STATE OF NEW YORK

PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission **Case 14-M-0094**

to Consider a Clean Energy Fund

Acadia Center, Association for Energy Affordability, Citizens Campaign for the Environment, Citizens for Local Power, E2 Environmental Entrepreneurs, Environmental Advocates of New York, Natural Resources Defense Council, The Nature Conservancy, New York Geothermal, New York Public Interest Research Group, Pace Energy and Climate Center, Sierra Club, and WE ACT for Environmental Justice

August 28, 2015

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Reply Comments to New York State Energy Research and Development Authority

Clean Energy Fund Information Supplement

Case 14-M-0094

August 28, 2015

I. Introduction

The following members of the Clean Energy Organizations Collaborative ("CEOC")[1] and Energy Efficiency for All[2] respectfully submit these joint comments on documents filed by parties in the case to consider a Clean Energy Fund (14-M-0094) on August 14, 2015.

More than 35 parties filed comments on the New York Energy Research and Development Authority's ("NYSERDA") updated proposal to establish a "bridge fund" to continue investments in clean energy technologies as New York State seeks to create new markets for distributed energy resources under the Reforming the Energy Vision ("REV") effort (14-M-0101). Called the Clean

[1] The Pace Energy and Climate Center and the Alliance for Clean Energy New York co convene an independent group called the Clean Energy Organizations Collaborative on REV-related matters. This collaborative is made up of national and state-based environmental organizations, clean energy companies and organizations, renewable energy industry trade associations, consumer groups, energy efficiency providers, and academic centers. The CEOC seeks to ensure environmental outcomes that are consistent with New York's overall pollution reduction goals; break down existing barriers to clean energy services; and inform its members on market and rate design issues.

[2] Energy Efficiency for All is a coalition that advocates for energy efficiency and complementary renewables in affordable multifamily housing and a just and inclusive clean energy transition for all New Yorkers, including low income, green workforce and environmental justice concerns.

Energy Fund Information Supplement ("CEF"), NYSERDA's document explained a range of new efforts across four major portfolios and described levels of continued and new ratepayer collections to support all of these activities.

As we noted in our earlier filings, the goals included in the 2015 Final State Energy Plan ("SEP"), the plans established in the REV Track One Order, and the recent release of the REV Track Two Straw Proposal have all highlighted the importance of a well-designed CEF.

These reply comments are divided into several sections. First, we highlight points of alignment by other parties in the case with our previous comments. Second, we express support for several good ideas that emerged in the party comments. Third, we take this opportunity to respond to a document filed by NYSERDA two days before the initial comment-filing deadline.

II. Significant Alignment by Stakeholders on Our Major Points

The CEOC parties reiterate the following recommendations. The Commission should: require NYSERDA to make more detail available on specific CEF investments and should make the forthcoming "investment plan" available for stakeholder review and comment; consider the projected $5.3 billion budget a *minimum investment* in order to meet the State's ambitious SEP goals; require NYSERDA to present data on the CEF's benefits in a way that allows them to be clearly benchmarked against the SEP's goals; and should require more details on specific funding levels for "transitioning" existing energy efficiency programs.

Members of the Energy Efficiency for All coalition once again urge the Commission to: establish CEF metrics relevant to achieving environmental justice outcomes in low-income communities and communities of color, including reducing air pollutants and improving public health, as well as setting workforce development and job creation targets for the market and economic development initiatives; and establish specific budgets and targets for achieving greater energy savings in the affordable multifamily building sector, which offers significant untapped energy savings potential. Energy Efficiency for All members also support increased interagency coordination between NYSERDA and stakeholders in the buildings sector, with a targeted plan and budget to support such collaborative efforts.

In addition to these recommendations, the CEOC parties and Energy Efficiency for All take this opportunity to identify areas of stakeholder alignment on several key program points, including the following:

1. Commenters, including the City of New York, Multiple Intervenors, the Advanced Energy Economy Institute, Alliance for Clean Energy NY, New England Clean Energy Council, and the Association for Energy Affordability, expressed widespread concern about the lack of specificity on budget numbers and program details, especially on the transition from existing clean energy programs to the market-based programs envisioned by the CEF. Including a higher level of program detail will avoid confusion among customers and distributed energy resource ("DER") providers that will ultimately create market uncertainty.

2. Many commenters, including the City of New York, the Advanced Energy Economy Institute, the Alliance for Clean Energy, and the New England Clean Energy Council, expressed continued concern, especially in light of recent utility efficiency filings, over the potential that the State may "backslide" on its commitment to energy efficiency. The Joint Utilities also stated that the CEF "is unclear regarding how NYSERDA's energy efficiency program will transition during the next few years."[3]

[3] Comments of Joint Utilities on NYSERDA's Clean Energy Fund Information Supplement, filed on August 14, 2015 at 7.

The American Council for an Energy Efficient Economy ("ACEEE") recently demonstrated that, for 2016-2018, the energy efficiency filings of the six major utilities all fall short of the SEP's efficiency goals.[4] More specifically, the SEP calls for 600 TBtu in energy efficiency savings by 2030, which, as calculated by ACEEE, equates to a 1.5% annual reduction in distribution sales per utility. However, because the CEF's energy efficiency programs envision a flat rate of savings during the three-year transitional period, only one of the six major utilities planned for increasing efficiency targets - the remaining five applied a flat rate. As a result, there may be a decline in total energy savings until the CEF's market-based programs are scaled up.

3. Many commenters, including the Natural Resources Defense Council ("NRDC") and the CEOC, expressed concern over the lack of any firm metrics on energy efficiency, especially the absence of an annual savings target against which progress can be measured, and recommended that the SEP's targets, including for energy efficiency, be used as a benchmark for progress. This would allow all stakeholders to track and assess the CEF's success toward meeting the SEP's overall goals.

5. Given that the CEF envisions an overall cut of $1.5 billion to ratepayer collections, commenters, including the NRDC, Efficiency First, and the CEOC, expressed great concern about reliance on the marketplace as the primary vehicle for driving energy efficiency and renewables, especially absent stronger evidence that these markets are indeed emerging. As such, continued ratepayer support will likely be necessary as new market-based programs are demonstrated to be effective and scaled up.

[4] Comments of Advanced Energy Economy Institute, the Alliance for Clean Energy New York, and the New England Clean Energy Council on NYSERDA's Clean Energy Fund Information Supplement, filed on August 14, 2015 at 3-4.

III. Support for Stakeholder Ideas

Members of the CEOC and Energy Efficiency for All also take this opportunity to support a number of ideas expressed in the initial party comments.

A. We strongly support Efficiency First's comments on the need for a residential Property Assessed Clean Energy ("PACE") program. We have long supported the adoption of a PACE effort in the residential sector. The availability of a residential PACE program is exactly the type of financial mechanism we need to "animate" greater private sector investment in residential energy efficiency. We applaud the Obama Administration's recent announcement to expand HUD support for PACE financing and strongly urge the Commission to support such legislation in New York.

B. We strongly support NYSERDA's recommendation that the CEF should be administered on the principle of fuel neutrality. The rigid fuel-based restrictions placed on efficiency expenditures by both NYSERDA and the utilities under the Energy Efficiency Portfolio Standard ("EEPS") program was a major impediment to the realization of greater energy savings. However, we respectfully disagree with NYSERDA's proposal to collect CEF assessments from electric customers alone. We agree with both the City of New York and Multiple Intervenors that a more equitable approach is to assess both electric and natural gas customers for collections. Even under a fuel neutral approach to the CEF, natural gas customers will benefit from CEF activities, not least of which will be enhanced system reliability.

C. We endorse NY-BEST's recommendation that NYSERDA work with other relevant state agencies, including the Department of Transportation and the Department of Environmental Conservation, to develop a more comprehensive strategy to reduce the emissions of greenhouse gases in the transportation sector. The transportation sector accounts for 40% of all GHG emissions in New York. Electric vehicles have an important role to play in reducing transportation-related GHG in New York, and we concur that a broad analysis of all such strategies is warranted.

D. We support ChargePoint, Inc.'s call for the Commission to prioritize the advancement of the electric vehicle market. We agree with ChargePoint's statement that "[t]he strategic allocation of resources from the Clean Energy Fund and coordination with the activities under discussion in the Reforming the Energy Vision (REV) proceeding can help advance EV adoption in New York to the next level."[5] Electric vehicles comprise an emerging technology that has great potential to improve energy efficiency, reduce carbon pollution and promote accelerated deployment of clean renewable power. Based on this potential, the CEF is an appropriate mechanism to quantify the full range of environmental and economic benefits to both the transportation and electric sectors and the consumers that depend on them. The CEF is also appropriate for advancing the electric vehicle market through investments in vehicles and charging infrastructure.

We agree with ChargePoint when it says that "the need for immediate programmatic market-scale development of EV infrastructure is clear, given the current status of the technology, the demonstrable benefits of grid-integrated charging, and the need to electrify transportation statewide as quickly as possible to meet state and regional climate change goals."[6] Widespread deployment of charging infrastructure will help spur the rapid electric vehicle adoption necessary to meet the state's goals under the ChargeNY initiative and Multi-State ZEV MOU. Smart management of flexible electric vehicle charging load (e.g. grid-integrated charging) can make

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[5] Comments of ChargePoint, Inc. on NYSERDA's Clean Energy Fund Information Supplement, filed on August 14, 2015 at 1.

[6] *Id*. at 3

more effective use of existing grid assets (such as excess generation capacity during off-peak hours) and promote the integration of distributed and intermediate clean power resources. We urge the Commission to prioritize vehicle electrification as a strategy to meet New York's energy and climate goals.

E. We strongly support efforts to develop energy storage technologies, especially those that can be used to support broader deployment and use renewable energy resources. In that regard, we also endorse NY-BEST's recommendation that NYSERDA and the PSC, in conjunction with a broad array of stakeholders, undertake a study to examine more closely the need for energy storage to support increasing levels of renewable energy on the electric grid. Similar studies in other states, most notably California, have proven very useful.

F. We support the recommendation of several parties, including the Fuel Cell and Hydrogen Association, the National Fuel Cell and Research Center, and Bloom Energy Corporation that NYSERDA include fuel cells within its portfolio of energy solutions and that fuel cells be eligible for the incentives similar to those proposed for combined heat and power. The years 2015 and 2016 represent a critical transition period for the deployment of fuel cells in advancing the REV vision. The current federal investment tax credit for fuel cells is scheduled to expire on December 31, 2016, along with the ITC for solar. New York should seek to maximize the use of this federal financial resource to achieve broader deployment of distributed energy resources, especially in commercial buildings.

G. We strongly support the priority that NYSERDA proposes to assign to energy-related environmental research activities. This focus is particularly critical as the State addresses the challenges of climate change. Moreover, the New York Attorney General's Office points out that the work of NYSERDA's Environmental Research Program has "proven invaluable in multiple legal actions undertaken … to defend and enforce State and federal environmental laws."[7] This capability should be maintained and strengthened.

H. We support the suggestion made by several parties, including the Joint Utilities, that a clearer link should be established between the Benefit Cost Analysis ("BCA") framework under development in the REV proceeding, and the various investments made by NYSERDA through the CEF. We also remind the Commission that in the context of EEPS, overly restrictive costs tests, as well as the misapplication of these tests at the measure level instead of the sector or portfolio level, greatly hindered investment in energy efficiency. The misapplication of these tests left much cost-effective energy efficiency unrealized.

The Commission agreed. In its 2013 Order Approving EEPS Program Changes, the Commission stated that an alternative approach to benefit cost testing in the energy efficiency context was necessary. The Commission also acknowledged that if an "improper method is used, programs and opportunities that would otherwise support our objective may be excluded..."[8]

In part based on the recognition of the flaws in the BCA tests, the Commission launched an effort to update these methodologies in the REV docket. We reiterate our suggestion that the Commission adopt a BCA framework that adequately accounts for the environmental and societal benefits provided by energy efficiency and other clean energy technologies. In the event that this expanded framework we seek is adopted, it should be applied to the evaluation of the portfolios in the CEF.

I. We agree with the City of New York's position on the importance of building energy efficiency, especially in New York City, which has a large, aging building stock. The City

[7] Comments of the New York Attorney General's Office on NYSERDA's Clean Energy Fund Information Supplement, Filed August 13, 2015 at- 1.
[8] Case 07-M-0548. Order Approving EEPS Program Changes (December 2013) at 30.

of New York notes that "80 percent of existing buildings in the City will continue to be used in 2050" and that a municipal effort is underway to encourage building retrofits. The CEF should work alongside City efforts to improve building efficiency.

J. We are pleased to see the Joint Utilities express an interest in increasing their energy efficiency efforts, including a willingness -- or even preference -- to increasing the budgets in their ETIPs (with "the movement of direct customer incentives out of the NYSERDA portfolio and into the portfolios of the utility ETIPs"). We agree that continued ratepayer support will likely be necessary as new market-based programs are demonstrated to be effective and scaled up. With the continued concern, documented in the ACEEE study, that New York will "backslide" on its commitment to energy efficiency in light of the ETIPs as submitted, NYSERDA and the utilities must find common ground on program implementation that complements without creating competition and yet pushes New York down the path to meeting State Energy Plan goals. Increased budgets and targets for energy efficiency within ETIPs would be a welcome start.

K. We also support the City of New York's suggestions for transparency on Green Bank transactions and a greater commitment to ensuring smaller financial institutions and smaller scale projects have equal access to Green Bank funds as larger banks and investments houses. In particular, we support the City's affirmation that "a minimum amount of Green Bank capital should be designated for underserved sectors including, but not limited to, LMI customers and affordable housing to ensure that all customers have access, on reasonable terms, to Green Bank funding used to leverage private investment in clean energy projects"[9] and that "the methodology used to price Green Bank products should be set at a level that does not preclude the participation

[9] Comments of New York City on NYSERDA's Clean Energy Fund Information Supplement, Filed August 14, 2015 at 27

of underserved sectors including, but not limited to, LMI customers and the affordable housing sector as well as customers focused on advanced building technologies (*e.g.*, "passive house," "net-zero" buildings, and high-performance building retrofits) or the mission-based lenders that may service or promote them."[10]

L. Reiterating our strong support for the development of "energy efficiency packages" as part of the Multifamily, Commercial and Residential sector efforts outlined in the CEF, we emphasize that these proposed packaging programs represent a crucial opportunity to bring energy efficiency to scale, by significantly improving the uptake, and expanding the implementation, of efficiency measures throughout New York State. Thus, this approach will be key to reaching the building efficiency and greenhouse gas reduction goals- included in the State Energy Plan.

The packaging of energy efficiency measures represents a simplified and user-friendly approach to achieve comprehensive energy savings in existing homes and large buildings by bundling typical efficiency measures into discrete packages with predictable costs and savings. It would significantly reduce logistical oversight requirements, as well as the time needed to research and develop solutions, hire contractors, and implement the projects. These uniform packages with proven savings potential could also be promoted through an aggressive marketing effort to build recognition and value in the marketplace that stimulates demand and provides better information flow to accelerate, enable and enhance the market-based principles of the Clean Energy Fund.

[10] *Id*. at 30

M. We once again would like to emphasize our strong support for NYSERDA's proposal to increase coordination with other state agencies, municipalities and communities through the New York State Community Partnership (NYSCP), which will strengthen the collaboration between state and local government and implement investments in energy efficiency and emerging technologies more effectively. This partnership will be critical if the CEF is to successfully meet its overarching goals, including the goals of carbon reduction, affordability, energy efficiency penetration, and economic development.[11]

The NYSCP will empower local governments with the tools and capacity needed to make the transition to clean energy a reality. It will assist municipalities in achieving meaningful operating savings for themselves, as well as their residents and businesses, while generating a number of other important benefits, including improved air quality, public health, and resiliency. Taking a proactive approach toward the advancement of clean energy solutions at the local level will also drive economic development and revitalization through significant local job growth. This groundbreaking initiative will play a critical role in achieving New York's greenhouse gas reduction and clean energy goals and can serve as an important, transferable model, demonstrating how states can optimize their resources and impact by working most effectively with and within communities.

IV. NYSERDA's FAQ

A. We strongly support proposals to target energy efficiency and renewable energy programs for low-to-moderate income households. We applaud NYSERDA's commitment to this badly underserved sector. However, as AEA points out in its comments, NYSERDA inadvertently

[11] Comments of Energy Efficiency for All on NYSERDA's Clean Energy Fund Information Supplement, Filed August 14, 2015.

omitted specific reference to the Affordable Multifamily Performance Program in its text, although NYSERDA did confirm its intent to continue the program during the CEF Webinar Frequently Asked Questions document.

We support AEA's request that NYSERDA rectify this omission, as well as the omission of this Program in Appendix G: Summary of Market Development Initiatives, Transition and Timing. We concur with AEA that NYSERDA should make available information on the further continuation of this important program.

B. Further, we urge the Commission to require NYSERDA to revisit the CEF the budgets. While we reiterate our support for the $234.5 million dedicated for LMI activities over three years and for a specific allocation for multifamily efforts, the $20 million for multifamily is insufficient and disproportionate to the need. We urge the Commission to establish a goal of increasing electric savings by 1.5% per year and gas savings 1.0% per year between 2016 and 2020, which would require $215 to $430 million annually and would produce meaningful energy efficiency progress in the multifamily sector.[12] In general, we remain concerned about the levels of effort in these areas and suggest budget increases.

We note, however, that the Tables prepared as part of NYSERDA's FAQ show declines in these two areas. Comparing current annual average budgets for EEPS II, TM&D, RGGI and RPS, in the "Multifamily – Market Rate" and "LMI" with the proposed budgets for these categories shows a one-year decrease of more than $16 million when the two categories are combined.[13] Per Table 1 below, the decrease in budget allocation is approximately $44 million over the three-year term.

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[12] Letter from Energy Efficiency for All to the Honorable Andrew M. Cuomo, dated December 22, 2014, at 3.
[13] NYSERDA, Clean Energy Fund Informational Webinars, Frequently Asked Questions (FAQ) Revised August 12, 2015.

Table 1: Comparison of Proposed CEF Budgets to Current Budgets (in millions)

Current	Proposed CEF Budgets			
Average Annual Budget	Year 1	Year 2	Year 3	Three Year Total
$11.39	$8.30	$8.00	$5.80	$22.10
$88.85	$75.50	$78.50	$80.50	$234.50
$100.24	$83.80	$86.50	$86.30	$256.60
Difference from Current	$-16.44	$-13.74	$-13.94	$-44.13

Source: CEF Informational Webinars FAQ

We recognize that this decrease may be offset by ongoing allocations of RGGI Operating Plan resources. These spending plans are not part of the CEF, but the resources fund similar activities. The current RGGI operating plan is only programmed for one year.

Even when factoring in the RGGI resource, however, funding for these categories listed in the FAQ Tables still show a decrease to these important sectors. As we have made clear in these comments and in previous filings, increased investment in multifamily energy efficiency and efforts to improve energy efficiency in low to moderate income households will meet many of the goals of REV, as well as make progress toward New York's ambitious energy savings goals included in the State Energy Plan.

The multifamily sector, in particular, remains a largely untapped reservoir of energy efficiency savings potential. Based on an updated analysis of potential in the sector completed by Optimal Energy and included as attachment A to this document, the cumulative maximum achievable potential savings are:

➢ 1,981 GWh, or 24% of forecasted electricity sales by 2034.

➢ 8,019 BBtu, or 13% of forecasted gas sales by 2034.

➢ 5,258 BBtu, or 15% of forecasted fuel oil sales by 2034.

If non-energy benefits are included then cumulative gas and electricity savings increase:

➢ To 27% of forecasted electricity sales by 2034 in the low NEB scenario and to 31% in the high NEB scenario.

➢ To 18% of forecasted gas sales by 2034 in both the low and high NEB scenarios.

➢ Fuel oil savings, at 15% of forecasted sales remain largely unchanged in both the low and high NEB scenarios.

Significantly, the multifamily sector has the potential for over $3 billion in net energy efficiency benefits over the next 20 years, a potential that remains largely untapped.[14] These benefits will improve energy affordability and health for all New Yorkers, and are crucial to bridging the gap between current existing program budgets and the energy assistance needs of low- to moderate-income New Yorkers. To capture these energy savings, larger investments by both the utilities and CEF programs are necessary, and the Commission should both acknowledge and support the link between low-income assistance and energy efficiency programs.[15]

C. NYSERDA should create an explicit definition with guidelines for demonstration projects. The term "demonstration project" has lost its meaning due to overuse in the REV

[14] Comments of Energy Efficiency for All on NYSERDA's Clean Energy Fund Information Supplement, Filed August 14, 2015 at 10-11.
[15] New York-specific information can be found in Attachment A, specifically on pages 1-3.

proceeding. Clarifying the term, and by extension, NYSERDA's policy intent, will help bring stability to the emerging clean energy market.

Originally, demonstration project entered the REV vernacular through the Track One Straw Proposal as those "focused on beta-testing DER provider and utility DER services with a limited group of customers." The Straw Proposal laid out the potential criteria guiding such proposals. Specifically, it recommended demonstration criteria should include the six REV policy objectives, favor partnerships with third parties, and a variety of other considerations.

Another iteration of "demonstration project" then came through the Track One Final Order, issued February 26, 2015. The Track One Order "in particular [] emphasize[d] the priority of demonstration projects involving third party market participants and demonstrating business models and customer engagement."[16]

At the end of July, Staff issued the white paper on ratemaking and utility business models ("Track Two"). The Track Two white paper highlights another context for "demonstration projects," using the programs to directly inform the development of Market-Based Earnings ("MBEs") opportunities for the DSP utilities. The definition of "demonstration project" appears to have migrated over the course of the year from third-party DER business opportunities to proof-of-concept alternative compensation channels for incumbent utilities.

The CEF FAQ states that the "intent of CEF demonstration projects is to provide reference examples and generate how-to lessons for decision-makers that might otherwise hold off on likely sound clean-energy decisions out of a lack of confidence and perceived riskiness." While the FAQ definition provides some clarity, it does not sufficiently distinguish CEF

[16] New York Public Service Commission Order Adopting Policy Framework and Implementation Plan, Case No. 14-M-0101, Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision, February 26, 2015 at 115.

demonstrations from REV demonstrations. CEF demonstrations should primarily target third-party market development, increasing market confidence versus providing proof-of-concept to utility earnings mechanisms.

To achieve its own goals of generating how-to lessons, NYSERDA should consider either a new term or an explicit, succinct, and *separate* definition for a CEF “demonstration project.” Providing this policy clarity would help stakeholders understand the vision of the CEF portfolios; help parties engage in the proceeding, and give market participants a better; more stable concept of how and what NYSERDA is helping as it promotes clean energy.

V. Conclusion

Once again, we acknowledge the hard work put into the document by NYSERDA staff. We acknowledge the many improvements included in the current draft, and we look forward to working with the Commission, DPS Staff, NYSERDA staff, and other stakeholders to improve the final plan.