to meet future energy needs through efficiency and innovation. The NYSERDA Energy and Environmental Technology Research & Development Program contributes to many innovative developments that have the potential to benefit the State of New York, add high paying jobs and contribute to positioning New York as a leader in alternative and clean energy technologies. This program benefits New York electricity customers through providing them with advanced technologies that they can use to reduce energy consumption, also by providing a wide range of clean energy technologies that contribute to improving air and water quality.

Because of the efforts of NYSERDA, New York has one of the most extensive networks of qualified distributors and installers of photovoltaic systems in the US. This network will be very important in helping the state meet the objectives of the Renewable Portfolio Standard (RPS). New York will need to continue to support its efforts to qualify and monitor PV distributors and installers in order to ensure that the goals of the RPS are met in the most effective and efficient manner. New York has also become a leader in the development of fuel cell and photovoltaic technologies, with several companies choosing to locate in the state to take advantage of the friendly business environment. Development of this industry will take a sustained effort over many years, but the payoff could be substantial in terms of jobs, and clean energy technology for the State.

The interests of New York State should be to continue to provide the SBC funding support for energy and environmental technology development. Termination of this program would leave many of the startup companies that are currently at critical points in development without the support they need to continue to grow, add jobs contribute the reducing emissions and reducing dependence on imported fuels. The allocation of funding between the program areas is likely to become an increasingly important issue for the SBC program in the coming years. With the current concerns about high energy bills, there is likely to be some natural tendency to allocate more funds to energy efficiency and low income programs, away from renewable energy and emerging technologies. A long term commitment to strong programs in renewable energy and research and development can help provide long term benefits for NY State ratepayers of reduced electricity price volatility and an economic stimulus for local communities through new businesses and job creation.

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Navigant Consulting appreciates this opportunity to submit our responses to the New York State Public Service Commission's Notice Soliciting Comments, In the Matter of the System Benefits Charge III. We urge the Commission to adopt the proposal for the SBC III program.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Shaw". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Peter Shaw
Director

A handwritten signature in black ink, appearing to read "David J. Walls". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

David Walls
Director