STATE OF NEW YORK

PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission in Regard To Reforming the Energy Vision — **Case 14-M-0101**

Proceeding on Motion of the Commission to Consider a Clean Energy Fund — **Case 14-M-0094**

Natural Resources Defense Council Reply Comments to the "Developing the REV Market in New York: DPS Staff Straw Proposal on Track One Issues"

Dated: October 24, 2014

Natural Resources Defense Council

Reply Comments to New York State Department of Public Service Staff

"Developing the REV Market in New York: DPS Staff Straw Proposal on Track One Issues"

Cases 14-M-0101 and 14-M-0094

October 24, 2014

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I. Introduction

The Natural Resource Defense Council ("NRDC") again thanks the New York Public Service Commission ("Commission") for the opportunity to provide these reply comments ("Reply Comments") to the Department of Public Service Staff ("Staff") "Developing the REV Market in New York: DPS Staff Straw Proposal on Track One Issues" filed on August 22, 2014 ("Straw Proposal") in Case 14-M-0101, Reforming the Energy Vision ("REV").

We note that NRDC signed onto two sets of coalition comments[1] in response to the Commission's June 4, 2014 REV "Ruling Posing Questions On Selected Policy Issues and Potential Outcomes" ("June Policy Ruling"). On September 22, 2014, NRDC filed individual Straw Proposal comments and "endorsed" the Straw Proposal comments of Pace and the Straw Proposal coalition comments of Energy Efficiency for All. NRDC now files these Reply Comments, and again "endorses" the reply comments of Pace and the reply comments of the Energy Efficiency for All coalition.

NRDC applauds and supports a REV vision where New York's electric system is de-carbonized. It is critical that carbon reduction goals remain a primary REV outcome. NRDC also urges the Commission to recognize that in addition to the system wide efficiency goals, overarching end-use energy efficiency goals must be a central outcome of REV. Building on the state's successful implementation of decoupling and continuing to move utilities away from a

[1] NRDC did not file an individual response to the June Policy Ruling but instead signed two sets of coalition comments, specifically: (1) the Energy Efficiency for All Coalition consisting of NRDC, Pace Energy and Climate Center ("Pace"), WE ACT for Environmental Justice , Enterprise Community Partners , the Association for Energy Affordability ("AEA"), the Green and Healthy Homes Initiative, and the Center for Working Families on July 17, 2014 and (2) joint NGO comments with the Alliance for Clean Energy New York, AEA, the Clean Coalition, the Columbia University Center for Climate Change Law, Environmental Advocates of New York, the Environmental Defense Fund, Pace, the New York Public Interest Research Group and the Sierra Club on July 18, 2014 (the "July 18 Filing.") The July 18 Filing parties continue to work together and share many common principles.

commodity based business model is central to this goal, as is pricing both the negative impacts of greenhouse gas emissions ("GHG") and the benefits of de-carbonization.

In emphasizing the importance of establishing carbon reduction and energy efficiency goals before the Commission, however, we also urge the Commission to underline and reinforce the drivers of these goals — namely mitigating climate change and the negative public health and economic impacts that carbon poses to New York. Now, and throughout REV implementation, the Commission must require that the Distributed System Platforms ("DSPs") plan for both climate change mitigation and adaptation. This includes but is not limited to consideration of the impacts that sea level rise and rising temperatures will have on the REV platform itself. Failing to account fully for and incorporate these projected impacts into the REV build out could result in New York's utility reform vision, literally and figuratively, ending up underwater.

In these Reply Comments, NRDC requests that the Commission ensure that (1) efficient electrification of the transportation sector is considered immediately in upcoming utility rate cases; (2) all New Yorkers benefit from REV, including residents of affordable multifamily buildings; (3) steps are taken to foster coordination between the New York Independent System Operator ("NYISO") and DSPs; (4) carbon is be priced within cost benefit frameworks that allow the State to reach the over-arching goals of REV; (5) carbon reduction and aggressive energy efficiency goals and targets are established; and (7) a thoughtful transition for energy efficiency programs is (a) modeled after NY Sun and (b) a fast track proceeding is be established within REV to develop the design of the State's Main Tier Renewable Portfolio Standard program.

D. Support for a Track One Policy Decision by the Commission

2. Electric Vehicles as "Drivers of Change"

Efficient electrification of the transportation sector can help realize REV objectives and, as noted in the Straw Proposal, is a "driver" for REV.[2] In order to achieve an 80% statewide reduction in emissions of GHG from 2005 levels by 2050, as endorsed in the 2014 Draft State Energy Plan, on-road vehicle fleet and other transportation systems will need to be powered largely by low-carbon electricity within the next few decades.[3] We reiterate our recommendation, made in the NRDC Opening Comments, that the Commission direct each utility to include an assessment for the potential for and impact of efficient transportation electrification in its next rate case, if not before. We also agree with ChargePoint, Inc.'s ("ChargePoint") call for the Commission to require, with regard to transportation electrification, that utility plans include express plans for multifamily units and periodic electric vehicle ("EV") workshops.

The NRDC Opening Comments urged the Commission to require utility REV and efficiency transition implementation plans ("ETIPs) plans to address multi-family dwellings, including affordable housing, in proposing ways to scale up energy efficiency and distributed energy resources ("DER"). These efforts should include electric vehicle infrastructure that supports the grid. NRDC agrees with ChargePoint that "the split-incentive problem is a fundamental obstacle to widespread expansion of much-needed EV charging facilities at multi-

[2] Straw Proposal at 4; Case 14-M-0101, NRDC Response to the "Developing the REV Market in New York: DPS Straw Proposal on Track One Issues", September 22, 2014 ("NRDC Opening Comments") at 5.
[3] See California Council on Science and Technology, *California's Energy Future*, May 2011; Williams et al., *The Technology Path to Deep Greenhouse Gas Emissions Cuts by 2050: The Pivotal Role of Electricity*, Science, January, 2012; internal NRDC analysis; Joshua Cunningham (Air Resources Board), *Achieving an 80% GHG Reduction by 2050 in California's Passenger Vehicle Fleet*, SAE International Journal of Passenger Cars, December, 2010; Silver, Fred, and Brotherton, Tom. (CalHEAT). Research and Market Transformation Roadmap.
to 2020 for Medium- and Heavy-Duty Trucks. California Energy Commission.

unit residential locations."[4] ChargePoint notes that in New York City, over 70% of residents live in multifamily dwelling units that do not have an attached garage where EV drivers can fuel their vehicles.[5] ChargePoint also notes, and NRDC agrees, that the New York City market is critically important to widespread EV adoption.[6] Further, EVs shield consumers from the volatility of the global oil market and allow them to enjoy the convenience of refueling at home on a cleaner fuel at a price that can be equivalent to dollar-per-gallon gasoline.[7] This opportunity should be available to all residents, including those in multi-family dwellings.

Unless the Commission requires specific EV planning, including ongoing evaluation of the EV transition, the full benefits of EV may go uncaptured. For example, programs such as those developed by San Diego Gas & Electric have already demonstrated that price signals coupled with consumer education and outreach are sufficent to encourage consumers to take advantage of the intelligence built into their cars. This can shift the vast majority of EV charging to super-off-peak hours.[8] However, real world experience demonstrates that, without such utility programs, this functionality will be neglected and customers will generally charge as soon as they return home from work, exacerbating evening stystemwide peak demand.

Further, looking to the future, it should be noted that the EV market is evolving and dynamic. The Electric Power Research Institute, for example, recently announced an EVcontrol platform in partnership with leading automanufacturers and utilities, which will allow utilities to communicate with electric vehicles through a cloud-based server.[9] California's investor-owned

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[4] Case 14-M-0101, ChargePoint Initial Comments on Staff Straw Proposal Track One Issues, September 22, 2014 ("ChargePoint Opening Comments") at 3.
[5] *Id.*
[6] *Id.*
[7] *See* Department of Energy: eGallon: Compare the costs of driving with electricity.
[8] Freeman, Sullivan & Co., First Year Evaluation for San Diego Gas & Electric's Electric Vehicle Pilot, December 21, 2012 at 1. https://www.sdge.com/sites/default/files/regulatory/Attachment%204-SDG&E%20ELECTRIC%20VEHICLE%20REPORT.pdf
[9] UtilityDIVE, Utilities, automakers to pilot EPRI's new electric vehicle control platform, July 30, 2014.

utilities are also in the process of developing large-scale programs to accelerate transportation electrification in a manner that supports the evolving needs of the electrical grid. Such programs and platforms could play an important role in realizing the vision of REV. NRDC seconds ChargePoint's suggestion for a periodic EV workshop to evaluate relevant programs and to incorporate best practices needed to ensure a rapid transformation of the transportation sector that also facilitates progress toward the overarching REV goals.[10]

III. Enabling New Roles for Key Market Participants.

The multifamily housing sector, beyond being historically underserved, represents significant untapped energy efficiency and carbon reduction potential. The Commission must ensure that all New Yorkers, including those in affordable multifamily buildings, can participate in the REV vision. This is essential for REV success, particularly in cities. As stated above, NRDC endorses the Opening and Reply Comments of the Energy Efficiency for All Coalition and the Optimal Energy white paper attached thereto.

D. Wholesale Market Interactions

Many stakeholders with diverse interests commented on the need for close coordination between DSP at the distribution level and NYISO at the wholesale level.[11] At both levels, increased penetration of DER will need to be reflected in appropriate pricing mechanisms that will encourage market-based participation and improve overall system efficiency.

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[10] ChargePoint Opening Comments at 4-5.

[11] Case 14-M-0101, New York Battery and Energy Storage Technology Consortium ("NY-BEST") Comments on the Staff Straw Proposal, September 22, 2014 ("NY-BEST Opening Comments") at 13; Case 14-M-0101, New York Energy Consumers Council, Inc. ("NYECC") Initial Comments on the August 22, 2014 Staff Straw Proposal on Track One Issues, September 22, 2014 ("NYECC Opening Comments") at 5-6; Case 14-M-0101, Comments of NYISO in the Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision, September 22, 2014 ("NYISO Opening Comments") at 6; and Case 14-M-0101, Straw Proposal Comments of the Exelon Companies, September 22, 2014 ("Exelon Opening Comments") at 20.

We re-emphasize the need for coordination, regardless of the specific roles that might be more suited to one or more entities. From end users to resource owners to aggregators to the DSPs and NYISO, all participants must be aware of DER, including their availability, pricing, and impacts on the integrated electric system. There will need to be consistency for the value of DER at both the local and wholesale level to foster market and overall system efficiency. A glaring example of this inconsistency today is the inability of NYISO (unlike PJM and ISO-NE) to value energy efficiency resources at the wholesale level for their capacity contributions, while local utilities are spending millions of dollars annually to reduce and better manage their loads.

We agree with the comments that focus on avoiding the creation of duplicative structures at the wholesale and retail level that become burdensome or create opportunities for manipulation or market power abuse.[12] The Commission must ensure that all market mechanisms and resource performance in the markets are subject to regulatory review.

NYISO appears to concur with NRDC regarding the monitoring of resource performance, the visibility of distribution resources, and the incorporation of all resources into system planning in a way that identifies and values the benefits being provided. We support NYISO's comment that system operators will need to know when a DER enters or exits the system, or if the host facility's primary operations change.[13] We also support the Commission's establishment of a special working group to address the many complex coordination issues related to coordinated dispatch, planning, and seamless market interactions at all levels, including at the customer, distribution entity, and bulk power system levels.

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[12] Case 14-M-0101, Initial Comments of the Utility Intervention Unit, Division of Consumer Protection, Department of State, ("UIU"), September 22, 2014 ("UIU Opening Comments") at 8-9; Case 14-M-0101, Comments of the City of New York ("NYC") on the Staff Straw Proposal on Track One Issues, September 22, 2014 ("NYC Opening Comments") at 18; and Case 14-M-0101, Initial Comments of the Retail Energy Supply Association ("RESA"), September 22, 2014 ("RESA Opening Comments") at 6.

[13] NYISO Opening Comments at 3-4.

IV. Gauging Feasibility.

B. Benefit Cost Analysis.

1. Principles to Guide BCA Framework Development

Staff has proposed a broad and comprehensive benefit-cost analysis ("BCA") framework to be used to evaluate and to allocate support to a diverse and competing set of needs and resources.[14] These include conventional centralized generation, transmission and distribution upgrades, energy efficiency, demand response, renewables, and distributed generation. NRDC as well as many of the commenting parties – representing a wide array of interests – supported such an approach in their comments as well as the general outlines of the proposed BCA framework.[15] The State must develop and use a consistent methodology to evaluate the costs and benefits of investments in both the State's electricity infrastructure and in support of the State's pursuit of its GHG emission reduction goals. This methodology must take a long-term, multi-fuel perspective that fully values the benefits from avoided GHG emissions and includes other non-energy benefits.

Recurring themes in these supportive comments included the need for transparency; inclusion of difficult to quantify and non-energy benefits, most notably GHG emissions; and the need to develop standardized protocols and methodologies in a timely manner through a stakeholder process. In particular, NRDC notes and supports the comments of the New York State Department of Environmental Conservation ("DEC"). DEC highlights the need for both

[14] Straw Proposal at 43.
[15] *See, e.g.,* Case 14-M-0101, Comments of Direct Energy on Staff Straw Proposal, September 22, 2014 ("Direct Energy Opening Comments") at 18; Case 14-M-0101, Initial Comments of Environmental Defense Fund ("EDF") Regarding the Staff Straw Proposal, September 22, 2014 ("EDF Opening Comments") at 17; Case 12-M-0101 [sic], Citizens for Local Power ("CLP") Response to the Staff Straw Proposal, September 22, 2014 ("CLP Opening Comments") at 7; and NYECC Opening Comments at 6.

REV and the NYSERDA Clean Energy Fund ("CEF")[16] to prioritize the reduction of GHGs and criteria pollutants. We strongly agree. Any BCA framework should explicitly acknowledge and incorporate in its analysis this long-term state policy objective.

However, several parties in their comments propose a more limited application of the BCA framework with which we disagree. The National Fuel Gas Distribution Corporation states that the BCA framework should only be applied to electric system distribution planning activities and that pursuing fuel neutral investments is unfair to ratepayers.[17] NRDC strongly disagrees. If New York is to meet both its long-term GHG emission reduction goals and develop a more resilient, lower cost energy infrastructure, informed investments must be made irrespective of a customer's current fuel use. Failure to do so will only hobble the State's ability to meet multiple key policy objectives. As the New York electric grid becomes increasingly decarbonized, the ability to pursue strategic electrification, including but not limited to growing support for electric vehicles, will be one key strategy for achieving the State's GHG goals. The BCA framework, and REV more generally, must provide an integrated multi-fuel framework in which the appropriate fuel choice decisions are made.

NRDC also notes that some parties express concerns in their comments regarding the inclusion of non-energy benefits in a BCA framework. Multiple Intervenors, along with AARP and PULP, voice concerns that inclusion of "social cost factors" will result in higher direct costs for customers.[18] We disagree. NRDC believes that any failure to consider social costs only delays the inevitable need to mitigate these factors and ultimately will do so at a higher cost to all

[16] Case 14-M-0101, DEC Comments on Department of Public Service Staff Straw Proposal on Track One Issues in the Proceeding on Reforming the Energy Vision, September 22, 2014 ("DEC Opening Comments") at 3.
[17] Case 14-M-0101, National Fuel Gas Distribution Corporation ("NFG") Comments in Response to August 22, 2014 Straw Proposal on Track One Issues, September 22, 2014 ("NFG Opening Comments") at 15-16.
[18] Case 14-M-0101, Initial Comments of Multiple Intervenors on Track One Straw Proposal, September 22, 2014 ("Multiple Intervenors Opening Comments") at 15; AARP and PULP Opening Comments at 15.

customers. It is critical that the BCA framework have a sufficiently broad and long-term perspective to ensure appropriate allocation of resources across a variety of investment options, all of which will have different social cost factors.

Similarly, NRDC strongly disagrees with several of the other positions put forward by the Multiple Intervenors. The Multiple Intervenors contend that Staff should only consider the costs and benefits incurred by the parties funding a proposed action and that a BCA framework should analyze investments on an individual basis, rather than on a portfolio basis.[19] Furthermore, the Multiple Intervenors state that a BCA framework that attempts to look at the full costs and benefits over the life of an investment will end up being too speculative and unreliable. To account for this, the Multiple Intervenors state that costs and benefits more than five years in the future should be given less weight.[20]

NRDC agrees with the REV Straw Proposal position that the BCA framework should include a comprehensive set of both costs and benefits and not be limited to a more narrow participant-only perspective. Through the use of the utility cost test ("UCT") and social cost test ("SCT"), efficiency investments and activities will subsume a broader perspective than that of just the individual participant. NRDC does agree that projections of future costs and benefits do indeed become more uncertain the further out any BCA goes. However, there are more appropriate ways to address this uncertainty, including performing scenario analyses. Discounting costs and benefits at some fixed, though nonetheless arbitrary, point in time is not appropriate.

[19] Multiple Intervenors Opening Comments at 17-18.
[20] *Id*. at 19.

The Multiple Intervenors also state that the rate impact measure ("RIM") test should be given all or most of the weight by the Commission in its BCA.[21] Again, NRDC strongly disagrees with this position and urges Staff and the Commission to jettison the RIM test entirely from consideration. As noted previously by NRDC and other parties, the emphasis on infrastructure and DER investments should be on bill, not rate, impacts. Furthermore, in keeping with the proposed fuel neutral position put forward in the Straw Proposal, NRDC recommends that the UCT be applied to capture multi-fuel benefits and costs, not just those associated with the State's electricity infrastructure. Additionally, as noted in our initial comments, alternative BCA methodologies like the Resource Value Framework should also be considered by the Commission. To address and resolve these issues NRDC encourages the Commission to begin the proposed BCA framework stakeholder process as soon as possible.

2. Guidance on Key Parameters

One critical component of a benefit-cost analysis identified in the Staff proposal is the value of carbon emission reductions. Staff correctly identified the need to value both the marginal compliance cost (e.g., the Regional Greenhouse Gas Initiative ("RGGI") auction price) and the marginal damage cost (which estimates the marginal societal damages from carbon emissions and is incremental to any compliance costs).[22] While the marginal compliance cost is readily quantified using auction prices (e.g., RGGI auction prices of approximately $5/ton), the marginal damage cost is more difficult to assess.

Many commentators endorsed the 2013 EPA report on the Social Cost of Carbon ("The EPA Report") as a good proxy for developing an appropriate "marginal damage cost"[23] of

[21] *Id*. at 20.
[22] Straw Proposal at 47.
[23] "Marginal damage cost" is the phrase used in the Staff Straw (p. 47) and is often used interchangeably with the phrase "social cost of carbon."

carbon.[24] NRDC supports those commentators who suggest that The EPA Report values be considered a starting point, or minimum value, for developing a proxy value for carbon damages.[25] Although developing an accurate marginal damage cost for carbon is difficult, it is essential that the value be approximated and included in the analysis, rather than omitted from the assessment altogether. Failure to include any value implies that the marginal damages from carbon emissions are "zero," which is clearly wrong and will result in highly skewed cost-effectiveness results.

The recent Synapse report "Benefit-Cost Analysis for Distributed Energy Resources"[26] lays out four different valuation approaches for impacts that are difficult to monetize directly. These include: (1) the use of proxies; (2) alternative benchmarks; (3) regulatory judgment; and (4) multi-attribute decision analysis. The Synapse report identifies the use of proxies as the second-best option behind direct monetization. The EPA Report provides such a proxy that can be used in the near-term while more detailed estimates are developed through a stakeholder process.

It is important to fully explore the various elements that should be included in a carbon damage cost and methods for estimating the value of such elements. The key issue will be the development of a comprehensive formula that can be included in the overall benefit cost methodology that is applied in other REV proceedings. As a starting point for the carbon damage cost, NRDC recommends using the elements of The EPA Report to establish a starting minimum

[24] DEC Opening Comments at 7; Case 14-M-0101, Columbia University's Sabin Center for Climate Change Law, Environmental Advocates of New York, New York Public Interest Research Group, the Pace Energy and Climate Center, the Sierra Club, and the Vermont Energy Investment Corporation ("Clean Energy Advocates") Response to New York State Department of Public Service Staff Straw Proposal on Track One Issues, September 22, 2014 ("Clean Energy Advocates Opening Comments") at 20; EDF Opening Comments at 28; and Case 14-M-0101, Environmental Entrepreneurs ("E2") Response to Staff Developing the REV Market in New York: Straw Proposal on Track One Issues, September 22, 2014 ("E2 Opening Comments") at 4.

[25] *Id.*

[26] http://synapse-energy.com/sites/default/files/Final%20Report.pdf

value with additional elements added in the near term. The entire formula should be updated on an annual or bi-annual basis as elements become better defined.

The carbon damage cost that is developed should be applied as a reduction to the cost of resources that displace carbon when making resource procurement decisions. At a minimum, this would apply to demand side resources, such as energy efficiency, customer price responsive demand, and load reducing renewable distributed generation, and to larger scale renewable resources such as utility-scale wind and solar. It may also be appropriate to incorporate the marginal damage costs of carbon into hourly dispatch decisions. Although current carbon compliance costs (e.g., RGGI auction prices) are included in generators' bids, the marginal damages are not.

The prompt development of a social cost of carbon, in addition to the other elements of the benefit/cost methodology, is necessary to help inform the other discussions and decisions in this overall proceeding. Before decisions on rate design and cost allocation can be resolved, the values that will be applied through a benefit cost methodology need to be roughly known; precise values would be even better, but might take considerably more time to develop. NRDC recommends that the benefit cost methodology developed through the stakeholder process resolve as many issues as practical in a short time period and then include placeholders for elements that will need to be determined (or revised) in the future.

V. Building the DSP Market.

A. Clean Energy

NRDC reiterates its position in the NRDC Opening Comments on the need for clear and aggressive energy efficiency savings goals. Specifically, savings goals for the electric utilities should ramp up quickly to annual savings equivalent to 2% of sales at the portfolio level.

Individual sector level – residential, low income, multifamily, commercial/institutional, and industrial – savings goals may vary. Without specific savings goals, it is impossible to judge the performance of efficiency program administrators and the REV's progress. Consistent with these objectives, the Commission should establish clear and aggressive efficiency savings targets for program administrations, especially the utilities. To achieve this end the Commission should commence a stakeholder process as soon as possible to establish explicit savings goals for the utilities. The intent should be to achieve the proposed 2% savings in as short a time as is possible with adequate consideration for sector equity and assurances that underserved markets are reached. At a minimum energy savings goals should be developed through this process in a sufficiently timely manner to inform review of the utilities' ETIPs.

NRDC also recommends, absent a parallel proceeding on gas utility efficiency activities, that the Commission give serious consideration to establishing savings goals for the State's gas utilities. Any such savings goals for both the electric and gas utilities should be net of appropriate increased energy sales for GHG mitigation purposes such as for strategic electrification, combined heat and power, electric vehicles, etc. We also note and support AEA's recommendation that additional performance targets for other key metrics such as MW and carbon reduction emissions be developed.[27]

The Joint Utilities' state that the ETIPs should "…specify the tools that will be employed to assess and monitor the effectiveness of the efficiency program." Specifically, these tools include the BCA, evaluation planning, and a Technical Resource Manual ("TRM"). Most notably, the Joint Utilities support the development of "…frameworks that are consistent throughout the State while also accommodating individual utility-specific inputs that recognize regional differences in costs, climate and other factors that will vary by utility. NRDC similarly

[27] AEA Opening Comments at 16.

supports the development of these frameworks on a consistent, statewide basis. Further, NRDC recommends that all utility efficiency program activities should be pursued on a joint basis. The Commission should require that electric utility efficiency program activities and the ETIPs presume coordinated and joint program delivery not only amongst themselves, but also with the gas utilities and, ultimately, with delivered fuel providers. While efforts to innovate should be encouraged, having each individual utility design and implement its own programs will do little to encourage trade ally participation and will often lead to market confusion.

In addition, utility management and implementation of efficiency services does not preclude the involvement of other key market actors in delivering and in providing financial support for efficiency services, including NYSERDA. As noted by UIU, the Commission should clarify how REV, the Green Bank, and CEF are supposed to coordinate. We share this concern. The draft CEF proposes a generalized ramp down of NYSERDA's efficiency implementation activities without any discussion as to specific programs, specific timelines, and specific program funding levels.

Finally, NRDC strongly endorses NYSERDA's recommendation in its CEF proposal that fuel neutrality should apply to all energy efficiency programs, including all utility programs. As NYSERDA correctly points out, fuel neutrality is "the lynch pin" to providing customer-centric clean energy programs.[28] Fuel neutrality will reduce program costs for administrators, increase savings for customers, and make more attractive business opportunities for vendors. In order to maximize GHG emissions reductions, the goal should be to capture all efficiency opportunities. Fuel neutrality offers particular benefits to low-income households.

VII. Implementing REV

C. Transitional Steps

[28] *Id.* at 41.

In the NRDC Opening Comments, NRDC urged the Commission to adopt the goal of reducing carbon emissions by 80% by 2050; including interim targets will ensure New York is on the necessary glide path to achieve that goal. In order to meet these GHG reduction targets, the State will need to leverage its investments to stimulate even greater private sector investment in energy efficiency and renewable energy. We support the goal of greater market "animation." However, we remain concerned that REV does not provide a sufficiently robust or clear transition strategy to ensure that we do not lose the benefits of New York's existing, long-standing policies.

Our concerns are magnified when one realizes that many of the critical decisions on implementation of the REV will actually be made in the context of individual utility rate cases. Traditionally, rate proceedings are more complex and less transparent than the Commission's more generic policy proceedings. Moreover, experience has demonstrated that it is harder for many interested stakeholders to participate in these proceedings, especially when multiple rate cases may be under review, due to limited resources and other compelling responsibilities. This reality makes it all the more important that the Commission adopt in the REV proceeding itself clear and aggressive goals and targets for energy efficiency savings, renewable energy and carbon emissions reductions. The Commission should then use these targets and goals as benchmarks in its evaluation of individual utility rate proposals.

In addition, NYSERDA's proposed CEF appears largely to terminate all of NYSERDA's existing energy efficiency programs, even its most successful nationally recognized programs, upon the expiration of the New York Energy Efficiency Portfolio Standard. The Commission needs to address with more clarity and specificity NYSERDA's efficiency program responsibilities during this transition period. It is unreasonable to assume from either a

management or financial perspective that effective January 1, 2016, the utilities will simply assume responsibility for the entire portfolio of efficiency deployment programs that NYSERDA currently administers. It remains unclear as to what will happen with both NYSERDA's and the utilities' existing energy efficiency programs on January 1, 2016.

A stable transition includes the understanding that the development of new markets takes time. With regard to energy efficiency, we encourage the Commission to develop for public comment and review a transition strategy for the next 3-5 years, modeled along the lines of the NY-Sun Initiative, that provides for a more gradual reduction in direct State support for efficiency and renewables along with the adoption of performance metrics that can guide the Commission's evaluation of market maturity. With regard to renewable energy, we strongly support Pace's recommendation that the Commission initiate immediately a separate "fast track" within REV to develop the design details for the State's Main Tier RPS program.

NRDC is deeply concerned that the State not entirely abandon successful energy efficiency and renewable energy programs until it has stronger empirical evidence that the marketplace is indeed prepared to step in and make the necessary investments on the scale required to meet REV's policy goals. Minimally there must be a clearer transition strategy to allow for sustained support for investment in energy efficiency and renewables while these private markets are nurtured, developed, and matured. In this context, we believe that the Commission needs to consider this aspect of REV and the proposed CEF together and develop a "no regrets" strategy that would assure, especially during this transition period, that the State does not unintentionally undermine the dramatic progress that it has already achieved on efficiency and renewables.

If our concerns should prove unfounded and the marketplace emerges more quickly than we believe likely, then it will be easy enough to cut back on future state spending on efficiency and renewables. However, if we reduce this funding too sharply or quickly now, and this marketplace does not emerge, we may have done irreparable harm to the State's efficiency and renewable energy efforts and undermined the vision of REV.

VIII. Concluding Remarks.

REV offers New Yorkers a vision of our electric future that builds upon New York's legacy of leadership and accomplishment. Moreover, it seeks to capitalize on New York's spirit of innovation so as to improve our environment, lower our energy bills, strengthen our energy infrastructure, and promote economic opportunity. Those are both admirable and formidable objections. NRDC commends the Commission for its leadership in putting REV forward.

NRDC recognizes that the Commission's task is not an easy one. While there appears to be considerable support for REV's vision, its implementation will be challenging and at times controversial. In our reply comments, we have identified what we consider some critical components and crucial strategies for the successful implementation of REV. We look forward to working with the Commission, DPS Staff and other stakeholders to achieve REV's goals.

Respectfully submitted,

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