conEdison
a conEdison inc. company

Richard B. Miller
Assistant General Counsel
212-460-3389
millerrich@coned.com

April 15, 2008

VIA HAND DELIVERY
Honorable Jaclyn A. Brilling
Secretary
State of New York
Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

2008 APR 15 PM 3:42

Re: Case 06-G-1332 –Con Edison Gas Rate Plan

Dear Secretary Brilling:

The Commission's Order Adopting in Part the Terms and Conditions of the Parties' Joint Proposal, issued on September 25, 2007, provides for the formation of a gas efficiency collaborative and that in coordination with such collaborative, Con Edison will prepare a report, "to be filed with the Commission by April 15, 2008, that will include recommendations for Commission approval" on various issues that are discussed in the report.

Enclosed please find an original and five copies of the report. Certain parties have requested that the Commission specify April 30, 2008 as the comment date for this report. The Company requests respectfully requests that the Commission use expedited procedures (including a date for filing comments) in its consideration of the report, but does not request a specific comment date. The Company believes that expedited consideration is appropriate so that issues regarding programs the Company's gas rate plan would be resolved quickly. This would enable the potential program administrators, Con Edison and NYSERDA, to file implementation plans during the summer for the commencement of a gas efficiency program for rate year 2, which commences on October 1, 2009.

Please contact me if you have any questions regarding this matter.

Very truly yours,

Richard B. Miller

Richard B. Miller

cc: Active Parties (via e-mail)

Case 06-G-1332 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules, and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service

2008 GAS COLLABORATIVE REPORT

April 15, 2008

2008 GAS COLLABORATIVE REPORT

TABLE OF CONTENTS

INTRODUCTION

On September 19, 2007, the New York State Public Service Commission adopted a three year gas rate plan for Consolidated Edison Company of New York, Inc. (Con Edison). The rate plan authorized Con Edison to implement a gas energy efficiency program in accordance with certain parameters. For the first rate year of the three-year plan, the $14 million efficiency program was to be administered by the New York State Energy Research and Development Authority (NYSERDA) pursuant to orders issued by the Commission in Case 03-G-1671.[1] A gas Collaborative (Collaborative) was to be formed to develop a Gas Efficiency Program for rate years two and three (RYs 2 and 3) including recommendations for program design, funding levels, administration and incentives for Con Edison. The Collaborative was to be chaired by Con Edison and made up of a reasonable number of interested parties, including Staff, NYSERDA, New York City (City), the County of Westchester (County), New York State Consumer Protection Board (CPB), Consumer Protection Association (CPA), New York Energy Consumers Council, Inc. (NYECC), Pace Energy and Climate Center (Pace), Natural Resources Defense Council, Inc. (NRDC), the Public Utility Law Project, Inc. (PULP) and Association for Energy Affordability (AEA).

The rate plan also authorized Con Edison to contract with an independent consultant to perform a study (the "Study") at a cost not to exceed $100,000 (such cost to be recovered through the Company's Monthly Rate Adjustment (MRA)). The Study was to make recommendations concerning the appropriate level of funding for RYs 2 and 3 as part of a long-term plan to maximize net benefits to customers from gas efficiency, the need for changes, if any, to existing programs, and new programs that could be developed. For each suggested program, the Study was to include, at a minimum, empirical data as a basis for the program's estimated costs and cost-effectiveness. Upon completion of the Study, it was to be distributed to the Collaborative for analysis and comment.

[1] Case 03-G-1671, Order Establishing Gas Efficiency Program for 2007-2008 Heating Season (issued May 16, 2007).

THE COLLABORATIVE PROCESS

Con Edison invited all active parties to Case 06-G-1332 to participate in the Collaborative (a list of Collaborative members is set forth in Appendix A). Con Edison convened an initial Collaborative meeting on September 6, 2007 in New York City. Follow-up meetings of the Collaborative were held monthly through February 2008, including a conference call in October, with more frequent meetings in March (3/13; 3/18; 3/25) and April 3rd, 2008. These meetings focused on reviewing the Study and developing the Report. Additional conference calls were held as appropriate.

Con Edison offered all collaborative members an opportunity to make presentations; both Con Edison and NYSERDA made presentations to the Collaborative. The City proposed a Work Plan to facilitate the collaborative process that was adopted at the January 14, 2008 meeting.

THE EFFICIENCY STUDY

Pursuant to the rate plan, Con Edison developed a Scope of Work for the Study and distributed that Scope of Work to the Collaborative members for their review and comment at the first meeting on September 6, 2007. Con Edison incorporated the final Scope of Work into a Request for Proposal (RFP) that was used to solicit competitive bids for the Study. Con Edison provided the RFP to the Collaborative on September 17, 2007 for final comment and issued the RFP on September 20, 2007.

Con Edison received three responses to the RFP. Con Edison developed a matrix for the evaluation of the proposals and invited Collaborative members to participate in the evaluation process. NYSERDA, the City and Staff chose to participate. These participants signed confidentiality agreements, independently evaluated the proposals and then discussed their evaluations with the participants and Con Edison.

After completing the competitive bidding and evaluation process, Con Edison engaged GDS Associates, Inc. ("GDS") to perform the Study. Con Edison distributed the Study, dated March 3, 2008[2], to Collaborative members for analysis and comment. Con Edison also had GDS make a presentation to the Collaborative on February 27, 2008.

The Study, which expanded on an earlier study (March 2006 Optimal Energy Report) for the Con Edison service area, estimated that the economic potential for natural gas savings in Con Edison's service territory by 2016 is nearly 20 million dekatherms, of which GDS expects 80%, or nearly 16 million dekatherms, to be achievable. According to GDS, the adjustments to the Optimal potential estimate were limited to reweighting of industrial sales by segments and the exclusion of savings from the early replacement of equipment that would eventually wear out and then be eligible for replacement with efficient equipment at the incremental cost of the new efficient equipment over new standard equipment.

The Study also recommended a specific portfolio of programs to achieve about 6 million therms annually, and accompanying budgets totaling about $25 million annually. The average program cost would be approximately $4.25 per annual therm saved (averaging anticipated costs and energy savings from 2009 through 2010).

The Study recommended ten residential and three commercial natural gas energy-efficiency programs as listed below:

- Residential High-Efficiency Space-Heating Program
- Residential High-Efficiency Water-Heating Program
- Advanced Residential Controls Program
- Residential ENERGY STAR Homes Program
- Residential ENERGY STAR Replacement Windows Program
- Residential Weatherization Program (Non Low Income)
- Residential Low Income Program (1-4 units)
- Multifamily Residential Low Income Program (Five or More Units)
- Multifamily Residential Housing Program (Non Low Income)

[2] Copies of the final report, errata and appendices were distributed on March 26, 2008.

- Energy Analysis: Internet Audit Program
- Commercial High-Efficiency Heating Program
- Commercial Energy-Efficiency Program
- Business Energy Analyzer Program

TOTAL BUDGET $	**2009 (millions)**	**2010 (millions)**
TOTAL ALL PROGRAMS	**$24.9**	**$25.2**
RESIDENTIAL NON-LOW INCOME	**$14.9**	**$15.1**
RESIDENTIAL LOW INCOME	**$6.6**	**$6.6**
TOTAL COMMERCIAL	**$3.4**	**$3.4**

CUMULATIVE THERM SAVINGS	**2009 (millions)**	**2010 (millions)**
TOTAL ALL PROGRAMS	**5.9**	**11.8**
RESIDENTIAL NON-LOW INCOME	**3.4**	**6.9**
RESIDENTIAL LOW INCOME	**.9**	**1.7**
TOTAL COMMERCIAL	**1.6**	**3.2**

Source: GDS Study, March 3, 2008

The table below is the proposed allocation across customer classes for funding and projections of therm savings in the Study. The approximate allocation is proportional to the percentage of low income customers in Con Edison's service territory. Low income residential programs are proposed to be funded at 26% of the budget, while achieving approximately 15% of the therm savings. The New York City Annual Housing Survey 2003 shows that 30% of households in Con Edison's service territory have a median income that is at or less than 60% of Adjusted Median Income (AMI). Commercial programs account for 13.7% of the budget while obtaining 27.3% of the therm savings.

BUDGET 2009

	2009	%
	(millions)	
TOTAL ALL PROGRAMS	**$24.9**	**100%**
RESIDENTIAL NON-LOW INCOME	**$14.9**	**59.8%**
RESIDENTIAL LOW INCOME	**$6.6**	**26.5%**
TOTAL COMMERCIAL	**$3.4**	**13.7%**

THERMS SAVED

	2009	%
	(therms)	
TOTAL ALL PROGRAMS	**5,904,220**	**100%**
RESIDENTIAL NON-LOW INCOME	**3,430,450**	**58.1%**
RESIDENTIAL LOW INCOME	**862,980**	**14.6%**
TOTAL COMMERCIAL	**1,610,790**	**27.3%**

Specific program descriptions are discussed below in Section (iii) PROGRAMS

ACTION ITEMS

The Collaborative was required to consider nine action items. Of the nine items, the Collaborative was able to reach substantial consensus on certain items, and on parts of additional items, but was unable to reach consensus on others[3]. For each action item, this Report sets forth the areas of general agreement, the comments of Collaborative members and Con Edison's recommendation for each action item. As the Collaborative chair and author of this Report, Con Edison included the individual Collaborative members' comments as provided. Collaborative members were provided opportunities to review and correct their respective comments incorporated herein.

[3] A tenth item, Interruptible Gas Customers, was discussed by the Collaborative and has been added to the end of this Report.

ADMINISTRATOR

(i) The Report will recommend that either Con Edison or NYSERDA serve as the administrator of the Program.

Areas of General Agreement

The Collaborative agrees there is a need for a well-defined partnership to deliver gas energy efficiency programs to help meet the State's 15x15 policy goal and City's commitment to reduce greenhouse gas emissions by 30% from current levels by 2030 (PlanNYC).

The Collaborative discussed three possibilities for the administrator role: Con Edison exclusively, NYSERDA exclusively, or a combination of both entities delivering separate but coordinated programs and working together as necessary. The Collaborative had lively and meaningful discussions, as well as presentations from both Con Edison and NYSERDA, as the group debated the benefits and shortcomings of the three scenarios.

The City proposed two gas efficiency program design and administration matrices (Matrix); one for residential and one for commercial and industrial market segments (Appendix C). There was a measure of agreement on program responsibility areas, although Con Edison and NYSERDA in some instances have taken somewhat different views of the proper allocation of lead program responsibility for certain aspects of the Matrix programs. Further discussion follows in Section (iii) Programs.

The Collaborative, excluding NYSERDA and CPB, agreed that the Energy Efficiency Portfolio Standard (EEPS) Straw Proposal's[4] recommendation of a cooperative hybrid model should be used to implement gas efficiency programs. The model is "hybrid" in the sense that there are important roles both for NYSERDA and Con Edison in the administration and delivery of

[4] Case 07-M-0548 Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard. Ruling Presenting Straw Proposal, issued February 11, 2008 (hereinafter "EEPS").

efficiency programs. The Collaborative further agrees that in order to meet gas energy efficiency goals, a strategic plan must be developed and implemented expeditiously.

While cost is an important element to consider in the selection of an administrator for an individual program or the entire portfolio of programs, the Collaborative agrees that the program administrator should not necessarily be determined solely on basis of which is the lowest cost alternative, so long as the Total Resource Cost Test[5] is satisfied. Factors worthy of consideration beyond simply cost would include, for example, the expected scale or market penetration of a particular program. The Collaborative recognizes that in order to maximize therm savings in RYs 2 and 3 all factors must be considered.

Collaborative Comments

- Con Edison supports the Consensus Recommendation of the EEPS administration model filed on January 11, 2008 in the EEPS Proceeding.[6] Under this recommendation, NYSERDA would have lead responsibility for state-wide upstream market transformation initiatives focusing on long term changes to markets. Con Edison would have lead responsibility for all other program delivery for end-use customers in New York City and Westchester County in both the residential (non low-income), commercial and low-income markets.
- Staff believes that there will be a continued role for NYSERDA, but that Con Edison should begin to take on some of the program administrator functions. Further, Staff suggests that both NYSERDA and Con Edison share administrator duties while implementing a transition plan for RY2 and 3 for Con Edison and potentially other

[5] A total resource cost ("TRC") test will be used to assess cost-effectiveness. The TRC will be designed to be consistent with the relevant portions of the Commission's "Order on Demand Management Action Plan," issued on March 16, 2006 in Case 04-E-0572, with necessary adaptations to apply the TRC to gas efficiency rather than electric efficiency.

[6] EEPS Administration Consensus Recommendation of Natural Resources Defense Council, Pace Energy Project, City of New York, Association for Energy Affordability, Inc., Consolidated Edison Company of New York, Inc., KeySpan Energy Delivery Long Island, National Fuel Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, New York State Electric & Gas Corporation, Orange & Rockland Utilities Inc., Rochester Gas and Electric Corporation, and New York Power Authority – Final January 11, 2008.

qualified administrators to assume more responsibility for administering the various programs.

- The City supports many of the concepts included in the Corrected EEPS Straw Proposal that was issued in the EEPS Proceeding on February 13, 2008, which recognized program advantages enjoyed by NYSERDA, including its broad state-wide reach, ability to offer centralized programs from training to market transformation initiatives, data base development and its primary role in R&D and emerging technologies. The City recognizes Con Edison's advantages that were also cited in the Straw Proposal, including its extensive community and customer knowledge, as well as the general benefits expected to flow from diverse program approaches. In sum, the City advocates for NYSERDA in a lead role in some programs, and Con Edison for other programs. The City, however, also believes that it is important to ensure that consumers have a single point of contact and that coordination between Con Edison and NYSERDA (and ultimately with National Grid as well) will be of vital importance to the success of these programs.
- The City proposed a program matrix to further Collaborative discussion on program design and administration. The final version of this matrix is attached in Appendix C. The program matrix prompted detailed discussion on allocating appropriate program responsibilities between Con Edison and NYSERDA and enabled development of some consensus on which entity should take on PA responsibility for which program as outlined in the Recommendations section below.
- NYSERDA firmly believes that, given developments in state energy policy since the initiation of the pilot and first year efficiency programs, the Con Edison gas efficiency program in RYs 2 and 3 should be driven by the developments in the EEPS proceeding. NYSERDA states that given the recent decision in the Con Edison Electric proceeding, NYSERDA believes it is inappropriate to initiate any new program that: requires new administrator start-up time and costs; commences new outreach and marketing for programs which may not be long-lasting; and incurs program ramp-up costs, only to have those new programs either superseded by EEPS or terminated just when that program is in full gear.

- NYSERDA also stated that it is impossible to select a PA until the specific programs have been determined and all associated costs including, administrative, implementation, and performance incentives are justified.
- The CPB states that it supports the NYSERDA approach to the formation of programs for years two and three. CPB further states that short of allowing for a delay in this process, the CPB supports the continuation of NYSERDA programs already in place in the Con Edison service territory, to serve as a placeholder, until a determination is made in the EEPS case as to which programs to utilize and who shall administer said programs going forward.
- NYECC supports a variation of the hybrid model set forth in the EEPS Straw Proposal and generally supports the position of the City, as stated above. NYSERDA should continue to administer the programs that it is implementing in RY1, although the NYECC also notes that NYSERDA should be held responsible for continuing to engage to the fullest extent possible in that process.
- AEA supports the concept of a Hybrid Model described in the EEPS Straw Proposal and discussed in the collaborative, in which there is more than one program administrator, recognizing and building upon the strengths of each entity selected. AEA agrees that where one administrator is not the lead, it should play supportive roles (e.g., as "a channel" for another administrator's program). AEA assumes that some type of regional partnership with strategic planning responsibilities will be a critical ingredient in this hybrid approach; to achieve the aggressive goals of the "15 by 15" initiative, extensive and continuing collaboration will be required among all administrators and program implementers.
- Pace supports the Corrected EEPS Straw Proposal that was issued in the EEPS Proceeding on February 13, 2008 and the City's recommendation that NYSERDA take a lead role in some programs and Con Ed for other programs. With regard to existing programs that are currently being administered by NYSERDA, Pace agrees with Staff that both NYSERDA and Con Edison should share administrator duties while implementing a transition plan for RY2 and 3.

- NRDC also believes that gas efficiency programs within the Con Edison service territory should be driven by the results of the EEPS proceeding. However, acknowledging that the EEPS proceeding is on a different timeline, NRDC believes that Con Edison should administer energy efficiency programs for RY2 and RY3 that place it on track to achieve the EEPS goals of 15% reductions from forecasted levels by the year 2015.

RECOMMENDATION

Con Edison recommends that NYSERDA have lead PA responsibility for state-wide upstream market transformation initiatives including retail products and appliances (residential, commercial and industrial markets); new construction programs in the 1-4 family market (low income and non low income); and for changes to Codes and Standards.

Con Edison would have lead PA responsibility for: other program delivery for end-use customers in New York City and Westchester County; new construction programs in all multi-family (5+units), commercial and industrial markets; equipment programs (HVAC, furnaces, boilers, system controls, water heaters etc.); retrofit programs; commercial and industrial and low-income markets (other than as noted above); direct installation and dealer incentive programs for retail products and appliances.

Con Edison would, where feasible, seek to integrate gas energy efficiency programs with its proposed electric programs.

STAKEHOLDER PARTICIPATION

(ii) The Report will address how the City and County, who possess unique information regarding customer planning and economic development, and other interested stakeholders can work with Con Edison and NYSERDA to maximize the effectiveness of the programs.

Areas of General Agreement

The Collaborative reached consensus that involvement and participation by other interested stakeholders will contribute to maximizing the effectiveness of gas efficiency programs.

Collaborative Comments

- Con Edison proposes to follow the EEPS Consensus Recommendation dated January 11, 2008 with respect to stakeholder participation.
- The City notes that the 1/11/08 Recommendation starts the discussion of program planning with the commitment that the "Partnership will prepare an integrated and overarching Strategic Plan" that would cover "the role… of each member of the Partnership," "maximizing coordination," "integration and coordination of…funding," and "integration of program delivery," among other things.

RECOMMENDATION

Con Edison proposes that the PAs should coordinate as described in the Consensus Recommendation submitted in the EEPS proceedings with stakeholders in this Collaborative, including the NYECC, as well as seeking support for programs from trade allies such as ESCOs, contractors, plumbers, the distribution, installation and design community, major retailers, and equipment manufacturers. The PAs should seek support from end-user groups, particularly those with a stake in the economic well-being of the community including, local chambers of commerce, industrial parks, business improvement districts, business associations, and the range of local development corporations and community action organizations that permeate New York City and Westchester County.

PROGRAMS

(iii) **Report will evaluate potential gas efficiency goals for RYs 2 and 3 and their consistency with the general direction of state and local energy efficiency policies, and seek to maximize the Program's cost-effectiveness potential. In addition, the Report will recommend the targeted level of program funding for each of RYs 2 and 3 and the targeted allocations among customer classes. Any recommendation in the Report to increase funding will include an estimate of customer impact associated with any recommended increase in funding and the customer savings and benefits that are projected to result from such increase. The Report will propose efficiency programs for RYs 2 and 3, savings targets, and general program descriptions and spending levels.**

Areas of General Agreement

The Collaborative agrees on the importance of flexibility to modify program design and implementation, as programs gain market acceptance and penetration, to maximize gas energy efficiency. The Commission should allow the PAs to modify program design and implementation, within a budget cap. Any significant changes in program design and implementation would be filed with the Commission, as would PA proposals for modifications on which concurrence cannot be obtained. There was general agreement regarding target funding allocations among three primary customer classes defined as low income, non low income and commercial/industrial. Existing program allocations are: 50% low income (as defined by programs currently administered by NYSERDA); 25% non low income; 25% commercial/industrial.

To the extent feasible, all gas efficiency programs would be integrated and coordinated with ongoing and prospective electric and steam efficiency programs. Customers will be offered a consistent message, platform and vehicle to communicate with the PAs regarding efficiency programs, information, offerings, rebates and enabling technologies. A PA contacted by a customer or trade ally, who should be working with one or more other PAs (including Con Edison, NYSERDA, NYPA, and/or National Grid), will make that connection as seamlessly as possible.

Collaborative Comments

- Con Edison believes the Study provides the necessary support and foundation to build an initial portfolio of gas efficiency programs, including a potential annual funding level of $25 million and 6 million therms in savings over the long term As noted below, however, Con Edison believes, that for RYs 2 and 3, program funding levels and therm savings should be lower to account for ramp-up.
- The City contends that GDS's estimate of economic potential is understated, due to the exclusion of certain measures that GDS characterized as early replacement. Many of the measures that GDS says it excluded (response to City question 7a) are not properly characterized as early replacement.[7] In the residential and commercial sectors, GDS excluded such measures as retrofit insulation of walls, basements, crawl spaces, attics and attic hatches; low-flow shower heads; turning down water-heater temperature; hot-tub and pool covers; duct sealing; and air sealing[6]. The City contends that in certain circumstances early replacements can make economic sense, and should be considered in the gas efficiency program that is adopted. This is also consistent with the findings of the 2006 Optimal Report.[6]
- The City provided a matrix of program design and administration based on programs recommended in the Study. The City believes the avoided costs, delineated in the GDS Study, and thus the estimates of gas efficiency potential, are understated and that all measures that passed Optimal's screening should be deemed to be cost-effective.
- The City supports a starting budget for gas efficiency programs in Con Edison's service territory that would start at approximately $25 million annually, with the expectation that the programs will ramp up to higher spending levels in RY 3. Substantial increases in the budget, if appropriate, would be recommended by the Collaborative for Commission consideration and approval.
- Staff believes that the program budget design should be flexible and scaleable in order to allow for changes in funding. Additionally, funding for the low income programs should be

[7] GDS response to City Comments in Appendix D

proportional to the ratio of low-income customers to total residential customers in Con Edison territory.

- The County believes after reviewing the schedules, revised matrix, and the basic document that it is clear that Westchester is mentioned twice but otherwise this program forgets that Westchester is part of the service territory. Westchester must have full access to all of the proposed programs and must be included in any planning groups and be afforded the full opportunity to participate in the programs and the decisions that are made affecting these programs.
- NYSERDA recommends that an all-fuels, integrated program approach be utilized to design the most cost-effective and energy savings-effective program, as required by the 1/11/08 Recommendation. NYSERDA proposed program funding levels within its existing program portfolio of approximately $17 million annually with first year savings of 4.2 million therms at a cost of approximately $4.00 per therm. (Appendix E)
- NYSERDA stated that if the Collaborative desired to include other programs not listed on the Budget Proposal, the Collaborative could either add the program plus additional funding or reallocate the $17 million finding proposed by NYSERDA. NYSERDA repeatedly stated that a final determination must be made on the recommendation of specific programs in conjunction with other decisions (i.e. selection of lead PA, payment or appropriateness of utility performance incentives) can be finalized. NYSERDA maintains that the Collaborative was unable to do this in the short time frame available.
- NYECC recommends NYSERDA provide guidance to the Collaborative on the merits of re-allocating funding levels among its programs for RYs 2 and 3 in recognition of consumer response to those programs and other evidence of the viability and practicality of maintaining such funding levels. NYECC recommends the total funding programs, to be administered by NYSERDA, be curbed to no more than the same level in RYs 2 and 3 as it has been in RY1 ($14 million). NYECC further recognized the potential merit of shifting funding levels among individual programs.
- AEA recommends that the calculation of the low-income share of gas efficiency program funds in Con Edison territory should recognize tenants of apartment buildings as direct beneficiaries of heating and hot water related energy efficiency measures.

- Pace and NRDC support a budget level of at least $25 million in RY2 with an increased amount in RY3, as per the City's annual budget recommendation as stated above.
- The New York Oil Heating Association, Inc. (NYOHA) states that the energy efficiency funds made available to Con Edison customers should not be used to promote or fund oil-to-gas conversions. NYOHA notes that there are already sufficient incentives for Con Edison to facilitate oil-to-gas conversions and encourage conversion customers to obtain high efficiency equipment without utilizing ratepayer funds allocated to gas efficiency programs. NYOHA contends that this position is consistent with the Commission's Order dated May 16, 2007 in Case 03-G-1671 which established Con Edison's gas efficiency program for the 2007-08 heating season.

RECOMMENDATION

Based on Collaborative input, Con Edison recognizes the prudence of a gradual ramp-up from the current $14 million dollar funding level and related transition issues from a single PA to a dual PA structure. Con Edison recommends establishing a total budget, regardless of PA allocations, up to $17 million in RY2 and up to $20 million in RY3, with a therms savings target up to 2-3 million therms in RY2 and up to 4-5 million therms in RY3. Overall, Con Edison recommends that the PAs seek to contract up to 6-8 million therms in total over the two years in question. If authorized by the Commission to proceed, Con Edison would file implementation plans, which would include final program funding levels and savings amounts, .and Con Edison would work with NYSERDA to identify and fill market gaps. Moving from current levels of approximately 1 million therms saved/year (NYSERDA) to potentially 3-4 million therms saved /year is aggressive. In order to achieve these therm savings targets, the PAs, with cooperation from all stakeholders, will need to work closely together to expedite implementation of gas energy efficiency programs.

Con Edison will integrate oil-to-gas conversions with other energy efficiency opportunities, including providing incentives for higher efficiency equipment installed. However, during the term of the rate plan, a separate funding source, outside the gas energy efficiency program, was provided for oil-to-gas conversions. As such, any funding related to oil-to-gas conversions will remain outside of any gas energy efficiency program funding during the rate plan unless modified by the Commission.

CON EDISON FINANCIAL INCENTIVES

(iv) Con Edison will have the opportunity to earn financial incentives if it administers the Program during RYs 2 and 3. The Report may also establish a basis for Con Edison to have the opportunity to earn such incentives even if NYSERDA is the administrator. The Report will include a recommendation as to the appropriate level of the incentives that may be earned if Con Edison or NYSERDA administers the program and how such incentives would be calculated.

Areas of General Agreement

The Collaborative, other than NYSERDA, agreed in principle that Con Edison should be allowed some level of financial incentives (above cost recovery) tied to performance, whether Con Edison is the administrator of a program or is in a supportive role if NYSERDA is the PA. The Collaborative believes that while a Revenue Decoupling Mechanism (RDM) is an effective tool in enabling energy efficiency, it only provides for the removal of the disincentives that utilities may have for implementing and participating in energy efficiency programs. The Collaborative agreed, generally, that for robust programs to be delivered by utilities, an incentive mechanism should be provided that aligns the rate payer and shareholder interests.

Most of the Collaborative members thought that incentive payments should be tied to performance, with many Collaborative members, excluding Con Edison, advocating for the use of a symmetrical disincentive or revenue adjustment for Con Edison for sub-par performance. Members of the Collaborative thought that the exact incentive structure formula needed to be designed in the context of specific programs, and that more analysis would be needed to calculate exact incentive figures.

Collaborative Comments

- Con Edison believes that for energy efficiency to be a core part of Con Edison's business, it must be treated similarly to the rest of Con Edison's business. Con Edison accordingly believes that investment in energy efficiency should provide a return equivalent to supply-side investments. Con Edison initially recommended a performance incentive equivalent to 10.7% of net resource savings up to and including an annual therm savings goal. In addition, Con Edison initially proposed an incentive of 13.2%, of net resource savings in excess of the annual therm savings goal. For example, based on the Study's proposed budget and programs, over a two-year period, the total Net Resource Savings would generate approximately $66 million in benefits for Con Edison ratepayers, and would result in an incentive of approximately $7 million for Con Edison.
- Staff recommends an incentive structure for Con Edison, similar to that contained in the EEPS Straw Proposal. The EEPS Straw Proposal advocates a benefit based approach which would establish a set percentage of earnings based on the percentage of the savings goal. The EEPS Straw Proposal also advocates that the incentive structure contain a penalty for instances where Con Edison falls significantly short of the savings goal.
- The City views a financial incentive as advantageous in engaging enthusiastic participation from Con Edison, which the City believes is important in maximizing savings and benefits. The City recommends that Con Edison receive a performance incentive that begins only after savings reach a substantial percentage of the target, and that there be some disincentive for poor performance. The City would prefer an incentive that is partially based on net resource benefits and partially on other considerations, such as distributional goals among customer segments. The City also believes that the utility incentive should be a relatively small part of the total budget.
- The City also contends that:
    - Con Edison has not to date sufficiently documented or explained its proposed incentive structure.
    - Con Edison's proposal is not based on the TRC test. It ignores participant costs, and would thus reward Con Edison for program changes that decrease Con Edison costs, even if the program increases participant costs much more.

- Con Edison's proposed 10.7% and 13.2% incentive shares are not based on analysis. The 10.7% is Con Edison Gas's allowed ROE on invested capital, which has no logical connection to the incentive share.
- Con Edison should earn a "return on its investment in energy efficiency equivalent to its supply-side investments." Con Edison's "investment in energy efficiency" is limited to any time lag from the time Con Edison spends money on energy efficiency and the time it recovers its costs. Con Edison's net investment may be negative at times.
- Con Edison's proposed incentive is not a return on investment, as Con Edison will not have any net investment after the brief cost-recovery period. The net benefits used in its computation are not Con Edison's investment.
- The City recommends that to the extent possible, the Collaborative or a successor body continue working on the design of an incentive mechanism, taking into account any guidance the Commission may offer in this docket or the EEPS proceeding.

- NYECC is generally opposed to any performance incentives for Con Edison achieving the consumption reduction targets. NYECC remains convinced that the effective implementation of the RDM is intended to remove those disincentives that would discourage the Company from supporting energy efficiency. However, NYECC recognizes the value of a structure that includes incentives and penalties that would reward Con Edison for savings results that significantly exceed the targets set forth in the Study-as long as Con Edison would commit to comparable penalties if Con Edison fails to attain a reasonable objective percentage of such targets.
- NYSERDA does not support utility performance incentives for Con Edison, without full disclosure of the impact to ratepayers, and incorporation to cost effectiveness decisions regarding program and administrator selection.
- Pace recommends that Con Edison receive a performance incentive based on actual verified performance, subject to independent verification. The award of incentives should be scaled, with higher incentives for higher achievement, and the opportunity to earn greater incentives for exemplary performance beyond the base target, so as to maintain Con Edison's incentive to pursue cost-effective efficiency beyond that point. Pace states that it is essential that penalties be included for poor performance.

- AEA agrees with Pace in recommending that Con Edison receive a performance incentive based on actual verified performance, subject to independent verification. The award of incentives should be scaled, with higher incentives for higher achievement, and the opportunity to earn greater incentives for exemplary performance beyond the base target, so as to maintain Con Edison's incentive to pursue cost-effective efficiency beyond that point. AEA believes that penalties should also be included for poor performance below some dead-band, e.g., below 65% of targeted performance levels.
- NRDC recommends that performance incentives be awarded for cost-effective gas efficiency and ideally be based on total resource net benefits. In addition to goals that support the achievement of the 15 by 15 target, additional goals tied to other criteria, such as low income participation, should be set, as well, to avoid focusing only on savings to the potential detriment of considerations such as equity and comprehensiveness. NRDC supports scaled incentives, starting at a minimum performance standard of 85 percent of the base gas savings goal. At that level, Con Ed should earn an incentive of 9 percent of net benefits, which should be increased to 12 percent if they meet or exceed their goal. Thus, consumers would receive 91 and 88 percent of net benefits, respectively. NRDC also believes that penalties should be assessed per therm for each unit below the goal if Con Edison's performance falls to or below 65 percent of the base goal.

RECOMMENDATION

Con Edison recommends that, for Con Edison's investments in energy efficiency, it should be provided a return equivalent to Con Edison's supply-side investments. If authorized by the Commission to proceed, Con Edison would file proposed incentive levels with its implementation plans and details concerning the calculation of such incentives.

The Report may also establish a basis for Con Edison to have the opportunity to earn such incentives even if NYSERDA is the administrator.

Areas of General Agreement

Most members of the Collaborative, except NYSERDA, believed that Con Edison should be allowed to earn an incentive on Con Edison's efforts to support another PA in implementing gas efficiency measures. Most of the Collaborative stated that incentive payments should be tied to performance, with many Collaborative members advocating for the use of a symmetrical penalty on Con Edison for sub par performance. All members of the Collaborative thought that payment for Con Edison supporting NYSERDA in program administration should be commensurate with the effort expected of Con Edison. Members of the Collaborative thought that the exact incentive structure formula needed to be designed in the context of specific programs and that more analysis would be needed to calculate exact incentive figures.

Collaborative Comments

- In the case where Con Edison assumes a support role (non-administrator), Con Edison recommends that it receive the same performance incentive it would have received for administering the program.
- The City supports a financial incentive for Con Edison in a supportive role. The City believes that Con Edison's incentive should be proportionate to Con Edison's role.
- NYSERDA believes that the Collaborative, due to time constraints, never agreed on a definition of "supportive role." Con Edison currently is supporting the NYSERDA run programs in its territory. Con Edison, upon receiving a customer call, refers the customer to participate in a NYSERDA program and NYSERDA does not believe that such an act warrants any utility performance incentive payment. However, if the utility expends time or financial resources to support a program, such costs should be reimbursed to the utility.
- Staff would consider supporting an incentive structure for Con Edison, in a support role to NYSERDA, if the incentive structure included a benefit-based approach and penalty structure.
- Pace, NRDC and AEA and NYECC agree with Staff's position, insofar as there are agreed upon measurable support roles that can adequately be assessed to determine the incentive or penalty amounts.

RECOMMENDATION

In a supportive role, Con Edison recommends that, for Con Edison's investments in energy efficiency, it should be provided a return equivalent to Con Edison's supply-side investments. Con Edison would file proposed incentive levels, if ordered by the Commission.

OUTREACH, EDUCATION & MARKETING (OE&M)

(v) **The Report will explain how much of the funding for the program will be for outreach and education and marketing ("OE&M") components and the budget to be established for those amounts (the program will include funding for outreach and education by Con Edison even if NYSERDA is determined to be the sole administrator). The OE&M components will incorporate any customer information and requests (e.g., requests for interconnection, new customer referrals, expanded load) about which the City or County possesses knowledge.**

Areas of General Agreement

The Collaborative has not discussed OE&M by program in any detail. Estimates of OE&M can be detailed and forwarded to the Commission when programs are developed.

Collaborative Comments

- Con Edison believes that the Program Administrator (PA), in conjunction with trade allies, must have significant experience with providing information to consumers about efficient natural gas equipment and explaining bill-savings opportunities. A strong communication platform along with regular and persistent exposure at the local or community level will be required. The PA should have database management skills, customer identification expertise, understanding decision drivers, experience with end-user equipment, and market behavior. Finally, maintaining existing and building new customer relationships will remain a key factor in the success of all energy-efficiency program efforts, particularly since natural gas efficiency improvements often require large capital investments.

Marketing this suite of programs will require significant expertise and an array of marketing methods. Among the necessary marketing tools will be a website that offers both advice on and one-stop shopping for energy-efficiency materials and resources, print advertisements, direct mail, bill inserts, cooperative advertising, articles in trade association newsletters, booths at trade shows and conferences, and personal visits to customers. The result of all these efforts will be to provide customers with multiple points of contact on gas energy efficiency so as to reinforce the message and encourage customers to take advantage of efficiency programs. Depending on the final budget, customer allocation and the specific programs for which Con Edison is the administrator, Con Edison supports a range of 8-12% of program funding levels for OE&M.

- The City believes that OE&M costs should not depend on which party administers the program, as Con Edison may provide OE&M for programs run by NYSERDA or KeySpan, and a single outreach component (such as a call center or an advertising purchase) may guide customers to more than one program. OE&M should be developed for the integrated City-wide programs, covering electric and gas programs administered by NYSERDA, Con Edison, and KeySpan. The City also believes that all PAs should leverage existing NYSERDA marketing materials and platforms.
- NYSERDA included OE&M in Appendix E.

RECOMMENDATION

Con Edison recommends that there should be developed an integrated OE&M program for gas energy efficiency that includes electric and gas programs administered by NYSERDA, Con Edison, and KeySpan/National Grid. Depending on the final budget, customer allocation and the specific programs for which Con Edison is the administrator, Con Edison supports a range of 8-12% of specific program funding levels for OE&M.

MONITORING, VERIFICATION AND EVALUATION (MV&E)

(vi) The Report will explain the nature and extent of the monitoring, verification, and evaluation ("MV&E") that should be performed with regard to measures and activities conducted under the program.

Areas of General Agreement

The Collaborative agrees that rigorous MV&E is required to support and substantiate therm savings derived from gas energy efficiency programs. Furthermore, the Collaborative recognizes that statewide MV&E protocols are being discussed in the EEPS proceedings. There was substantial consensus that there must be among all PAs for MV&E standards and requirements. The Collaborative recognizes that the current MV&E funding levels of 2% of program costs may not be sufficient for the rigor required. NYSERDA indicates that national MV&E funding levels range from 2% to 8%.

The Collaborative reached consensus that the gas efficiency programs should be subject to the MV&E standards developed in the EEPS process, as applied to Con Edison's gas territory and be implemented by independent third-party contractors. In the event the EEPS process has not been completed by September 30, 2008, the Collaborative could reconvene to determine the MV&E requirements for these programs.

Collaborative Comments

- Con Edison supports rigorous MV&E that ensures savings are tested, real and verified, and can be factored into an integrated resource plan that accounts for supply planning for design-day conditions. Consequently, Con Edison believes that MV&E should include comprehensive monitoring through some sampling, on-site audits and evaluations performed by third party independent contractors. Con Edison expects that statewide MV&E standards will be developed as part of EEPS and the PAs would default to those to the extent MV&E protocols and practices are developed for gas and appropriate for New York City and Westchester County. The March 25, 2008 DPS Staff Report on Recommendations for the EEPS Proceeding suggests a funding level for MV&E up to 5% of program funding. Depending on the final budget, customer allocation and the specific programs for which Con Edison is the administrator, Con Edison would support a funding level range of 5-7% for MV&E.

- The City believes that MV&E should be sufficiently detailed to support payment of rebates and other incentives (e.g., verification of installations); determination of program and measure cost-effectiveness for future years' programs (including participant costs and persistence); improvement of program design and implementation (process evaluation); computation of shareholder incentives; and gas-supply planning, with respect to expected load reductions from programs over the next few years. Actual system loads will reflect installations as they occur, and gas supply planning usually requires Con Edison to make new commitments only a few years into the future. Hence, gas-supply planning usually requires MV&E only to support estimates of load effects for installations in the near term. The MV&E required for each of these roles will vary among programs. For example, programs and measures that are strongly cost-effective require much less attention for cost-effectiveness review than do marginal programs. Based on experience, the City expects MV&E costs to average about 3–5%.

- NYSERDA believes that further discussion is necessary on the issue of third party oversight and level of evaluation on any programs that utility performance incentives are to be paid. A distinction may be appropriate in such cases, but due to time constraints, an in-depth discussion could not be concluded.

- NYSERDA proposes that the current MV&E, being performed on the NYSERDA existing programs, be continued until further direction is provided pursuant to the EEPS proceeding.

RECOMMENDATION

Con Edison will review current MV&E methods utilized in its targeted electric programs, current best practices in the market and NYSERDA's deemed savings database to determine what improvements or modifications would need to be made to ensure the robustness or rigor that Con Edison suggests for gas energy efficiency programs. Con Edison recommends that when the Commission reaches its decision regarding this report for gas energy efficiency programs, MV&E protocols and budget should be filed with program implementation plans. Con Edison recommends that all PAs use consistent MV&E protocols. To the extent that MV&E protocols are established by EEPS then MV&E plans would be evaluated and changed where appropriate.

PROGRAM COST RECOVERY

(vii) The Report will evaluate and recommend a method of recovery for program costs for RYs 2 and 3 (e.g., through a surcharge).

Areas of General Agreement

Currently, the cost of gas efficiency programs (Transitional Program RY1) is recovered through the MRA.

Collaborative Comments

- The Collaborative is satisfied with that mechanism.

RECOMMENDATION

Con Edison should continue to recover RY2 & RY3 program costs through the MRA, unless otherwise ordered by the Commission as an outcome of the EEPS proceedings.

ENERGY EFFICIENCY PORTFOLIO STANDARD

(viii) The Report will consider any developments related to gas efficiency in Commission Case No. 07-M-0548 - Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard

Areas of General Agreement

EEPS has not addressed gas efficiency programs in any depth to date. There have been no orders issued for gas efficiency programs in the EEPS proceeding to date. Gas efficiency initiatives have been moving on a slower track than electric efficiency.

Collaborative Comments

- NYSERDA has suggested to the Collaborative several times that it consider an extension request on the submission of the report for two primary reasons: first, to wait and see if an order would be filed in the EEPS proceeding to provide some direction/guidance and, secondly, because NYSERDA opines that the Collaborative has not fully discussed the issues as outlined for inclusion in the JP.
- While the City agrees that certain issues from the JP have not been fully resolved in this Collaborative, the City supports the timely filing of this Report, while acknowledging that additional work is likely to be required by this Collaborative and others, both before and after the decisions or directives made in the EEPS and further Commission action in this case.

RECOMMENDATION

Con Edison will, and most other members of the Collaborative have indicated that they will, continue to participate in and monitor the outcome of the EEPS proceedings. To ensure that efficiency programs are implemented quickly, Con Edison recommends the Commission issue a decision on gas efficiency programs substantially in advance of the commencement of RY2 (October 1, 2008) regardless of the status of the EEPS proceeding.

LEGISLATIVE OR REGULATORY OPPORTUNITIES

(ix) The Report may also identify legislative and/or regulatory opportunities, such as improvements in energy building codes or establishing state and federal efficiency standards for residential and commercial products that could achieve gas efficiency in Con Edison's service territory.

Areas of General Agreement

The Collaborative acknowledges there is value in aggressive implementation of improvements in building codes and standards (including appliances) that would contribute to achieving the State's 15x15 goals.

Collaborative Comments

- NYECC strongly favors an allocation of some of the programs funds collected in this proceeding, not to exceed $50,000 in total ratepayer funds, and drawn equally from the funds allocated to Con Edison and NYSERDA, to support design and implementation of local energy and building codes and standards.
- The City is already actively engaged in updating its building codes and standards in order to meet PlanNYC's ambitious energy efficiency targets. Any initiatives regarding the updating standards and codes should be closely coordinated with ongoing City efforts.

RECOMMENDATION

Con Edison supports changes to codes and standards as an important part of overall energy efficiency strategy for New York City and Westchester County. However, at this time, Con Edison recommends not using rate payer funds to support changes to codes and standards. If authorized by the Commission to proceed, Con Edison will address in its implementation plan whether additional resources would be necessary for this function.

INTERRUPTIBLE GAS CUSTOMERS

Areas of General Agreement

The interruptible market amounts to nearly 20 million dekatherms and consists of different size customers with a range of alternate fuels, operating constraints and decision economics. The Collaborative generally agreed that the size of the interruptible market warrants further consideration and study. Should interruptible customers be included in RYs 2 and 3, the Collaborative agreed participation should be voluntary through the use an opt-in provision or comparable mechanism. The interruptible market is complex and requires further analysis to address related issues.

Collaborative Comments

- Con Edison believes the interruptible gas customer market should be considered as part of the gas energy efficiency program portfolio and states that interruptible customers will often pay as much as 10 to 20 percent more on an equivalent BTU basis to consume natural gas than fuel oil. Consequently, the imposition of a gas surcharge does not appear to be an influencing factor for most interruptible customers. Con Edison also believes that interruptible customers using less than 10,000 dekatherms where the alternate fuel is number 2 oil have not been historically price sensitive. Con Edison sums up its position in favor of including interruptible customers by stating that including the interruptible gas market in the gas efficiency program has a stream of benefits which clearly outweigh any potential negative implications. Indeed, encouraging efficiency across all gas markets results in attaining a net decline in gas usage, better operating standards, increased comfort for residential and commercial tenants, condo and coop owners and commercial properties, and a reduced carbon footprint for the thousand of buildings, institutions and businesses in New York City and Westchester County.

- Initially, Staff notes that, in the Ruling Presenting Straw Proposal (Straw Proposal) issued February 11, 2008 in Case 07-M-0548 (the EEPS Proceeding), the Administrative Law Judges made the following statement: "Interruptible customers will neither contribute toward, nor participate in, Phase I of the program" (Straw Proposal at p. 22).
- Further, Staff has a number of questions and concerns regarding the company's proposals as discussed below. In light of those concerns, which involve complicated issues that need to be addressed and resolved, Staff believes that any consideration of gas efficiency programs for interruptible customers should await resolution of these issues in the EEPS Proceeding.
- First, Staff requests that the company provide data to support the contentions that 1) certain interruptible customers are not price sensitive, or 2) that they will often pay a 10 or 20 percent premium to burn natural gas instead of their alternate fuel.
- Second, Staff is concerned that imposing a surcharge on interruptible customers who are price sensitive could lead to increased petroleum use with attendant increased air emissions. Such a scenario is of significant concern in a geographical region as environmentally sensitive as New York City.
- Third, Staff is also concerned that the company has failed to consider the bill impacts on firm customers. In the company's current rate case agreement, an amount of revenues from delivery to interruptible customers was imputed into the company's revenue requirement used to calculate delivery rates. Any revenue from deliveries to interruptible customers above that imputed amount is shared between firm ratepayers and shareholders. The ratepayer portion is credited to customers, directly reducing costs to firm ratepayers.
- Compounding this issue is the fact that rates for interruptible customers are capped by the prevailing firm customer rates. The delivery rates paid by interruptible customers are variable and determined by the market price of their alternate fuel resulting in a limited amount of margin that the company can capture from interruptible customers. If the amount of an efficiency surcharge applicable to interruptible customers exceeds the margin between the interruptible rate and the alternate fuel price, customers will have an added incentive to switch to that alternate fuel. The company needs to demonstrate the viability of including a surcharge within these constraints.

- Additionally, an interruptible customer has no requirement to take a certain amount of natural gas from the company. There is no guarantee that, even if the interruptible customer continues to use natural gas. the customer will take enough to pay back the cost of the programs they are offered. If there is a shortfall, the company would need to demonstrate how those program costs would be recovered. Staff's contention is that firm ratepayers should not have to pay for interruptible customer efficiency programs. Also, the imposition of a non-bypassable charge for interruptible customers, whether they use or do not use gas, could be interpreted to be in conflict with the law (Kvarsky).
- As a means of addressing another complicating factor, the company needs to demonstrate how its revenue decoupling mechanism would potentially be modified to include interruptible customers. Staff believes that, if interruptible customers take part in efficiency programs, there needs to be a cost recovery mechanism that ensures that those customer classes pay for the benefits they receive. The creation of such a mechanism should not be done before the company's next rate case, at which time the imputation of interruptible revenues might need to be adjusted to ensure that rates are established appropriately for firm customers. Lastly, the company's revenue decoupling mechanism would need to account for revenues lost from interruptible customers.
- In light of these concerns, which involve complicated issues that need to be addressed and resolved, Staff believes that any consideration of gas efficiency programs for interruptible customers, including on-bill financing of efficiency programs, should await resolution of these issues in the EEPS Proceeding.
- AEA supports Con Edison's recommended inclusion of the smaller interruptible gas market customers (including large numbers of multifamily apartment buildings) in its gas efficiency programs. Finding some solution to overcome Staff objections to inclusion of these customers is critically important to support an "all hands on deck" strategy of creating an alliance of all stakeholders in pursuit of the "15 by 15" objectives.

- The City generally agrees with Con Edison that means should be found to permit interruptible customer to be eligible for participation in gas efficiency programs. Con Edison indicates that smaller customers do not use a great deal of oil or switch readily to oil in response to small increases in gas prices; the City believes that is this contention is correct, this group could simply be included in the gas energy-efficiency program with firm customers. For larger interruptible customers, the City suggests that each customer be allowed to opt into the energy-efficiency program. Such customers will benefit from the program with respect to both their gas use and their oil use.
- The NYECC remains strongly opposed to the mandatory inclusion of interruptible consumers in the gas efficiency program.
- NYSERDA stated that since the existing programs do not include interruptible customers, a policy change should not be made until the EEPS proceeding determination.

RECOMMENDATION

Con Edison recommends that the decision addressing the interruptible gas customer market should be deferred until there is resolution in the EEPS Proceeding. Con Edison maintains that all gas markets should be positioned to access gas efficiency incentives assuming program benefits/costs are fully recognized across all markets and rate classes. Con Edison agrees additional review is warranted concerning potential cross subsidization, impact on RDM, customer decision economics, surcharge implementation, revenue losses and cost recovery. This assessment would include and consider the various sub-sectors that constitute the interruptible market.

When the issues outlined above are clarified, a pilot initiative may be appropriate. One sub-sector of the interruptible market that could be considered includes temperature-controlled interruptible gas customers using less than 10,000 dekatherms and employing number 2 oil as the alternative fuel. The pilot would be limited to no more than 20 customers that voluntarily agree to opt-in to the gas efficiency program. In return for access to the gas efficiency program, an annual surcharge would be established and imposed.

Appendix A

COLLABORATIVE MEMBER ORGANIZATIONS

The following list contains names of parties that attended at least one Collaborative meeting or were represented by another party at the Collaborative meeting(s):

Association for Energy Affordability (AEA)

City of New York (City)

Consolidated Edison Company of New York, Inc. (Con Edison)

Consumer Protection Agency (CPA)

Consumer Protection Board (CPB)

New York State Department of Public Service (Staff)

IDT Energy

KeySpan Energy/National Grid

Natural Resources Defense Council (NRDC)

New York City Economic Development Corporation

New York Energy Consumers Council, Inc. (NYECC)

New York Oil Heating Association, Inc. (NYOHA)

New York State Energy & Research Development Authority (NYSERDA)

Pace Energy and Climate Center (Pace)

Rochester Gas & Electric (RG&E)

New York State Electric & Gas (NYSEG)

Westchester County (County)

CON EDISON GAS EFFICIENCY COLLABORATIVE PROGRAM DEVELOPMENT AND REPORT WORKPLAN

	TASK	RESPONSIBILITY	Start	Finish
	Next collaborative meeting	All parties	1/14/2008	1/14/2008
1	**Program Administrator (i)***			
a	Up-date program administration, reflecting EPS working group progress	All parties	2/15/2008	
b	Collaborative discussion on program administration	All parties	2/15/2008	
c	Collaborative comment on program administrator due to Con Edison			3/21/2008
d	Draft Final Collaborative comments for inclusion in report compiled for Collaborative	Con Edison		4/1/2008
2	**Gas Efficiency Goals (ii & iii)***			
a	Program potential study complete	GDS/Con Ed	2/15/2008	
b	Collaborative review of study, identify issues of program design, savings goals, and budget issues for discussion	Non-utility parties	2/15/2008	
c	Collaborative discussion of funding recommendations informed by Study (Bomke)	All parties	2/15/2008	3/14/2008
d	City & County discussion of unique information available regarding customer planning & economic development and other stakeholders who can work with Program	All parties	2/15/2008	3/14/2008
e	Collaborative Comment of program designs, savings goals, budgets, program administration due to Con Edison	All parties		3/21/2008
f	Draft Final Collaborative comments for inclusion in report on programs designs, savings goals, budgets, funding recommendations compiled for Collaborative			4/1/2008
3	**Incentive Mechnism (iv)***			
a	Collaborative discussion on performance incentive mechanism	All parties	2/22/2008	3/14/2008
b	Collaborative comments and statements of disagreements on performance incentive mechanism due to Con Edison	Con Edison		3/21/2008
c	Draft final comments for inclusion in report performance incentive mechanism, level compiled for Collaborative	All parties		4/1/2008
4	**Measurement Verification & Evaluation(v)***			
a	Collaborative discussion for MV&E plan	Con Edison	1/14/2008	3/14/2008
b	Collaborative Comments to MV&E plan due to Con Edison	All parties		3/21/2008
c	Draft final Collaborative comments for inclusion in report and statement of disagreements on MV&E plan compiled for Collaborative	Con Edison		4/1/2008
5	**Report (vi, vii, viii)**			
a	Draft report	Con Edison	3/21/2008	4/1/2008
b	Collaborative review of draft report & Draft Final Collaborative comments for all components	Non-utility parties		4/4/2008
c	Prepare final report	Con Edison		4/9/2008
d	**Final collaborative review of report and description of disagreements**	**Non-utility parties**		4/11/2008
e	Collaborative report filed with the Commission	Con Edison		[illegible]
f	**Dissenting parties file comments on Report**	**Non-utility parties**		

* Reflects JP article

NEW YORK CITY RECOMMENDED EFFICIENCY PROGRAM DESIGNS AND ADMINISTRATION FOR CON EDISON GAS
RESIDENTIAL SECTOR

Market	**Market-Driven Lost-Opportunity[1]**							**Discretionary[1]**			
	Residential Construction				**Residential HVAC**		**Retail Products and Appliances**	**Residential Retrofit**			
Segment(s)	**1-4 unit**		**Multifamily**		**Furnaces, boilers, water heaters**		**Stoves, dryers, dishwashers, clothes washers**	**1-4 unit**		**Multifamily**	
	Low-Income	**Non Low-Income**	**Low-Income**	**Non Low-Income**	**Electricity**	**Gas**		**Low-Income**	**Non Low-Income**	**Low-Income**	**Non Low-Income**
Administrative Lead	NYSERDA with Con Ed's support							DHCR[2]	Con Edison with NYSERDA's support	DHCR[2]	Con Edison with NYSERDA's support
Rationale	Current administration of existing programs is successful. These programs have the best prospects for complete integration with electric efficiency in existing programs							Existing Structure	Relationship with building management integration	Existing Structure	Relationship with building management
Coordination and Integration	Con Edison's targeted electric DSM program KeySpan/National Grid				NYSERDA Electric HVAC program	KeySpan/Grid Gas heating equipment program	Electric products/appliance program Keyspan/Grid appliance program	Con Edison's targeted electric DSM program KeySpan/National Grid NYPA			
Supporting Responsibilities	City, ConEd - Identification of new customers - Marketing and business development assistance - Customer data to support analysis and reporting				City, ConEd - Customer information - Marketing and business development assistance					NYSERDA - Technical assistance - Marketing support - Project referrals from other NYSERDA programs	
GDS program(s) incorporated	Residential Energy Star Homes				Residential high-efficiency heating Residential high-efficiency water heating Advanced residential controls		Residential Energy Star replacement windows	Residential Low-income 1-4 units	Residential Weatherization Non Low-income	Residential Low-Income 5+ units	Multifamily Non Low-income
NYSERDA's Existing Programs	Assisted Energy Star Labeled Homes Program	Energy Star Labeled Homes Program	Multifamily Performance Program		Home Performance with Energy Star Program. Multifamily Performance Program. Energy Star Labeled Home Program		Energy Star Products Program[3]	Assisted Home Performance Program Empower Program	Home Performance with Energy Star Program	Multifamily Performance Program	
Recommended Changes to Program Strategies (either current or in GDS report), to Maximize Cost-effective Savings	Develop prescriptive incentives and comprehensive incentives for a menu of packages	Raise financial incentives to cover full incremental costs of high-efficiency homes Develop prescriptive incentives and comprehensive incentives for a menu of packages	Develop prescriptive incentives and comprehensive incentives for amenu of packages	Raise financial incentives to cover full incremental costs of high-efficiency homes Develop prescriptive incentives and comprehensive incentives for menu of packages	Financial incentives to cover 80-100% of incremental cost of premium efficiency		Replicate New England's approach to establishing cooperative agreements between NYSERDA manufacturers and retailers to lower retail prices for premium-efficiency products	Provide additional funding for cost-effective gas efficiency retrofits including early-retirement of existing heating equipment Increase financial incentives to landlords	Direct installation of all cost-effective electric and gas efficiency measures except extended financing and customized incentives for "big-ticket" retrofits including early retirement	Increase financial incentives for - Landlords - Building-wide efficiency opportunities - Common-area efficiency opportunities	Integrated in-unit and common-area efficiency services Combined electric gas and water efficiency measures Prescriptive and customized financial incentives

Notes
1 NYSERDA does not necessarily agree with the division of the segments but lists our programs accordingly
2 Federal programs are for those 60% and below the state median income
NYSERDA programs are for 80% and below state median income so there may be overlap
3 Program not included in NYSERDA's 3/25/08 budget proposal but program already exists

Appendix D

Responses from GDS Associates for the City of New York
Bulleted Comments in Section (iii) Programs

NYC Question #1: Many of the measures that GDS says it excluded (response to City question 7a) are not properly characterized as early replacement.

GDS Response to #1: The GDS Response to New York City Question 7a provided a list of the measures that GDS removed from the March 2006 Optimal estimate of Economic Potential. The March 2006 Optimal Study states on page 2-6 that "Priority is given to market driven opportunities. In other words, for measures that we analyze from both a retrofit and market driven perspective, first we assume that all market driven opportunities are installed each year, at the time of planned investment. The remaining opportunities are captured as retrofit measures in 2016." GDS retained all of the market driven opportunities that were included in Optimal's March 2006 estimate of economic potential. GDS did remove from the Optimal economic potential estimates for the year 2016 those "remaining opportunity" measures that were captured as retrofit measures all at once in 2016.

NYC Question #2: In the residential and commercial sectors, GDS excluded such measures as retrofit insulation of walls, basements, crawl spaces, attics and attic hatches; low-flow shower heads; turning down water-heater temperature; hot-tub and pool covers; duct sealing; and air sealing.

GDS Response to Question #2: GDS did not exclude these residential and commercial energy efficiency measures from the recommended programs listed in Chapter 7 of the GDS report.

NYC Question #3: The City contends that in certain circumstances early replacements can make economic sense, and should be considered in the gas efficiency program that is adopted. This is also consistent with the findings of the 2006 Optimal Report.

GDS Response to Question #3: As noted in the GDS report and in the March Gas Collaborative Meeting of February 27th at CECONY headquarters, GDS recommends that the replace on burnout approach be the primary programmatic strategy for existing homes and businesses because it is more cost effective than the early replacement approach, much less expensive, and, given any fixed program budget, more customers can be served with a replace on burnout approach than with an early replacement approach. At the February 27th Collaborative meeting, CECONY staff agreed to include a limited budget for early replacement measures (as a secondary approach) where such measures are cost effective, are acceptable to a customer, and make business sense.

Appendix E

DRAFT NYSERDA BUDGET PROPOSAL FOR CON ED GAS PROGRAM March 25, 2008

Based on $17,000,000 Budget	**2009**	**2010**
TOTAL BUDGET ** (see note below)	**$17,000,000**	**$17,000,000**
Budget Residential Non-Low Income	**$3,549,395**	**$3,549,395**
Mutlifamily Performance Programs		
Existing	$1,242,388	$1,242,388
New Construction	$414,150	$414,150
Market Rate Gas Efficiency Performance Program	$300,000	$300,000
Single Family Homes Budget		
Energy Star Labeled Homes	$437,143	$437,143
Home Performance with Energy Star	$655,714	$655,714
Outreach, Education and Marketing	$500,000	$500,000
Budget Residential Low Income	**$7,854,375**	**$7,854,375**
Mutlifamily Performance Program		
Existing	$3,386,786	$3,386,786
New Construction	$1,128,929	$1,128,929
Low Income Gas Efficiency Performance Program	$900,089	$900,089
Single Family Homes		
Empower	$1,210,000	$1,210,000
Assisted Energy Star Labeled Homes	$291,428	$291,428
Assisted Home Performance with Energy Star	$437,143	$437,143
Outreach, Education and Marketing	$500,000	$500,000
Total Commercial	**$4,066,230**	**$4,066,230**
Existing C&I	$2,363,760	$2,363,760
New Construction	$787,920	$787,920
Financing	$225,120	$225,120
Technical Assistance	$225,120	$225,120
Outreach, Education and Marketing	$239,190	$239,190
Market Development	$225,120	$225,120
Cumulative Therms	**2,009**	**2010**
Total All Programs	**4,259,973**	**8,519,945**
Residential Non-low Income Total	768,375	1,536,749
Mutlifamily Performance Program		
Existing	333,080	666,160
New Construction	72,026	144,052
Market Rate Gas Efficiency Performance Program	120,000	240,000
Single Family Homes		
Energy Star Labeled Homes	147,683	295,367
Home Performance with Energy Star	95,585	191,170
Outreach, Education and Marketing	0	0

Appendix E

Residential Low Income Total	**1,315,506**	**2,631,012**
Mutlifamily Performance Program		
Existing	615,779	1,231,559
New Construction	133,128	266,257
Low Income Gas Efficiency Performance Program	300,030	600,059
Single Family Homes		
Empower including small MF buildings	113,402	226,804
Assisted Energy Star Labeled Homes	98,455	196,911
Assisted Home Performance with Energy Star	54,711	109,423
Total Commercial	**2,176,092**	**4,352,184**
Existing C&I	1,009,615	2,019,230
New Construction	312,500	625,000
Financing	84,746	169,492
Technical Assistance	769,231	1,538,462
Outreach, Education and Marketing	0	0
Market Development	0	0

** The $17M Budget amounts includes $1,530,000, as indicated below, for admin., and cost-recovery fees but does not include any budgeted amounts for MV&E, Codes and standards costs.

NYSERDA Administration (8%)	$1,360,000	$1,360,000
NYS Cost Recevery Fee (1%)	$170,000	$170,000
MV&E to be determined by collaborative	TBD	TBD
Codes and standards to be determined by collaborative	TBD	TBD
Total Admin. and cost recovery fees	**$1,530,000**	**$1,530,000**