CONSOLIDATED EDISON
GAS EFFICIENCY PILOT PROGRAM

ANNUAL EVALUATION AND
STATUS REPORT

ANNUAL REPORT TO THE PUBLIC SERVICE COMMISSION
RATE YEAR ENDING SEPTEMBER 27, 2007

NYSERDA

ANNUAL REPORT (For the Rate Year Ending September 27, 2007) FOR the CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. GAS EFFICIENCY PILOT PROGRAM

INTRODUCTION

This report updates the status and progress made from inception through September 27, 2007 of New York State Energy Research and Development Authority's (NYSERDA) gas efficiency pilot program (Gas Program) in the Consolidated Edison of New York, Inc. (Con Edison) service territory and serves as the annual report for the third rate year. Budget status information and cumulative program accomplishments through the end of the third rate year are presented in the tables below.

Table 1 presents overall budget information through the end of the reporting period.

Table 2 presents cumulative program accomplishments through the end of the reporting period.

Table 1. Overall Budget Status as of September 27, 2007

Program	Budget	Paid	Committed	Balance*
Commercial	$1,000,000	$384,737	$1,026,133	$(26,133)
Low-Income	$2,000,000	$550,758	$2,226,822	$(226,822)
Residential	$1,000,000	$550,465	$663,191	$336,809
Subtotal	**$4,000,000**	**$1,485,960**	**$3,916,146**	**$83,854**
Gas Efficiency Study	$200,000	$199,593	$199,593	$407
Evaluation	$80,000	$25,000	$80,000	---
Administration	$280,000	$272,453	$272,453	$7,547
Funds Administered by NYSERDA	$4,560,000	$1,983,006	$4,468,192	$91,808
Reserve for Lost Revenue	$640,000	---	---	$640,000
Total Program	**$5,200,000**	**$1,983,006**	**$4,468,192**	**$731,808**

* Pursuant to a funding agreement between NYSERDA and Con Edison, NYSERDA will refund to Con Edison $95,744, representing $91,808 in program funding, which exceeded the aggregate funding obligations contracted for by NYSERDA during the Gas Rate Plan, plus $3,936 in interest earnings on such funds.

Note: Through the end of the Gas Rate Plan, NYSERDA earned $191,572 in interest earnings on program funds retained by NYSERDA. These funds (less the returned amount stated above) will be used for gas efficiency measures in the same manner as the program funds provided by Con Edison, consistent with a funding agreement between NYSERDA and Con Edison.

Table 2. Program Accomplishments as of September 27, 2007

	Residential and Low-Income Programs	Commercial Programs
Number of projects	82	63
Number of participants or dwelling units	5,399	63
Installed Therm Savings (Annual)	117,561[1]	257,080
Contracted Therm Savings (Annual)	780,164	1,271,397
Contracted Annual Bill Savings[2]	$1,365,287	$1,938,880
Contracted Environmental Benefits[3]		
CO_2 (Annual Tons)	4,564	7,438
SO^2	---	---
NOx	Negligible	Negligible
Contracted Life Cycle Customer Savings[4]	$17,149,509	$24,354,475
Contracted Life Cycle Avoided Costs[5]	$12,461,241	$22,673,515
Incentives Paid		
Dollar Amount	$1,101,223	$384,737
% of Spending	37%	38%
Total Amount Expended to Date	$2,890,013	$1,026,133

[1] Installed therm savings include all completed or substantially completed residential projects, consistent with SBC reporting. The savings are preliminary pending verification by NYSERDA's measurement and verification contractor. These projects have been inspected and verified by NYSERDA's implementation contractors. Savings for completed commercial projects have been independently verified.

[2] Contracted therm savings were estimated at $17.50 per decatherm for residential customers and $15.26 per decatherm for commercial customers.

[3] Estimated annual emissions reductions are based on 0.0585 tons of CO_2 per decatherm.

[4] Amounts are based on an average measure life of 15 years, 3% discount rate, and $17.50 per decatherm for residential and $15.26 per decatherm for commercial.

[5] Amounts are based on avoided costs from Table 3.5, Total Avoided Gas Costs (2005 $/Dt), Downstate (NYC), pg. 3-17, updated for 2007 $/Dt, found in *Natural Gas Energy Efficiency Resource Development Potential in New York* by Optimal Energy, Inc., October 2006.

The Program serves firm residential, low income, and commercial natural gas customers in the Consolidated Edison territory and provides incentives for gas efficiency initiatives. The gas efficiency program offerings complement but do not supplant existing efficiency programs currently funded under the System Benefits Charge (SBC). To relieve the administrative burden and reduce costs, NYSERDA uses established programs, procedures, and implementation contractors in offering gas efficiency incentives to eligible program participants. NYSERDA's Gas Efficiency Program Plan (Gas Plan) was approved by Order of the Public Service Commission (the Commission) on June 13, 2005.

COMMERCIAL GAS EFFICIENCY PROGRAM

The commercial component of the Gas Program helps 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 $mart**SM programs to enable staff to provide one-stop assistance. These programs include: the Energy Audit Program, FlexTech Services, the Technical Assistance Program, the Enhanced Commercial/Industrial Performance Program, and the **New York Energy $mart**SM Loan Fund. The commercial program is funded at $1,000,000. Accomplishments of the commercial component of the Gas Program are detailed below.

FlexTech and Technical Assistance — The FlexTech and Technical Assistance programs offer studies that include the costs and benefits of installing gas measures at efficiency levels established by implementation programs. Eleven studies have been initiated, of which three have been completed.

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. The cost for these audits is either $100 or $400, depending on the size of the customer. Gas measure review has been initiated for small commercial ratepayers. Twenty-five gas audits have been initiated and completed.

Enhanced Commercial/Industrial Performance Program **—** Formerly known as the Commercial/Industrial Performance Program (CIPP), the new program was enhanced with incentives for natural gas measures and was revised to include Smart Equipment Choices and a custom-based application. The new program, the Enhanced Commercial/Industrial Performance Program (ECIPP), offers customers a 3-tiered approach to obtain incentives for energy efficient improvements. The first tier (Tier I) was formerly the Smart Equipment Choices Program. The cap on this tier is $25,000. The second tier (Tier II) offers incentives based on a technical engineering analysis. The original incentive for Tier II was $0.80/therm saved up to $100,000. In February 2007, the incentives were revised to $1.50/therm saved up to $500,000. The third tier (Tier III) parallels the former CIPP and which offers performance-based incentives. The original incentive for Tier III was $1.50/therm saved and was increased to $2.00/therm saved in February 2007. Twenty-five (25) projects have been initiated, 21 of which have been completed.

New York Energy $mart[SM] Loan Fund — The Loan Fund uses the same pre-qualified list as ECIPP and its minimum equipment efficiency levels are consistent for equipment pre-qualified under the ECIPP and Loan Fund programs. Two loan subsidies have been initiated, one of which has been completed.

RESIDENTIAL AND LOW-INCOME PROGRAMS[1]

The residential and low-income portion of the Gas Program includes several single-family programs and the Multifamily Performance Program. The single-family homes program includes funding for New York ENERGY STAR® Labeled Homes ($100,000 for non-low-income and $75,000 for low-income homes) and Home Performance with ENERGY STAR® ($200,000). The Multifamily Performance Program replaces the previous multifamily programs including ResTech, the Assisted Multifamily Program, and the ENERGY STAR® Multifamily Pilot Program. The funding for the Multifamily Performance Program is $500,000 for non-low-income projects ($300,000 for existing buildings and $200,000 for new construction) and $1,925,000 for low-income projects ($925,000 for existing buildings and $1,000,000 for new construction). Gas Program marketing expenditures will total $200,000.

Multifamily Performance Program (MPP) — MPP targets multifamily projects that are exclusively Con Edison gas customers. Sixty (60) MPP projects have been identified as eligible for Gas Program funds. NYSERDA has encumbered, or committed, $2,657,628 to these projects and expended, or paid, $956,425. Of these 60 projects, only 40 have been allocated the full amount of Gas Program funding for which they will be eligible. The Gas Program funding allocated to the remaining twenty (20) projects represents a proportion of the projects' initial incentives under MPP. These projects will require an estimated additional $2,240,000 of gas incentives as they progress through MPP. The additional funding will be allocated from the Gas Program year 4 transition funds.

To date, of the 60 projects, 38 have received completed energy reduction plans and the savings from those projects are included in this report. When the remaining 22 projects receive their completed energy reduction plans and the gas savings are determined, the gas and bill savings will be reported. The 38 projects with projected gas savings identified in the completed energy reduction plans are expected to save 754,225 therms annually, or approximately $1,312,000. The total cost of the gas-saving measures is

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[1] For complete program descriptions, refer to the May 2006 New York Energy $mart Program Evaluation and Status Report and the SBC III Operating Plan, both found on NYSERDA's website (www.nyserda.org).

estimated to be $6,638,000.

Home Performance Programs (HPP)

Home Performance Programs include existing, new construction, market rate, and assisted 1- 4 family residential projects that are exclusively Con Edison gas customers

— The Assisted New York ENERGY STAR® Labeled Homes (ANYESLH) program received a reallocation of $75,000 for incentives to homebuilders and customers for constructing 100 New York ENERGY STAR® Labeled Homes targeting low to moderate income homebuyers. The homes must include high efficiency gas heating equipment that exceeds current program standards. Funding for 28 dwellings (consisting of 77 housing units) has been committed through a project named Stebbins Bristow, and 4 dwellings (12 housing units) have been completed. This development is being constructed by the Blue Sea Construction Company and is located in the Bronx. In tandem with this project, Habitat for Humanity's nine affordable housing ENERGY STAR® homes in Westchester County have been completed, fulfilling 37 of the 100-dwelling-buildings obligated for projects.

— The New York ENERGY STAR® Labeled Homes (NYESLH) program was allocated $100,000 to provide incentives to homebuilders for constructing market-rate, New York ENERGY STAR® Labeled homes in the Con Edison gas service territory. The homes will include high-efficiency gas heating equipment that exceeds current program standards. The program has exceeded its original production goal and will support construction of 309 New York ENERGY STAR® homes. Projects in this program include Powell Cove in Queens (200 units), Ichabod Landing in Westchester (44 units), and Glassbury Court, also in Westchester (64 units).

— The Home Performance with ENERGY STAR (HPwES) program received a reallocation of $50,000 to provide incentives to participating home performance contractors for upgrading the energy efficiency of 100 existing one-to-four family homes in the Con Edison gas service territory. The homes are to be retrofitted with high-efficiency gas heating equipment that exceeds the minimum standards of the current Program specification of: Forced-air Gas Furnace 90% AFUE, or Gas Boiler 85% AFUE. CSG, NYSERDA's contractor, and various field staff continue to work with participating home performance contractors educating them about the program's benefits and providing them with an opportunity to participate in the program. To date, 17 Gas Program projects, comprising 18 dwelling units, have been completed. As the market matures, production is expected to increase dramatically. New contractors are constantly being recruited, trained, and accredited to facilitate infrastructure development in the downstate markets.

Several market retrofit projects are nearly committed in Westchester County at Yorktown Heights, Cortland Manor, and two other sites by Pur-Air Heating and Air Conditioning, a participating contractor in the Gas Program.

— The Home Performance Program to date has installed or has commitments for 413 dwelling units from 22 projects, amounting to annual incremental gas savings of 25,939 therms or $53,287 in annual gas bill savings, at a cost of $215,250 for incentives paid.

Residential Marketing **—** NYSERDA spent $198,467 in community newspapers and trade publications in the New York City and downstate markets to increase participation in the Gas Program. Some of the advertising produced added value options such as editorial space and color ads. Many publications printed a quarter-page ad about the Con Edison Gas Efficiency Program.