

Rudy Stegemoeller
Eleanor Stein
Administrative Law Judges
State of New York Dept. of Public Service
Three Empire State Plaza
Albany, New York 12223
Re Case 07-M-0548

October 15, 2007

Dear Judges Stegemoeller and Stein:

Thank you for the opportunity to participate in the entire Energy Efficiency Portfolio Standard proceeding now under way on your docket. Conservation Services Group (CSG) is a nonprofit energy conservation and renewable energy company with strong ties to New York State.

CSG specializes in the design and delivery of residential conservation programs and is currently the implementation contractor for NYSERDA's Home Performance programs, as well as a contractor for LIPA and Keyspan Gas, delivering single family and multi-family energy efficiency programs throughout New York State. We also demanufacture appliances at our Syracuse facility and provide marketing services to NYSERDA, LIPA, and other clients implementing energy efficiency programs in New York. Though we're a Massachusetts-based company, our work in New York is extensive. We have offices in Albany, Syracuse, and Ronkonkoma, L.I., staff working out of home offices covering the entire state, and we are about to open a New York City office, as well. We have over 50 direct employees in New York, and the programs we manage affect hundreds of contractors and builders and the jobs of thousands of New Yorkers. CSG also implements energy efficiency programs in a number of states and does so under a wide variety of management systems, from fully centralized under regulatory control (in New Jersey), to state agency management (New York and Oregon) to utility-run systems (Massachusetts, Rhode Island, and California). We have participated in open market, performance-based delivery as well, primarily in the commercial sector, on Long Island and in Texas.

As such, we would like to comment on the fast-track concept and programs now under consideration. As experts in residential energy efficiency, we endorse Programs 1 through 7 as delineated by the Staff Proposal in the section on Residential Energy Efficiency Programs. Notes on a few of the programs follow in Appendix 1. Otherwise, our comments are directed less at the details of each program than at questions of the overall structure and administration of the state's efforts.

Public Education and Marketing: The fast track programs are, in almost all cases, up and running now, and the general approach suggested by the staff is to boost participation in these programs while a broader menu is developed. One way to do so is to increase marketing and public education around the state's energy goals, the potential for rising prices, and the availability and benefits of the existing programs. This is key to the success of all these programs to reduce the energy footprint of New York State, especially if fast adoption is a key goal. The messages will need to be integrated across

the programs, without contradictory information or incentives that only leave consumers confused and frustrated. NYSERDA or some oversight body will need to coordinate all marketing and public awareness campaigns.

Coordination among program providers: The staff proposal recognizes the explosion of interest in energy efficiency programs: Several utilities have either started or are planning such programs; the City of New York and other municipalities and county governments have announced their own initiatives. Clearly, no one has a monopoly on good ideas for energy efficiency, and different organizations have different expertise and connections to customers, so a flourishing marketplace of ideas and programs is a plus. But it's important that the vibrancy not lead to chaos. **Coordination, common standards, integrated program design, resolution of conflicts between programs, and a careful approach** to public relations and marketing will be all the more critical. If messages to customers and trade allies conflict, standards vary, and financial incentives are at cross-purposes, the resulting confusion will lead to sub-optimal performance by all programs. Screening for such conflicts should be required before programs are implemented. The efficiency industry has at least a decade of experience, over which time plenty of program models have been tried – and discarded. There is no reason to repeat past mistakes. Coordination and common standards across the industry would provide an important foundation for quality programs. Given the New York structure, in which NYSERDA and LIPA play central parts in delivering statewide programs, it would make sense to place them in the role of oversight and integration of the multiple operations. In our experience, on-site inspections, verified installations, and rigorous measurement and verification (M&V) protocols need to be included in every program design. NYSERDA and LIPA should oversee that process with results presented to the PSC for review and approval.

Coordination will be necessary to avoid destructive competition among multiple programs, as well. Healthy competition to ensure choice and options is one thing. But competition between program administrators for the same kWh from the same customers, as one program outbids another with higher rebates or incentives (or lower quality standards), will ultimately be a disservice to consumers and ratepayers. This sort of competition helps no one – effectively raising the cost of energy efficiency incentives for all participants. This is not just an abstract possibility: Program operators, especially in the new construction, multi-family, or large commercial markets still struggle to meet their targets. This has already happened in other states with negative results. CSG has been involved in situations in which different sponsors bid up the price of energy efficiency in an effort to lure customers into one program at the expense of competing programs. Destructive competition also occurs in the form of inadequate standards. Programs can attract contractors by reducing requirements for participation or foregoing quality-assurance reviews. The fast-track implementers should be instructed to coordinate activities and avoid damaging competition in offers, advertising, or standards.

It will be particularly important to avoid conflicts between Home Performance and Home Performance Lite, both endorsed for fast-track implementation. The Staff correctly identifies existing homes as having the greatest potential for energy savings. It cites two

in-home programs for addressing this potential – Home Performance with ENERGY STAR, now being administered by NYSERDA and LIPA, and the Home Energy Services program, just launched by KeySpan Gas in New York City and Long Island and proposed by other gas utilities in their service territories. Staff recommends expanding both approaches but does not explore the interactions between the two. To avoid customer confusion and to ensure that both programs achieve significant results, the two programs must not clash. Recruiting and training contractors for the two approaches needs to be coordinated, and the two approaches must be presented to the public as complementary rather than as alternatives.

NYSERDA and LIPA have done a great service by establishing and demanding high standards of training and accountability for the HVAC, remodeling, and insulation contractors who carry out Home Performance diagnostic visits and treatments. The training and certification infrastructure ensures that customers who use Home Performance with ENERGY STAR contractors will get services from trained technicians subjected to a rigorous quality-assurance system. This provides much higher quality service than is readily available in the market and helps customers identify trained and effective contractors. Building Performance Institute (BPI)-certified technicians also perform basic health and safety checks on homes they treat, including testing for gas leaks and carbon monoxide. This infrastructure has been created carefully and deliberately at great expense to the ratepayers of New York. The result has been energy savings that have been documented and measured at over 35% of consumption and that leverage private investment to public investment at more than a 5-to-1 ratio. It is and will continue to be an asset to New York as the goals for energy efficiency are raised.

The “Lite” version of Home Performance with ENERGY STAR raises the concern that these high standards could be sacrificed to produce quick results. This is especially tempting in New York City and Long Island, where Home Performance has grown slowly. But common benchmarks, training, and a system for quality assurance are critical elements of successful programs, especially for weatherization, insulation, air sealing, and duct sealing – all services for which proper installation is essential to achieving energy savings. Poorly installed insulation, for example, is not just less effective than a quality installation; it may actually increase energy use. Furthermore, the real world experience of Home Performance contractors and quality assurance inspectors indicates that gas leaks and carbon monoxide spillage from furnaces, hot water heaters, and boilers is shockingly common (about 10% of homes tested), and that non-standard installations in city buildings pose a significant risk. In the understandable push to boost production, we should not take shortcuts that diminish effectiveness or put the public at risk.

An infrastructure for training and certification is already in place--at the Hudson Valley Community College-based workforce development institute and the Building Performance Institute in Malta, N.Y. So it seems logical as part of the expansion of the fast-track programs to task NYSERDA and the utility programs to jointly expand that infrastructure to meet the growing needs of these programs. The entities running the fast-track residential programs should be required to tap into this infrastructure and establish appropriate quality-assurance systems. It is possible to achieve a high volume of

installations while maintaining high-quality and promoting comprehensiveness but not without detailed and consistent day-to-day integration and coordination.

It is also critical that incentive levels be harmonized so that sweeteners for contractors and homeowners encourage the most comprehensive treatments using the highest-quality services and products. Again, NYSERDA is in a unique position to provide a forum for harmonizing incentives and standards so that programs can't undermine each other in the race for customers.

The above comments have focused on the treatment of single family and small residential structures, but the same issues arise in multi-family buildings. NYSERDA is establishing an infrastructure of qualified multi-family analysts and contractors and should be encouraged by the fast-track process to build upon the same high training and qualification standards it upholds in the residential arena. The staff report understates the programs in the multi-family sector that NYSERDA is already operating, but the same issues of coordination and cooperation will arise with any pending utility operated multi-family programs.

To date, there have been some very encouraging efforts to harmonize the NYSERDA, LIPA and KeySpan programs. The PSC should mandate the continuation of these efforts and hold all parties accountable for successful implementation.

Resource Acquisition and Market Transformation: For the past decade, New York has focused on market transformation as a way to ensure that energy efficiency build on market forces and establish itself as a part of the economy of New York, sustainable if SBC funding were to end. By contrast, the 15X15 goal is a resource-acquisition target. From the current political climate and growing public engagement in energy and related topics, it's hardly a stretch to presume that SBC funding will not only continue but that a political consensus is quickly building for accelerating conservation goals. We strongly recommend that the advantages of the market transformation approach be brought forward into this new policy environment driven by aggressive resource acquisition goals. Market transformation has always been an approach to acquiring energy resources by encouraging market actors to turn good policy into good business.

Consider that major energy savings in buildings come about primarily by convincing building owners to invest in efficient equipment or measures (lighting upgrades, HVAC improvements, improving the building shell, better controls, installing more efficient motors and processes, etc.) and secondarily by changing behavior through education and training. The long-nurtured infrastructure of efficiency-upgrade evaluators and contractors is now gaining traction. Programs are implemented through large institutions – NYSERDA, LIPA, NYPA, New York City, and the private utilities. We are all under pressure to produce large results quickly. To preserve and expand the developing energy efficiency infrastructure, programs should be reviewed to ensure that the high standards of current programs be supported and strengthened as the State's efforts multiply. Let's build upon the hard work of the past decade, not squander it.

Sincerely,
Stephen L. Cowell, Chairman and CEO
Mark Dyen, Senior Vice-President
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Appendix 1

CSG endorses the 7 residential energy efficiency programs enumerated by the Staff Proposal for fast-track treatment. However, a few elements would strengthen some of the programs, as follows:

- Residential Central AC program: CSG would like to see this program, currently offered by LIPA, expanded to include Con Ed electric territory as well as Orange & Rockland service areas.
- Residential retrofit program: CSG endorses this program but with the caveat that training be integrated with Home Performance with Energy Star and include combustion safety testing, CO monitoring, and quality assurance inspections.
- Residential efficient appliances and equipment purchases program: CSG believes this program would work best if combined with a rigorous training and certification component so that appliances are installed properly and so that the standards mesh with the highest standards of the other complementary programs.