

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

CASE 07-M-0548- Proceeding on Motion of the Commission Regarding  
an Energy Efficiency Portfolio Standard.

NOTICE SEEKING COMMENT

(Issued November 17, 2011)

On October 13, 2011, the Commission voted to reauthorize efficiency programs under the Energy Efficiency Portfolio Standard (EEPS). In that order, the Commission discontinued the existing mechanism for utility shareholder incentives as of January 1, 2012. The Commission stated its intention to adopt a new incentive mechanism in the first quarter of 2012. The Commission discussed several issues surrounding utility incentives, provided an outline of a proposal for further deliberation, and ordered that a Notice Seeking Comment should be issued.

Interested parties are invited to comment on the Proposal below, regarding a utility shareholder incentive mechanism covering EEPS programs in the years 2012-2015. Parties should organize their comments into two sections:

- (1) comments related generally to the approach taken by the Proposal, and any suggested alternative approaches; and
- (2) assuming the Commission intends to adopt a framework similar to the Proposal, comments related to the particular elements of the Proposal (including responses to the Additional Questions detailed below). With respect to (1), many parties provided extensive comments on the issue of incentives in their August 22, 2011 comments on the Staff White Paper. Parties are encouraged to refer to their White Paper comments to be incorporated by reference, rather than repeating them at length in this round of comments.

To inform the discussion, this Notice includes illustrative examples of the proposed incentive derivation for participating electric and gas program administrators. The actual potential incentives that will be available to utility program administrators will vary based on a number of factors including: utility participation, final approved (as adjusted) achievement targets, and performance relative to EEPS goals.

Parties should submit comments not later than January 10, 2012. Replies may be submitted not later than January 19, 2012. Comments should be filed electronically to the Secretary at [secretary@dps.ny.gov](mailto:secretary@dps.ny.gov) and should be served on parties via the EPS listserve at [eps@dps.ny.gov](mailto:eps@dps.ny.gov). **Please note the revised electronic addresses for the Secretary and the listserve.**

*Jaclyn A. Brillling*  
Digitally Signed by Secretary  
New York Public Service Commission

JACLYN A. BRILLING  
Secretary

PROPOSAL

EEPS - Proposal for Utility Shareholder Incentives

- 1) Total "incentive pools" of \$36 million for electric and \$14 million for gas will be established (based on estimates of a 5-basis-points on equity per year, 20-basis-points total, equivalent over the four-year incentive period).
- 2) Each incentive pool will be divided into two sums ("Step One" and "Step Two"). Step One will represent two-thirds of the total and Step Two will represent one-third.
- 3) The Step One and Step Two funds will be allocated among utility program administrators proportionally based on their percentage of total utility targets.
- 4) Step One: Each utility will have the opportunity to earn an incentive if it reaches 100% of its aggregate target, for years 2012-2015, by the end of 2015 (calculated on a commitment accrual basis). The amount it can earn would be its proportional share of Step One.
- 5) Step Two: All utilities will earn an incentive if the entire statewide jurisdictional goal (including NYSERDA's share) is achieved by 2015. The amount for each utility would be its proportional share based on its share of the utilities' aggregate targets. If the statewide goal is not reached, no utility receives an incentive from Step Two.
- 6) Determination of any incentive that a utility is qualified for under (4) or (5), and the mechanism for payment, will be made in 2016.

- 7) There will be no formulaic negative adjustments provided in the incentive mechanism. Each utility, however, may be subject to adjustments in rate cases, penalties, or other proceedings, in the event of poor performance that is not excused by mitigating factors.

Additional Questions

- 1) How should this framework be applied to gas utilities, given that there is no 2015 statewide goal for gas comparable to that for electricity?
- 2) How should ancillary gas and electric savings be counted in this mechanism?
- 3) Given the proposed changes to the incentive mechanism, should gas utilities that exercised their one-time option to opt-out of the current EEPS incentive mechanism be given the option to opt-in to the new mechanism?
- 4) How should Section 66-m (1)(e) of the Public Service Law (related to utility credit for savings from on-bill financing) be implemented with respect to this mechanism? Should Step One and Step Two be treated differently in this regard?
- 5) Given that utilities' individual targets are not in exact proportion to their respective portion of customer unit sales, resulting in potential variances in the impact on customers among utility service territories: should there be a cap on individual utilities' incentives?

EEPS Financial Incentive Proposal  
Electric

Megawatt Hour Targets

<u>Administrator</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
NYSERDA	1,237,602	1,338,709	1,370,519	1,375,636	5,322,466
Central Hudson	28,034	28,034	28,034	28,034	112,136
Con Edison	173,319	173,319	173,319	173,319	693,276
NYSEG	60,105	51,573	51,573	51,573	214,824
Niagara Mohawk	242,379	224,590	224,590	224,590	916,149
O&R	19,820	19,820	19,820	19,820	79,280
RG&E	38,939	30,407	30,407	30,407	130,160
	<u>1,800,198</u>	<u>1,866,452</u>	<u>1,898,262</u>	<u>1,903,379</u>	<u>7,468,291</u>

Total Incentive = 5 Basis Points per year (20 basis points total)

\$36,000,000
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Step One - Utility Specific Target = 2/3 total incentive

24,000,000

Step Two - Total Statewide Goal Achieved = 1/3 total incentive

12,000,000

Shareholder Incentive
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	<u>Total Target</u>	<u>Percent of Total</u>	<u>Step One</u>	<u>Step Two</u>	<u>Total</u>
Central Hudson	112,136	5.2%	\$ 1,254,186	\$ 627,093	\$ 1,881,279
Con Edison	693,276	32.3%	7,753,952	3,876,976	11,630,928
NYSEG	214,824	10.0%	2,402,701	1,201,351	3,604,052
Niagara Mohawk	916,149	42.7%	10,246,677	5,123,339	15,370,016
O&R	79,280	3.7%	886,708	443,354	1,330,062
RG&E	130,160	6.1%	1,455,776	727,888	2,183,664
	<u>2,145,825</u>	<u>100.0%</u>	<u>\$ 24,000,000</u>	<u>\$ 12,000,000</u>	<u>\$36,000,000</u>

## EEPS Financial Incentive Proposal

## Gas

## Dekatherm Targets

<u>Administrator</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
NYSERDA	2,189,042	2,197,892	2,212,264	2,269,862	8,869,060
Central Hudson	27,296	27,296	27,296	27,296	109,184
Con Edison	277,374	277,374	277,374	277,374	1,109,496
Corning	16,613	16,613	16,613	16,613	66,452
NYSEG	188,395	117,106	117,106	117,106	539,713
Niagara Mohawk	446,495	446,495	446,495	446,495	1,785,980
O&R	14,691	14,691	14,691	14,691	58,764
RG&E	332,897	261,608	261,608	261,608	1,117,721
KEDLI	148,223	148,223	148,223	148,223	592,892
KEDNY	252,466	252,466	252,466	252,466	1,009,864
NFG	0	0	0	0	0
St. Lawrence	13,365	13,365	13,365	13,365	53,460
<b>Total</b>	<b>3,906,857</b>	<b>3,773,129</b>	<b>3,787,501</b>	<b>3,845,099</b>	<b>15,312,586</b>

Total Incentive = 5 basis points on equity per year (20 basis points total)

\$14,000,000

Step One - Utility Specific Target = 2/3 total incentive

9,333,333

Step Two - Total Statewide Goal Achieved = 1/3 total incentive

4,666,667

## Shareholder Incentive

<u>Participating Administrators</u>	<u>Total Target</u>	<u>Percent of Total</u>	<u>Step One</u>	<u>Step Two</u>	<u>Total</u>
Con Edison	1,109,496	17.9%	\$ 1,666,331	\$ 833,165	\$ 2,499,496
NYSEG	539,713	8.7%	810,585	405,292	1,215,877
Niagara Mohawk	1,785,980	28.7%	2,682,329	1,341,165	4,023,494
O&R	58,764	0.9%	88,257	44,128	132,385
RG&E	1,117,721	18.0%	1,678,684	839,342	2,518,026
KEDLI	592,892	9.5%	890,453	445,227	1,335,680
KEDNY	1,009,864	16.3%	1,516,695	758,348	2,275,043
<b>Total</b>	<b>6,214,430</b>	<b>100.0%</b>	<b>\$ 9,333,333</b>	<b>\$ 4,666,667</b>	<b>\$14,000,000</b>