

Consumer Power Advocates

Columbia University Medical Center
Fordham University
Memorial Sloan Kettering Cancer Center
NYU Langone Medical Center

Mount Sinai Health System
New York Presbyterian Hospital
New York University

January 22, 2018

VIA ELECTRONIC FILING

Honorable Kathleen H. Burgess
Secretary
New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

RE: CASE 17-G-0606 – Petition of Consolidated Edison Company of New York, Inc. for Approval of the Smart Solutions for Natural Gas Customers Program

Dear Secretary Burgess,

Pursuant to the *Notice Regarding Submission of Comments*, Issued December 26, 2017 in the above-captioned proceeding, the Consumer Power Advocates (CPA) hereby submits these letter comments regarding Consolidated Edison’s Smart Solutions for Natural Gas program for which approval is sought via the above-captioned Petition.

Consumer Power Advocates (CPA) is a coalition of not-for-profit commercial health care and educational customers in the Consolidated Edison service territory that advocates on behalf of consumer interests before the Commission, NYISO and elsewhere. CPA’s members use significant quantities of natural gas and have been at the forefront of providing innovative solutions to addressing electric and gas challenges in New York City.

CPA has been active in all recent Consolidated Edison (ConEd or the Company) electric and gas rate proceedings, including those approved by the Commission in 2017. One aspect of the Joint Proposal submitted by the parties and subsequently approved by the Commission was the institution of a Gas Peak Demand Reduction Collaborative to “(i) examine the potential impact that delays of upstream interstate pipeline construction may have on meeting growing demand associated with oil-to-gas conversions and new business and (ii) explore gas peak

demand reduction incentives, including demand response.¹”

Conducted during the June-December, 2017 period, the collaborative discussed the issues, considered appropriate actions the Company could take and developed a report that was submitted to the Commission on December 22, 2017 (the Collaborative Report.) That collaborative effort and report led, in substantial part, to the instant filing.

CPA was an active participant in the collaborative, provided input to the Company, and is supportive of the final report. Likewise, CPA is generally supportive of the relief requested in the current petition. However, CPA does have some additional concerns which should be considered by the Commission.

CPA Supports Innovative Solutions

As described in the Collaborative Report and the Petition the significant and growing shortage in dedicated upstream pipeline capacity presents a threat to the reliable availability of firm natural gas supplies into the ConEd service territory. Reliance on so-called “delivered services” is already excessive and above the level usually considered prudent by the Company and likely to grow still further unless the various strategies outlined in the Petition prove successful.

While many CPA members take interruptible service for their gas supplies, they still rely on firm gas for a significant portion of their needs and have a strong interest in the continued availability of firm gas. CPA also supports efforts by the State and City to improve air quality, in part through continued oil-to-gas conversion efforts. In an ideal world, efforts by interstate pipelines would have resulted in the timely development of sufficient pipeline capacity, but this is not the case, and according to the Company, appears unlikely to be the case anytime soon, thus necessitating the Smart Solutions proposed here.

However, CPA is very supportive of the efforts by the Company to foster innovative, market-animating, and hopefully more cost-effective alternatives to “business as usual” approaches. Indeed, even were adequate upstream pipeline capacity available, it is likely that CPA would support, or even insist upon, the consideration of innovative solutions.

The current situation simply lends urgency to the sorts of things the Company should be doing anyway.

¹ / Case 16-E-0060, et. al., Joint Proposal, submitted September 19, 2016 at 109.

CPA Also Supports Proven Approaches

CPA agrees that the Company should pursue the more innovative ideas in the Petition, such as the Gas Demand Response Program, the Gas Innovation Program, and the recently-issued Non-Pipeline RFP. We also support the development of refined “traditional” pipeline alternatives. However, CPA believes that gas energy efficiency initiatives, especially those administered in the past by NYSERDA, have proven to be both effective and economic. Our experience has also been that such programs have the potential to be more easily understood and thus more attractive to customers.

Our principal concern with the Company’s proposal is that the more innovative alternative approaches may be pursued at the expense of efficiency measures and delivery mechanisms that while tried and true may also be, for lack of a better term, less “sexy.” For example, with respect to delivery mechanisms, customers want to know the level of incentives that they can expect and that that same level of incentive will be available for the next similarly-situated project they might propose. Similarly, customers want to minimize the administrative effort required to obtain the incentive. These preferences argue against approaches that involve competitive approaches where both \$ and \$/DTH awards are unknown up front.

In our experience, prescriptive or custom rebate programs provide greater certainty and timeliness, making them more attractive to many customers. Prescriptive programs that provide enumerated eligible measures, rebate levels, and EM&V requirements can also help to overcome customer aversion to uncertainty. By the same token, openness to custom measures (which can later become prescriptive if there is sufficient interest) is likely to increase participation, especially for customers that have already undertaken prescriptive measures, and are now looking at the higher-hanging fruit.

With respect to eligible measures, both capital-intensive measures and operational approaches should be considered. Boiler improvements, economizer and make-up water heater installation or repair, burner replacement, and thermal blankets on pipes should certainly be eligible, but so should steam system audits and inspections, retro commissioning, and balancing of building heating zones.

Steam systems that utilize natural gas are like automobiles. Mileage can be improved by replacing the tires, but it can be improved as much or more by testing and tuning up the engine. But engines will eventually go out of tune again. Enhanced control systems can keep the engine

in tune through monitoring-based or continuous commissioning, low- or no-capital cost efforts that nevertheless can yield significant savings. Burner control system upgrades are one example.

Finally, there are opportunities for beneficial electrification of aspects of a building's HVAC systems. Many facilities employ steam-powered pumps, the electrification of which could reduce gas consumption. Other facilities employ or could employ hybrid steam/electric pumps that can be automatically switched to electric mode for days at a time to provide demand response capability.

The bottom line is that all measures should be considered, and so long as the energy savings are reliably measurable and verifiable, cost-effective, and significant enough to warrant the effort to accommodate them, such measures should be eligible for incentives.

Based on our discussion of the Enhanced Gas Energy Efficiency program in the collaborative, and the Company's resulting petition, we believe the above points are not controversial.

We are encouraged that ConEd will not only maintain, but expand its gas energy efficiency efforts, including a doubling of the budget and expanding the focus on innovative approaches, especially including projects that produce peak day reductions. Nevertheless, the filing provides insufficient detail regarding specific measures that would be eligible to know whether the options we describe above would be included or not. To that end, we urge the Company to provide additional details in its reply comments clarifying that the measures we support will be eligible.

Budget Allocation Concerns

Notwithstanding the lack of detail in the filing surrounding eligible measures, CPA is concerned that the proposed annual budgets and targets mark a significant departure from those in the existing and budgeted ETIP gas EE programs. Specifically, ETIP 2018 budgets allocate 59% of the spending to the residential class but Smart Solutions allocates 78% to residential. Similarly, savings expectations for residential ETIP are 74%, while Smart Solutions anticipates that 91% of the savings will derive from the residential sector.

It is important that budgets be allocated where they will achieve savings in the most cost effective manner, but it is also important that customers in those classes that will be funding the Smart Solutions program have at least a roughly commensurate opportunity to participate in them. The Petition does not provide sufficient information to discern the basis for the disproportionate

budgetary allocation to programs aimed at residential customers, so the Commission (and CPA) cannot assure itself that the allocation is just and reasonable. The Company should provide a compelling reason for allocating such a disproportionate share of the budget to residential programs. Absent such justification, Smart Solution gas EE budget allocations should follow those in the 2018 ETIP programs.

Conclusion

CPA concurs with the basic need for the Smart Solutions for Natural Gas program presented by the Company, and supports the underlying goals and proposed approaches, subject to the Company clarifying that the measures we have proposed are eligible. CPA does not support the proposed budget allocation absent the Company providing a compelling justification for it. We look forward to the Company providing such clarification and justification in its responsive comments, and reserve the right to respond, as necessary.

Respectfully Submitted,

/s/

Aaron Breidenbaugh
Director of Regulatory Affairs

cc: Active Parties