

**CONSOLIDATED EDISON
GAS EFFICIENCY PILOT PROGRAM**

**QUARTERLY EVALUATION AND
STATUS REPORT**

**QUARTERLY REPORT TO THE PUBLIC SERVICE COMMISSION
QUARTER ENDING SEPTEMBER 27, 2005**

NYSERDA



**QUARTERLY REPORT (FOR THE PERIOD ENDING SEPTEMBER 27, 2005)
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
GAS EFFICIENCY PILOT PROGRAM**

INTRODUCTION

The Gas Efficiency Program Plan (Gas Plan) for the Consolidated Edison Company of New York, Inc. (Con Edison) gas utility territory was filed by the New York State Energy Research and Development Authority (NYSERDA) with the New York State Public Service Commission (PSC) on December 24, 2004, in compliance with a September 27, 2004 PSC order (Case 03-G-1671) adopting a rate plan for Con Edison's gas operations. A revised Gas Plan was filed on February 24, 2005. The Gas Plan was developed in concert with a twelve-member advisory group whose purpose was to assist in developing the Gas Plan and make recommendations concerning the conduct of the Gas Program. The Gas Plan was approved by the PSC on May 18, 2005.

The Gas Program has been funded at \$5 million and consists of new gas energy efficiency initiatives that will supplement and expand existing efficiency programs. Eligible program participants are SC 1, SC 2, SC 3 and SC 13 customers and SC 9 firm transportation customers over a twelve month period. Interruptible gas customers are not eligible to participate. Allocation of funding in the Gas Program is 50 percent for low-income gas efficiency programs, including low-income weatherization and programs for owners of multifamily housing with low-income tenants; 25 percent for non-low-income residential gas efficiency programs, including single and multifamily buildings; and 25 percent for commercial gas efficiency programs.

In accordance with the Gas Plan, NYSERDA will file quarterly status reports with the PSC for the period September 27, 2005 through September 27, 2007. Annual reports will be filed within sixty days after the end of each rate year, in November 2006 and November 2007.

In the first year after the PSC released its order, NYSERDA worked with representatives of Con Edison and the Advisory Group to develop the Gas Plan. Since receiving approval of the Gas Plan in May 2005, NYSERDA staff have been actively formulating the gas efficiency programs, developing several new solicitations, and identifying methods to track program expenditures and progress. Several distinct programs will be implemented to serve the commercial, residential, and low-income markets, complementing currently available offerings under the **New York Energy SmartSM** Program.

QUARTERLY GAS PLAN PROGRAM SUMMARY

This report details the Program's progress through September 27, 2005. Budget status information and solicitations released during the most recent quarter are presented below. Future quarterly reports will include summaries of energy, economic, and environmental outcomes and energy savings by program for each quarter.

Table 1 provides information on the only solicitation issued to date, *i.e.*, Program Opportunity Notice (PON) 866, Technical Assistance Program (Revision).

Table 2 presents overall budget information through the end of the reporting quarter.

Figure 1 shows the budget and spending through the end of the reporting quarter.

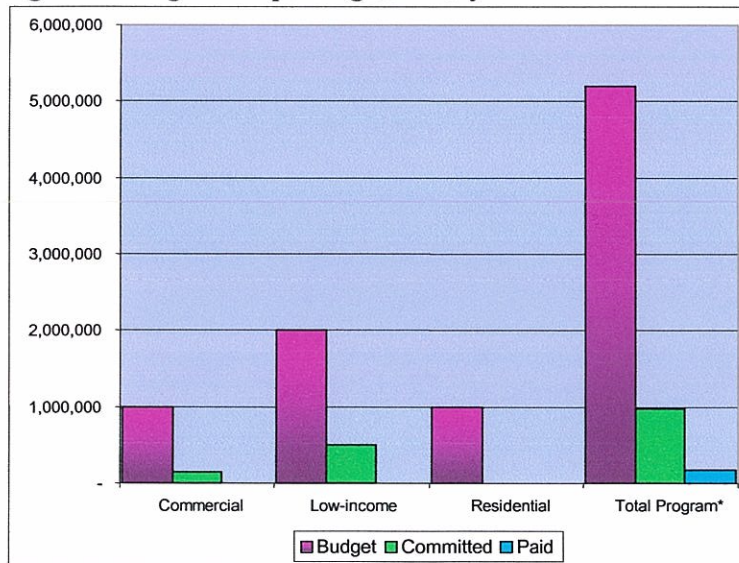
Table 1--Solicitations Released in Quarter Ending September 27, 2005

Solicitation Number	Solicitation Name	Solicitation Release Date	Solicitation Closing Date
PON 866	Technical Assistance Program (Revision)	08/08/05	11/30/05

Table 2--Overall Budget Status as of September 27, 2005

Program	Budget	Paid	Committed	Available
Commercial	\$1,000,000	\$2,990	\$151,848	\$848,152
Low Income	2,000,000	0	459,636	1,540,364
Residential	1,000,000	0	0	1,000,000
Subtotal	<u>\$4,000,000</u>	<u>\$2,990</u>	<u>\$611,484</u>	<u>\$3,388,516</u>
Gas Efficiency Study	200,000	31,712	199,593	407
Evaluation	100,000	0	25,000	75,000
Administration	350,000	173,542	173,542	176,458
Reserve for Lost Revenue	550,000	0	0	550,000
Total Program	<u>\$5,200,000</u>	<u>\$208,244</u>	<u>\$1,009,619</u>	<u>\$4,190,381</u>

Figure 1--Budget and Spending Summary



* Includes study, evaluation, administration, and lost revenue reserve.

RESIDENTIAL AND LOW-INCOME PROGRAMS

The Residential and Low-Income portion of the Gas Program will involve several single family and multifamily building programs. The single-family homes program will include funding for New York ENERGY STAR® Labeled Homes (\$100,000 for non-low-income and \$500,000 for low-income homes) and Home Performance with ENERGY STAR (\$200,000). The multifamily program will include

funding for ResTech (\$300,000), Assisted Multifamily (\$500,000), and ENERGY STAR Multifamily Buildings (\$200,000 for non-low-income and \$1,000,000 for low-income). Program marketing expenditures will be \$200,000. Detailed descriptions of these programs may be found in the approved Gas Plan.

Many of the proposed programs are in the beginning stages of implementation and have not progressed to the point where gas efficiency measures have been installed, so no gas savings or other benefits are available for this quarterly report. Other program accomplishments, however, are detailed below.

Assisted Multifamily Program (AMP) — AMP has been allocated \$500,000 to target low-income multifamily projects that are exclusively Con Edison gas customers. The AMP implementation contractor, HR&A, and NYSERDA staff are actively seeking potential candidates for the additional funds. HR&A, at the direction of NYSERDA, has retooled its management database to flag participating projects and track related expenditures, progress, and success separate from other AMP participants. NYSERDA expects that the \$500,000 allocation will support 15 to 20 new AMP buildings projects at the current leveraging ratio of about 4 to 1.

ENERGY STAR Multifamily Pilot Program (EMP) — EMP in New York is part of a national pilot program coordinated in Oregon, Wisconsin, and New York by a National Working Group of multifamily experts under the oversight by the United States Environmental Protection Agency (U.S. EPA). The pilot is testing various methodologies to design, construct, test, and rate energy-efficient multifamily buildings to enable them to receive an EPA ENERGY STAR label. NYSERDA is overseeing this effort in New York, and HR&A is implementing this effort under the AMP contract with NYSERDA.

The Gas Plan allocated \$200,000 to market-rate, non-low-income projects participating in EMP and \$1,000,000 to low-income EMP projects. Of these allocations, 20 percent was designated for various technical assistance and training costs and the remaining 80 percent will cover the incremental cost of installed measures. NYSERDA staff have developed a tiered incentive structure for the EMP program. The incentives will provide technical assistance to developers and help offset the cost of designing energy efficient buildings. The developers will be able to receive additional performance-based incentives if they achieve higher-than-anticipated energy efficiency targets and additional incentives after buildings are constructed and the higher energy savings are verified. These performance-based incentives are unlikely to be met by developers currently in the program, and NYSERDA will recruit two or three additional buildings to ensure that all the \$1,000,000 of allocated incentive funds are expended.

To date, EMP has identified one market-rate and five low-income new construction projects in Con Edison's gas territory. Of these, the market-rate project and three of the low-income projects have been approved by staff, and one low-income project developer has signed a Participation Agreement with NYSERDA. The encumbered amount for the low-income project is \$504,636.

HR&A is currently seeking a second market-rate project to include in this pilot and preparing the Participation Agreements for the remaining two low-income projects. Baseline models are being developed for all projects by the consultants working with project design teams to develop proposed energy-efficient designs. We expect to have preliminary savings projections in the next quarter for at least 2 to 4 of the current projects.

Assisted New York ENERGY STAR Labeled Homes (ANYESLH) — This Program was allocated \$500,000 to provide incentives to homebuilders to construct low-income one-to-four family New York ENERGY STAR Labeled Homes. NYSERDA's program implementer, the Conservation Services Group (CSG), is currently seeking existing and new affordable housing developers with potential sites. CSG's field account managers are meeting with developers that build a substantial portion of the low-income housing in the New York City region. CSG, at the direction of NYSERDA, is finalizing its program management database to track these projects separately from the rest of the Program. This Program is fully expected to support the construction of approximately 650 new energy-efficient homes for low-income Con Edison gas customers.

New York ENERGY STAR Labeled Homes (NYESLH) — This Program was allocated \$100,000 to provide incentives to homebuilders to construct market rate, non-low-income one-to-four family homes in

the Con Edison gas service territory. These homes will include high-efficiency gas heating equipment beyond current Program standards. In addition to finalizing a qualified list of eligible equipment, CSG is currently working with our existing participating builders and recruiting new homebuilders with potential housing sites. The Program fully expects to support construction of approximately 200 new energy-efficient homes for Con Edison gas customers.

Home Performance with ENERGY STAR (HPwES) — This Program was allocated \$200,000 to provide incentives to home performance contractors to upgrade the energy efficiency of existing one-to-four family homes in the Con Edison gas service territory. These homes will include high-efficiency gas heating equipment beyond the current program standards. In addition to finalizing a qualified list of eligible equipment, CSG is currently working with our existing participating home performance contractors and recruiting new contractors with potential retrofit housing sites. The Program fully expects to support upgrades in approximately 400 homes for existing Con Edison gas customers.

Planned Activities and Proposed Expenditures

Activity in the low income and residential portion of the Gas Plan will be significant next quarter, especially for the Energy Star Multifamily Program (EMP) and the Home Performance with Energy Star Program. This is due to the market's response to the higher cost of gas this winter, i.e., participants' interest in energy efficiency is increased and this will drive demand for program funds. For the EMP, two new-construction buildings will begin, and plans for an additional six buildings will be finalized. Staff in the residential program will work closely with staff in Energy Efficiency Services to coordinate the new construction program activities. Proposed expenditures are estimated to be \$550,000 in the low income program and \$400,000 in the residential program.

COMMERCIAL PROGRAM

The commercial component of the Gas Program will help eligible non-residential Con Edison gas customers better manage their energy costs and operate more productively. Natural gas measures have been added to existing **New York Energy SmartSM** programs to enable staff to provide one-stop assistance. These programs include: the Energy Audit Program, FlexTech Services, the Technical Assistance Program, Smart Equipment Choices, the Commercial/Industrial Performance Program, and the **New York Energy SmartSM** Loan Fund. Marketing will target eligible Con Edison gas customers. The commercial program will be funded at \$1,000,000.

As with the residential and low-income programs, the gas components of the programs are in the beginning stages of implementation and no gas efficiency measures have been installed and no gas savings or benefits can be reported in this quarterly report. Accomplishments of the Commercial Gas Efficiency Program are detailed below.

FlexTech and Technical Assistance — The FlexTech and Technical Assistance programs were revised in August 2005 to permit studies of customer projects previously ineligible for funding under **New York Energy SmartSM**. Studies will include the costs and benefits of installing gas measures at efficiency levels established by implementation programs.

Energy Audit Program — The Energy Audit Program has been augmented to include combustion efficiency testing of applicable gas-fired equipment and ultrasonic steam trap testing. Additional gas measures have also been added to the list of analyzed options.

Training — NYSERDA is cosponsoring two workshops in White Plains; a one-day Heating System Best Practices workshop and a two-day Steam Plant Improvement Workshop. These workshops will also market the Commercial Gas Program.

Commercial/Industrial Performance Program — Commercial/Industrial Performance Program previously excluded natural gas measures. The overall program guidelines will remain the same with an

additional incentive for annual therms saved. Staff has rewritten the program's policy manual to refine the definitions of natural gas savings.

Smart Equipment Choices Program — The Smart Equipment Choices Program *Terms and Conditions* were redefined to add pre-qualified natural gas measures and a custom measure incentive. Program incentive caps will be raised to encourage implementation of gas measures.

New York Energy SmartSM Loan Fund — The New York Energy SmartSM Loan Fund's eligible measure list has been expanded for the Commercial Gas Program. The Program's *Policy and Procedures Manual* was updated to reflect the expanded list and to clarify gas terminology.

Planned Activities and Proposed Expenditures

Con Edison firm-gas commercial customers who have participated in NYSERDA programs, contractors who have completed a NYSERDA-funded project in the Con Edison gas service territory, and attendees of NYSERDA-sponsored workshops who are eligible to participate will be notified of the new Commercial Gas Program. Concurrently, outreach focusing on business and trade organizations will be initiated. Feasibility studies and energy audits will begin, and some audits should be completed. The solicitations for the Commercial Industrial Performance Program, the Smart Equipment Choices Program, and the Loan Fund will be updated and released to include the Commercial Gas Program. Proposed expenditures in the Commercial Gas Program are estimated to be \$150,000.