

New York State's Natural Gas Efficiency Program and Revenue Decoupling Mechanisms

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Energy Efficiency Portfolio Standard (EEPS)

Case 07-M-0548

- In 1998, New York established the System Benefit fund, financed through a System Benefit Charge (SBC) on customer electric bills, to fund energy efficiency programs administered by a state agency named the New York State Energy Research and Development Authority (NYSERDA)
- New York State has a goal of reducing expected 2015 electric energy usage by 15% (15 by 15)
- The NY PSC instituted a proceeding on 5/16/2007 to establish an energy efficiency portfolio standard (EEPS)
 - The proceeding was intended to involve all stakeholders and ensure transparency and public participation, with the objectives of balancing cost impacts, resource diversity, and environmental effects, to decrease the State's energy use through increased conservation and efficiency
- The Commission has issued a series of Orders to implement EEPS

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- An Order issued 6/23/08 increased funding for electric efficiency from \$175 million annually to \$334 million through 2011 and also established a gas SBC
 - It also approved certain electric and natural efficiency programs with high benefit/cost ratios and established a competitive model -potential independent program administrators to submit proposed efficiency programs, in addition to the utilities and NYSERDA
- On 8/22/08, the Commission issued its Order Concerning Utility Financial Incentives, which required that electric utility efficiency programs have incentives to reward or penalize performance
 - Gas utilities were exempted, but they can opt in
 - Total incentives were set at approximately 20 basis points on the return on equity

EEPS Gas Efficiency Target

- On April 7, 2009, the Commission directed the utilities to adopt a technical manual developed by a consultant to standardize energy savings calculations
- On May 19, 2009, the NY PSC issued its “Order Establishing Targets and Standards for Natural Gas Efficiency Programs”
- This Order adopted a goal of about 15% reduction in estimated natural gas usage by 2020, independent of any fluctuations in usage caused by fuel switching (e.g., micro CHP, natural gas vehicles)
- The Order called for spending of \$130 million annually to reach this goal through efficiency programs funded through gas surcharges
- Utilities and NYSERDA have filed programs designed to help meet the goal, which are currently being analyzed and approved by the Commission

Gas RDMs

- In anticipation of the rollout of energy efficiency programs at each utility, the Commission issued Order in 2007 requiring the development of revenue decoupling mechanisms as part of upcoming rate cases
- Revenue decoupling designed to remove utility disincentives to promote energy conservation efforts
- Gas RDMs now in place or under development at all major gas utilities
- Different RDM methodologies have been used for electric and gas
- Electric RDMs are based on total electric delivery revenues - actual delivery revenues are compared to forecast delivery revenues assumed in setting rates and differences are either surcharged or credited to customers
- Gas RDMs have been developed on a use per customer basis; Use of a per customer basis for gas RDMs recognizes some differences between gas and electric:
 - opportunity for growth in customer levels for natural gas as compared to electric
 - gas service territories are not fully saturated, as natural gas competes against oil, propane, etc.

Gas RDMs

- With Gas RDMs, differences between actual and forecasted use per customer are accumulated annually; surcharges assessed or credits passed back to customers after end of rate year
- RDMs established on a service class basis (e.g. residential, commercial, industrial)
- Gas utilities have ratemaking clauses where differences between actual and forecasted heating degree days are priced out and surcharged or credited back to customers on a billing cycle basis. To ensure that the RDMs not pick up the effects of weather, these adjustment clauses have been modified