

WORKING GROUP 5 - NATURAL GAS Kick-off Meeting

Friday, August 8, 2008 (11-2:30PM)

Location: Albany, NY

Attendees

In Person

Co-conveners: John D'Aloia (NY DPS)
& Frank Murray (NRDC/PACE)
Anthony Belsito (NY DPS Counsel)
Erin Hogan (NYSERDA)
Janja Lupse (National Grid)
Cynthia McCarran (NY DPS)
Joseph McGowan (Con Ed)
Robert Melvin (O&R)
Peggie Neville (NYSERDA)
Nancy Nugent (NY CPB)
Emilio Petroccione (NYOHA, OHIL)
Michael Salony (NY DPS)
Danielle Rathbun (NY DPS Counsel)
Keith Christensen (EarthKind Energy)
Aric Rider (NY DPS)

By phone

Mike Caufield (Alcoa)
David Hepinstall (Association for Energy
Affordability)
Jim Rioux (Central Hudson)
Mark Dyen (Conservation Services Group)
Usher Fogel (SCMC)
Tina Halfpenny (National Grid)
Kim Ihrig (National Grid)
Eric Meinl (National Fuel)
Mike Reville (National Fuel)
Carolyn Sweeney (RG&E)

Co-conveners John D'Aloia and Frank Murray opened the meeting by defining the scope and tasks of this working group, which has been charged with developing state-wide and utility-specific natural gas efficiency reduction targets along with recommendations on gas program design and other related issues. The group recognizes that it is very important to complete as much work as it can in these regards in support of initiatives for the coming winter heating season.

Following is the meeting plan, work scope and next steps agreed to by the WG5 participants.

UPCOMING MEETING SCHEDULE

The group discussed and accepted a working schedule that will alternate weekly teleconferences and in-person meetings, and that rotates the in-person meetings between Albany and New York City.

- **Teleconference - Monday, August 18, 2:00-3:30PM**
- **In Person – NYC; Date/Time TBD**
Con Ed & Grid agreed to check on meeting location availability
Possible dates are **August 26, 27 or September 4, 5**
The in-person meeting will have, pending availability and scheduling, presentations from Optimal's Paul Mosenthal (New York State Natural Gas Efficiency Program Assessment Update) and GDS's Dick Spellman (Con Edison – Downstate Market Assessment on Energy Efficiency Opportunities).

- If time allows, there was a discussion to have overview of programs by National Grid and NYSERDA for all the parties (this may require a subsequent meeting)
- It was noted Judge Stein is interested in attending this meeting(s) and in having Optimal brief the working groups at large

Other key dates and deliverables

- **August 19** – Complete Work Plan/Scope and provide to Judge Stein and the working group’s Steering Committee
- **Mid-September** – Interim Report due (similar to Phase I working group process held in fall/winter 2007; groups will report out to the ALJs and all parties)**October 15** – Final Reporting Day (all groups); presenting final products and listing consensus

DISCUSSION OF WORK SCOPE

DPS Staff (Cynthia McCarran and Mike Salony) reviewed a proposed scope of work for the group, which was discussed and agreed to, as follows, by the parties at the meeting.

WG5 Work Plan

1. Develop a forecast of annual natural gas demand through 2020 for all sectors except electric generation (**DPS Staff lead**)
2. Complete a list of all existing efficiency programs that save natural gas including SBC, NYPA, LIPA, existing LDCs, etc. (**NYSERDA lead**)
3. Subtract expected savings from existing programs from the forecasted demand through 2020
4. Based on the results of step 3, develop scenarios of what additional savings can be achieved based on potential and cost in order to determine the target – e.g., how much would a 10% target cost, how much would a 15% target cost, etc.
5. Allocate the additional savings by geographical area
6. Develop a list of programs that will achieve the additional savings (i.e., commercial water heating, new construction, etc.) and their respective benefit-cost ratios and other metrics as outlined in the June 23 EEPS Order
7. Develop recommendations for how costs for new programs will be collected by LDCs and from whom

The group discussed several critical tasks/issues that need to be tackled in this effort:

- Development of a consensus forecast. Possible sources to be assessed include:
 - EEA (ICF) (consensus is that it is a robust forecast, but it includes interruptible customers)
 - EIA/DOE forecast
 - Utility “*Winter Supply Demand*” 5-year sales forecasts (public release of these forecasts may be an issue, however)
 - Optimal Study
- Develop EE program wedges showing savings, costs (including costs to customers) and ratepayer impacts;
 - EMPower (higher gas savings, thus higher funding allocation?)

- Codes / Standards
- Existing programs
- Fast Track programs / Expedited programs
- NYPA / LIPA – are they a wedge in itself?
- Others?
- Consideration of geographical differences
 - Upstate: It was noted that sales are generally decreasing or are flat – should there be less aggressive targets?
 - Downstate: Sales are generally increasing and more growth is expected due to low natural gas saturation levels – should there be more aggressive targets?
- Administration of Programs
 - NYSERDA, Utilities, 3rd Party administrators (all should play a role as per Judge Stein)
- Address offsets – electric to gas conversions and CHP- How do these impact the forecast?
- Focus on highest B/C ratios
- Cost allocations – Is volumetric surcharge enough to cover the costs?
- Treatment of customers on special contracts
- Build various scenarios (base case, high, low case; mix of programs)
- Suggested to come up with a graphical depiction of the end product (great example: electric wedges)

In discussing WG5's charge, Erin Hogan of NYSERDA provided an overview of the work done by Optimal. Some key highlights:

- Optimal's work for NYSERDA was conducted largely by Phil Mosenthal and it assessed potential of EE program measures and their cost-effectiveness
- The analyses assumed an \$80 million/year budget for EE programs
- The source of sales data was utility provided sales forecast or annual reports
- Study period was 5 year design and 5 year post (10 year extended program)
- Takes into consideration intra-measure interactions
- Avoided cost assumptions, generally viewed as too high when the study was first completed, are now generally considered too low.
- Estimates used for appliances since there are little appliance studies available from utilities
- It was mentioned by Cynthia that the DPS Staff asked Optimal to assess that if the overall budget were doubled, would the savings then double? The study concluded that a doubling of \$80 Million to \$160 Million would, in fact, at least double the gas savings.
- Given changing real world conditions and related study assumptions, the group discussed the current validity of Optimal's estimated targets.

NEXT STEPS

1. DPS Staff will take lead in compiling and assessing forecast information.
Utilities will provide to DPS Staff their “Winter Supply Demand” report data (Table 2, recently filed to the DPS by utilities), which includes 5-year sales forecast weather normalized and design weather broken out by sectors.
 - a. Will be used to compare utility forecast to EEA forecast

2. NYSERDA will take lead in compiling existing gas EE Programs in NY State including descriptions, costs, savings, etc. **Program administrators are asked to provide information to Peggie Neville (NYSERDA) ASAP**
 - a. Nancy Nugent from NY CPB agreed to reach out to NYPA, LIPA and DHCR to get their Program descriptions and savings goals.
 - b. Program compilation to be complete in 2-3 weeks
 - c. Group will also compile expedited and long-term programs

3. Any other thoughts and ideas, such as gaps on informational needs or additional comments on the scope of work/work plan should be communicated to all working group participants via our group email list

4. Suggestion was made to include in our final WG report the identification of the differences between the natural gas and electric industries, which will serve as background to better illustrate and support the final WG5 report.