NAESCO National Association of Energy Service Companies

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Judge Eleanor Stein
Judge Rudy Stegemoeller
New York Department of Public Service
3 Empire State Plaza
Albany, NY 12203

Dear Judges Stein and Stegemoeller:

The National Association of Energy Service Companies (NAESCO) appreciates the opportunity to provide comments to the New York Department of Public Service Staff on the Fast Track Programs recommended in the August 28, 2007 document entitled, "Staff Preliminary Proposal for Energy Efficiency Program Design and Delivery."

NAESCO's current membership of about 75 organizations includes firms involved in the design, manufacture, financing and installation of energy efficiency and renewable energy equipment and the provision of energy efficiency and renewable energy services in the private and public sectors. NAESCO members deliver about $4 billion of energy efficiency and renewable energy projects each year – about equal to all of the energy efficiency projects delivered by all US utilities combined, according to a recent report by the Lawrence Berkeley National Laboratory. NAESCO numbers among its members some of the most prominent companies in the world in the HVAC and energy control equipment business, including Honeywell, Johnson Controls, Siemens, Trane and TAC/Tour Andover. Our members also include many of the nation's largest utilities: Pacific Gas & Electric, Southern California Edison, New York Power Authority, and TU Electric & Gas. In addition, ESCO members include affiliates of several utilities that have a strong presence in the New York market including ConEdison, Pepco Energy Services, Constellation, PP&L and Direct Energy. Prominent national and regional independent members include Custom Energy, DMJM Harris, NORESCO, Onsite Energy, EnergySolve, Ameresco, UCONS, Chevron Energy Solutions, Synergy Companies, Wendel Energy Services, WESCO and Energy Systems Group. NAESCO member companies have delivered energy efficiency projects to New York institutional, government, industrial, commercial and residential customers for over twenty years and have delivered demand response, retail commodity energy supply including green power products, and renewables since the transition in the New York market to retail competition in the late 1990s.

NAESCO currently serves on the New York System Benefits Charge Advisory Group, the Program Advisory Groups for the California utility energy efficiency programs, the Energy Efficiency Task Force of the Western Governors Alliance, and the Leadership Group of the National Action Plan for Energy Efficiency. This experience gives us a basis for making some suggestions about Program B-3, "Solicitation to Meet Need for a Block of Energy Efficiency Funds (electric and gas)."

NAESCO suggests that this proposed program be replaced with a statewide Standard Offer Program because Standard Offer programs have delivered large amounts of energy efficiency in New York and other states while the existing New York bid programs have not met their efficiency savings targets.

**1) Standard Offer programs can be ramped up very quickly and have the potential of delivering large amounts of energy efficiency.**

The prototype for a statewide Standard Offer Program was implemented in New Jersey in the mid-1990s. In about four years, it delivered what the New Jersey Board of Public Utilities called an “Energy Efficiency Power Plant” -- almost 300 MW of energy efficiency projects at an average cost of about $.047/kWh.

This prototype program was reviewed, refined and implemented in succession by all investor-owned utilities in California and by NYSERDA in New York, where it is now called the Enhanced Commercial Industrial Performance Program (ECIPP), in the late 1990s. The programs continue to operate to the present time. In both states, these Standard Offer programs are the largest single programs in the energy efficiency portfolio.

The ECIPP, through December 2006, had completed 3,244 projects, at a total project cost of $683 million, of which about $83 million, or 12%, was NYSERDA incentives. ECIPP has produced about 142 MW of peak demand reductions and about 836,275 MWh/year of energy savings. It should be noted that in most of the years of its operation, ECIPP and its predecessor programs were oversubscribed. In addition to these energy savings, NYSERDA has estimated that ECIPP customers also realize non-energy benefits equal to more than 40% of the energy savings benefits.

The Standard Offer approach was adopted by the state of Texas in the early 2000s as the methodology for almost all of its utility-administered energy efficiency programs. In the most recent comprehensive report, the independent auditor reported to the Public Utility Commission of Texas that the utility programs achieved about 341 MW of peak demand savings in 2003 and 2004, significantly more than their aggregate target of about 147 MW. The programs were oversubscribed for several consecutive years, so the Legislature in 2007 approximately doubled program budgets. In 2004, the programs saved about 448 million kWh.

**2) Bid programs in New York have delivered modest to disappointing results.**

In contrast to the history of Standard Offer programs delivering large amounts of energy efficiency in a short time period, even when constrained by lack of funding, bid programs in New York have been underwhelming. For example, the ConEd Targeted Program has achieved about 50 MW of peak savings since 2003, about one-sixth the amount installed by the New Jersey Standard Offer program during a similar time period. The LIPA ReCap Program is now expected to achieve only about 20% of its target goal of 75 MW of permanent energy efficiency, and LIPA managers are saying publicly that they are going to soon launch a new generation of Standard Offer programs, because they see, based on the Texas model, that Standard Offer programs can deliver significant energy savings to all classes of customers.

NAESCO therefore respectfully suggests that the Staff revise its proposal to substitute Standard Offer programs for the bid program that it proposed in its August 28 draft.

Respectfully submitted by,

Donald Gilligan
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Donald D. Gilligan
President