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October 17, 2005

Hon. Jaclyn Brillling,
Secretary
New York State
Department of Public Service
Three Empire State Plaza
Albany, NY 12223

**Re: Case 05-M-0090
In the Matter of the System Benefits Charge III**

Dear Secretary Brillling:

In its January 28, 2005 Notice Soliciting comments, the New York State Public Service Commission (“Commission”) requested responses to further questions promulgated by Staff of the Department of Public Service (“Staff”) related to the third installment of the System Benefits Charge (“SBC III”). On March 3, 2005, Orange and Rockland Utilities, Inc. (“O&R” or the “Company”) submitted comments in response to Staff’s questions (“Initial Comments”). In its Initial Comments, O&R requested that under SBC III, the Commission allow O&R to implement and administer a pilot efficiency program in its service territory. The description of O&R’s pilot program is included in Appendix A hereto.¹

On August 30, 2005, Staff issued its *Staff Proposal For The Extension of The System Benefits Charge and the SBC-Funded Public Benefit Program* (“SBC Report”).

¹ A copy of Appendix A was originally included in O&R’s Initial Comments.

The SBC Report discusses a number of details related to the SBC III, but fails to address O&R's request for a pilot program. Accordingly, O&R reiterates its request that the Commission approve O&R's proposal in any final order issued relating to SBC III.

O&R remains concerned that the SBC Program administered on a statewide basis by NYSERDA does not address the needs and concerns of the Company's customers. In order to increase customer participation levels in SBC programs, a pilot program such as the one proposed would provide direct and measurable benefits to the Company's customers. Further, O&R, because of the scale and flexibility inherent in a smaller-sized utility, is particularly well suited to conduct a self-funding pilot program. Finally, given the customers' trust and reliance on the Company's good name and reputation, as evidenced by the results of O&R's annual Customer Satisfaction Survey, O&R is better positioned than NYSERDA to market energy efficiency programs and services cost effectively to its customers. On an even more fundamental level, O&R believes that any funds collected by the Company from its customers should fully inure to the benefit of those customers located in the O&R service territory.

The SBC Report addresses three existing utility-run programs relating to energy efficiency, weatherization and educational services for low-income customers. The SBC Report states that, "Staff believes that it is most efficient and equitable to have all SBC funded research and development be administered by NYSERDA." (SBC Report, p. 23.) The SBC Report offers no explanation or substantiation for its position. There is no evidence whatsoever that NYSERDA is more capable to deliver services on a local level, and, further, completely fails to address O&R's proposal.

As noted in its Initial Comments, O&R has substantial experience in administering efficiency programs and would work toward developing a pilot program that is more tangible, proximate and responsible to the consumers actually funding the program.

As such, for the reasons described herein and in its Initial Comments, the Commission should adopt O&R's proposed pilot program.

Respectfully submitted,

John L. Carley
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Orange and Rockland Utilities, Inc. Appendix A – Program Guidelines

Summary

Orange and Rockland Utilities, Inc. (“O&R”) proposes to design and implement on a “pilot” basis energy-efficiency programs whose objective is to supplement programs administered by the New York State Energy Research and Development Authority (“NYSERDA”), specifically programs in areas related to peak load reduction and encourage the growth of Energy Service Companies (“ESCO”) participation in the energy efficiency market. O&R’s programs will be designed to enhance, rather than compete against, NYSERDA’s offerings.

O&R will endeavor to develop, implement and evaluate programs that will achieve the following goals:

1. Overall system load reduction
2. Targeted transmission and distribution circuit load reductions; and
3. Encourage the growth of ESCO participation in the energy market.

O&R proposes that, working with Commission Staff, it would initially conduct a market analysis study to determine the technical, economic and achievable potential for demand reduction and identify related objectives within its service territory. This study will assist in informing the Company on the best programs to implement. These programs will be modified, enhanced and changed based on the results of the market analysis and discussions with Commission Staff. The issues of utility incentives for efficient end use will also be addressed as part of this pilot-program effort.

The Company would also obtain an independent evaluation to provide an objective review of each program and provide recommendations for future program improvements. It should be noted that NYSERDA’s “New York Energy \$mart Program Evaluation and Status Report” observed that “the lack of utility customer data hinders the evaluation team’s ability to track specific customer information.” (Volume 2 at ES-9) (May 2004). O&R’s program evaluations will not be hindered by this lack of utility customer data. This evaluation would be expected to include impact analysis, market analysis and process analysis to inform the Company and Commission Staff as to how best to improve each program and how such program could be replicated throughout the State.