

NY Public Service Commission
Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio
Standard Case #07-M-0548

Independent Energy Efficiency Program
BACKGROUND INFORMATION

The Independent Energy Efficiency Program, Inc. [IEEP], provides a broad base of energy efficiency, system benefit and renewable energy efficiency, system benefit and renewable resource technologies to municipal electric utilities throughout New York State. The IEEP is a successful energy efficiency program designed to meet the unique needs of the New York based municipal electric utilities that it serves. The municipal gas and electric utilities of the Independent Energy Efficiency Program are individually extremely unique. The nature of the demographic, size, geography; the broad based load distribution, operating philosophy, and regulatory environment create an extremely unique operating situation for each IEEP member utility.

The IEEP is focused on the energy efficiency goals and purpose of the New York municipal electric & gas utilities and the member utilities of the Municipal Electric Utilities Association of New York [MEUA].

- The IEEP was created by New York municipal utilities in January of 2001 as a non-profit 501 C-3 corporation consisting of municipal electric and gas utilities that operate electric distribution systems in New York.
- The IEEP is an existing, active energy efficiency program with funding, evaluation and operating infrastructure in place.
- The IEEP is completely customer intensive, focused on the utility/customer relationship, and customers have demonstrated strong interest in the developing markets of energy efficiency.
- The IEEP provides comprehensive, long-term, sustainable energy efficiency program resources to New York's municipal electric and gas utilities.

The IEEP is uniquely positioned and successfully delivering energy efficiency and renewable resource technologies to New York

municipal electric and gas utilities across the state, the IEEP model is intended only for use in its own specific operating circumstance.

The electric systems members of the IEEP are rural electric utilities in upstate New York, ranging in size from approximately 600 electric utility meters to approximately 25,000 electric utility meters. The IEEP serves the specific energy efficiency and renewable resource needs of municipal the member municipal utilities. The IEEP was created by the New York State Municipal Electric Utilities in January of 2001 as a non-profit corporation consisting of municipal electric and gas utilities that operate electric distribution systems in New York.

The IEEP operates in a singularly unique operating environment when compared to any existing or proposed energy efficiency delivery vehicles. NYSERDA is a major statewide vehicle for energy efficiency investments, funded primarily by the “Systems Benefit Charge” (SBC), paid for by the customers of New York State’s utilities. Under the guidance of the NYPSC, NYSERDA pools SBC funds and directs them to a variety of programs across the state. IEEP member customers do not pay into SBC. Instead, IEEP utilities support programs in their specific utility operating circumstances and communities. Although IEEP members are exempt from the SBC, the IEEP has a close and productive relationship with NYSERDA. IEEP programs closely parallel NYSERDA’s. The two organizations work together—and are exploring ways to work more closely—in programs to benefit New Yorkers.

The IEEP NYPA partnership was the highlight of action by NYPA trustees in May 2006. A significant feature of the 2003 “Global Settlement” between the Municipal Electric Utility Association (MEUA) and NYPA was a mutual commitment to an enhanced energy efficiency program. In 2004, NYPA commissioned a study of the potential for increased energy efficiency by the New York State municipal electric systems. That study, published in 2006, concluded that investment in energy efficiency is warranted, and most important, endorsed the IEEP as an appropriate program for the municipal systems.

At their meeting in May 2006, NYPA’s trustees approved the study, and made New York State’s municipal electric utility systems eligible to participate in NYPA’s “Statewide Energy Services Program.”

NYPA approved the municipal electric systems participation in energy efficiency through the IEEP. NYPA also approved the municipal system's collection of one mill per kWh through customer rates for energy efficiency programs and further encouraged the New York State Public Service Commission to approve it as well.

In June of 2006, the New York Municipal Power Agency (NYMPA) petitioned the Commission to approve its member systems collection of one mill per kWh in customer rates for the energy efficiency program run by the IEEP. By "Order Approving Recovery of Costs of Enhanced Energy Efficiency Programs," issued November 6, 2006, the Commission approved NYMPA's petition. The Commission approved the IEEP as "the mechanism used to implement the energy efficiency requirement [of the Global Settlement]." Pursuant to the official actions of the NYPA trustees and Public Service Commissioners in 2006, the IEEP is the approved vehicle for the energy efficiency program of the New York State municipal electric utilities.

The IEEP has invested more than \$10,000,000 in sustainable energy efficiency, renewable resources and system benefit technologies. Viewed as one utility the member utility members serve slightly more than 80,000 meters, distributed geographically across New York. The overall program operates on the following set of operating principles.

- The IEEP is a customer-focused program, working on the relationship between the utility and the utility customer. All customer classes are included and proven and emerging technologies are appropriate; system focused project's that involve the customer relationship are actively included in the program offering.
- Funds collected from any member system are available to that system. No redistribution of rates among or between systems is exercised at any time.
- The IEEP is designed for municipal utilities in New York, and operates at the direction and pleasure of the members, providing flexibility, and the ability to include a broad spectrum of present and future possibilities. All members participate at the level of the member choosing.

The IEEP provides a broad base of resources and available project funding for qualified energy efficiency projects for customers of IEEP member utilities. In addition, the IEEP provides an effective way to plan, coordinate, purchase, manage, and account for the projects on behalf of the systems' customers. Under its existing financial structure, the IEEP has assets consisting of two bank accounts, a Commercial Checking account and a Municipal Money Market Savings account, which is collateralized by JP Morgan Chase. The IEEP considers all of its collections to be exchanged transactions, whereby revenue is not recognized until expenses are incurred for projects. The IEEP considers unspent collections to be liabilities. For effective presentation to the users of the IEEP financial statements, IEEP shows separately the collections received, and the net change in unspent collections in its statement of activities.

The operating environment of the IEEP provides a strong backbone of administrative management, financial and engineering support, combined with the flexibility to provide specific measures required to meet the needs of their customers. The IEEP operates on the philosophy that no rate redistribution of any kind takes place. Funds collected from each system are deposited into that systems account and invested into the energy-efficient well-being of that system. All members of the IEEP are members of the Municipal Electric Utilities Association (MEUA) and are regulated by a combination of the New York Power Authority (NYPA) and the New York Public Service Commission.