NEW YORK STATE
PUBLIC SERVICE COMMISSION

Case 07-M-0548 – Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard.

RESPONSE OF THE INDEPENDENT ENERGY EFFICIENCY PROGRAM AND MUNICIPAL ELECTRIC UTILITY ASSOCIATION OF NEW YORK TO STAFF'S JUNE 13TH QUESTIONS

These responses are provided on behalf of the Independent Energy Efficiency Program ("IEEP") and the Municipal Electric Utility Association of New York ("MEUA").

The Independent Energy Efficiency Program is a product of New York's municipal electric utilities.

The municipal systems, through the MEUA, in partnership with the New York Power Authority ("NYPA"), have a long history of promoting energy efficiency and economic development. For example, in the 1990's, NYPA and MEUA joined in the award winning "Watt Busters" program. Thereafter, starting in about 1995, the MEUA's "Energy Efficiency Program" ("EEP") provided energy efficient technologies for both customers and municipal systems. The Independent Energy Efficiency program was started by 15 MEUA member systems in 2001 to carry on the work of the EEP. Currently, 25 members participate in the Independent Energy Efficiency Program ("IEEP"). Through 2006, approximately $9 million has been invested through the IEEP in energy efficiency for both system-wide and customer specific applications. IEEP programs range from such things as the Village Insulation Program, to energy efficient lighting for customers and communities, to energy efficient equipment at

wastewater treatment stations, and new energy efficient traffic lights that are 90% more energy efficient than traditional traffic signals.

The 2003 "Global Settlement" between NYPA and municipal public power systems, pursuant to which municipal electric systems secured low cost hydropower for another 22 years, requires the municipal electric systems to engage in an enhanced energy efficiency partnership with NYPA. Specifically, the "Global Settlement" provides (§ 1-3a): "[i]n consideration of the above described extension of the Systems' purchases of hydropower, the Systems also agree to work closely through MEUA with NYPA to implement expanded energy efficiency and energy conservation programs for their own use as well as for their retail customers. . . ."

Pursuant to that provision of the 2003 "Global Settlement," the MEUA and NYPA completed a study examining the potential for energy efficiency in the municipal and cooperative electric systems. That study concluded that there is "significant potential for cost-effective energy efficiency program activity" in the municipal and cooperative systems. Municipal electric systems are now eligible participants in the NYPA Statewide "Energy Services Program." Pursuant to that program, IEEP members can obtain up-front financing from NYPA for energy efficiency investment.

In general, the IEEP members collect program funds from their customers, and send that money to the IEEP. The IEEP keeps separate accounts for each member. IEEP members spend their own funds, derived from their own community in their own community. There is no "rate redistribution" among IEEP members. NYPA supervises and oversees the IEEP energy efficiency program.

Working together, the member municipal electric utilities have expanded the scope of the IEEP continuously since its inception in 2001. System benefit, energy efficiency, renewable resources and alternative energy have been accomplished by the municipal electric utilities of

New York. An increasing number of programs are available to the member customers of the IEEP.

IEEP members are currently regulated by the New York Power Authority and the Public Service Commission. Reporting requirements are in place and funding mechanisms are defined. The IEEP is designed for and by municipal utilities. The IEEP provides all operational, financial, administrative management and legal support inside a flexible structure where each municipal utility offers a program of energy efficiency to their customers based on the specific requirements of each individual utility's operating environment. In addition, the IEEP has constructed a broad base of suppliers, installers, retailers, and renewable resource suppliers to aid in the accomplishments of the member utilities and the member utilities' customers.

Response to Staff Questions

Q. 13. Particularly for the municipal electric utilities of the IEEP, utilities are best suited for delivery to their specific customer base. The size of the utilities in the IEEP range from a utility with 402 customers to a utility with 25,000 customers. The municipal electric utilities are best suited to deliver programs to their own customers. The IEEP is aligned with the activities of NYSERDA, the Public Service commission, NYPA and the NYISO. The efforts of the member municipal electric utilities are coordinated completely through the IEEP. Funds collected from member system of the IEEP are available to that system only. The private sector, suppliers, installers, retailers, and renewable resource contractors operate in support of the activities and are coordinated by the utility program. Energy efficiency initiatives would best be accomplished in the municipal utilities territory by the utilities themselves. The IEEP targets programs specifically for the operating circumstances of each individual system. Each IEEP member system provides a different set of programmatic options to their customers. These programs are integrated into the utility operation.

Q. 14. The IEEP has a series of formal and informal partnerships with organizations like NYSERDA, NYPA and the Department of Energy, particularly the Energy Star Program. The IEEP is specifically involved in the Energy Star lighting programs, including the Energy star appliance rebate program.

Q. 21. Response to Questions 21 and 22 are attached as Appendix A.

Dated: July 11, 2007
Albany, New York

Appendix A

RESPONSE TO STAFF QUESTION 22.

The IEEP and the municipal utilities that it represents provide unique challenges associated with cost and benefit and analysis of the programmatic activities. Specific challenges include operating environment, retail rates, wholesale rates and customer demographics. The program attempts to balance all realities in evaluating installed technologies and the value of those technologies from a value/reality based perspective. The IEEP is funded by the member utilities through rates, and the worth of the IEEP to customers is value based and customer focused. The three areas that contribute to the overall worth to member utilities is measured:

- **Installed Energy Efficiency**
- **Associated Non-Energy Benefits**
- **Environmental Impact.**

The value of the IEEP investments is important to the managers, superintendents and policy makers in terms of avoided cost and overall value to the utilities.

Customers are the active focus of the IEEP in all program activities. Investments in municipal utility system/customer technologies are evaluated in the broad "value based" approach described in these pages. In the most global sense, the IEEP provides technology-focused installations that make sense for the general well being of the utility, enhancing opportunities for "value based" energy efficiency and system enhancement.

The benefits to the New York electric utilities and their ratepayers grow from technologies installed through IEEP activities within the system, to electric customers/ratepayers/owners, and broadly beyond to local, state and global partnerships and alliances.

Since 1978, the utility industry in general has wrestled with the concept of evaluating System Benefit Charge [SBC] or demand side investments. Utility evaluation programs, specifically in the area of avoided cost for demand side investments, have been cumbersome and less than effective by any appropriate measure. This does not however indicate that the programs themselves have not been worthy investments, but that the evaluation has resulted in less than a real value indication of effectiveness. The IEEP evaluates program offerings in a realistic way. The three-area evaluation employed by the IEEP applies a value-based guide for implementing technologies in the real world, avoiding the historic conflict inherent in evaluating utility demand programs. This inherent conflict is magnified for the municipal utility members of the IEEP. The utilities of the IEEP and their customers enjoy some of the lowest electric rates in the U.S., coupled with a high level of service to customers.

In an attempt to evaluate the IEEP, the members have constructed a "real value approach." The energy efficiency measures of the IEEP are evaluated economically. The additional value of non-energy benefits and greenhouse gases reduced as a result of the program add significant and measurable value to the utilities and ratepayers of utilities participating in the IEEP. The IEEP menu of program offerings listed below for the System Benefit and Customer Benefit components demonstrates the breadth of options evaluated. The energy efficiency measures of the IEEP are evaluated economically and

held to high implementation standards based on system specific circumstances and avoided cost theory.

- **Industrial process and facility technology installations**
- **Premium-efficiency industrial motors**
- **Variable speed drives**
- **Lighting technology upgrades**
  - Commercial / Industrial
- **Residential new construction energy efficiency rebate [$1000]**
- **Rebates to customers investing in Electric/Alternative Fuel Vehicle [$1000]**
- **Community Insulation Program-**
  - **Residential Electric Heat**
  - **Partner With Existing Community Based Orgs.**
- **Low interest energy improvement loans [interest subsidy]**
- Implementation of proven farm technologies
- **Compact fluorescent offering**
- **Air Conditioner Sale/Rebate Programs**
- ***Energy Star* Appliance Rebate**

The IEEP is designed for the specific operating environment of the municipal utilities of New York. There are many obvious and some transparent benefits to member system ratepayers from IEEP activities. The IEEP System Benefit component focuses on the overall operation of the utility and is specifically tailored to the utility need and operation. The IEEP philosophy is one of being involved in the utility/customer relationship.

To accurately establish an overall value for appropriate measures the IEEP has evaluated installed measures in three areas and established a baseline value for each measure in each area. The overall program effectiveness is calculated based on,

1. **Environmental impact**
2. **Effect of non-energy benefits and,**
3. **Energy efficiency value of measures installed**

The IEEP Evaluating System measures and assigns value to the three identified impact/evaluation areas. Rather than enter into the known difficulties of specific site measurement and evaluation the IEEP has estimated an annual impact for individual measures in each area. This eliminates the endless number of variables associated with traditional monitoring and verification programs.