

**CONSOLIDATED EDISON
GAS EFFICIENCY PROGRAM**

**QUARTERLY EVALUATION AND
STATUS REPORT**

**REPORT TO THE PUBLIC SERVICE COMMISSION
PERIOD ENDING JUNE 30, 2008**

NYSERDA



QUARTERLY REPORT THROUGH JUNE 30, 2008 FOR THE CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. GAS EFFICIENCY PROGRAM

PROGRAM SUMMARY

This report updates the status and progress made from inception through June 30, 2008 of the gas efficiency program in Consolidated Edison Company of New York, Inc.'s (Con Edison) service territory. Program budget status (see Table 1) and accomplishments (see Table 2) are cumulative through June 30, 2008 and reflect activity for the three-year pilot and one-year transition phases of the program.

Table 1. Budget Status as of June 30, 2008

	Budget*	Paid	Committed	Available
Commercial	\$ 4,176,133	\$ 1,041,622	\$ 1,738,570	\$ 2,437,563
Low Income	\$ 8,526,822	\$ 804,931	\$ 3,590,467	\$ 4,936,355
Residential	\$ 3,813,191	\$ 1,016,843	\$ 1,389,064	\$ 2,424,127
Subtotal	\$ 16,516,146	\$ 2,863,396	\$ 6,718,101	\$ 9,798,045
Gas Study	\$ 199,593	\$ 199,593	\$ 199,593	\$ -
Evaluation	\$ 360,000	\$ 51,033	\$ 175,000	\$ 185,000
Administration and NYS Cost Recovery Fee	\$ 1,392,453	\$ 651,164	\$ 651,164	\$ 741,289
Program total	\$ 18,468,192	\$ 3,765,186	\$ 7,743,858	\$ 10,724,334

* The budget does not include \$284,400 of interest earned through June 30, 2008. NYSERDA will seek DPS staff concurrence with programmatic allocation of these funds.

As per the Gas Efficiency Pilot Program Annual Report (for year ending September 27,2007) and a subsequent program reconciliation, budgets were reallocated to reflect individual program participation levels. The budget above reflects the reallocation of the pilot program budget as well as the addition of funds for the fourth year of the program.

RESIDENTIAL AND LOW-INCOME PROGRAMS

The Residential and Low-Income portions of the gas efficiency program include the Multifamily Performance Program and several single-family programs. For the three years of the pilot program, the single-family homes program included funding for New York ENERGY STAR[®] Labeled Homes and Home Performance with ENERGY STAR[®]. The Multifamily Performance Program replaces the previous multifamily programs: ResTech, the Assisted Multifamily Program, and the ENERGY STAR[®] Multifamily Pilot Program. Each of these programs includes a low-income component. The fourth year of the program, established as a "transitional" program, provided additional funds for these three programs as well as for EmPower New YorkSM, a program serving the low-income sector, and program marketing.

Table 2. Cumulative Gas Efficiency Program Accomplishments through June 30, 2008^a

	Residential and Low-income Programs	Commercial Programs
Number of Projects	144	129
Number of Participants¹	10,712	129
Installed Therm Savings (Annual)	114,457	1,402,438
Third-party Verified Therm Savings²	29,908	287,669
Contracted Therm Savings (Annual)³	982,782	1,758,551
Contracted Annual Bill Savings⁴	\$1,719,869	\$2,681,790
Contracted Environmental Benefits⁵		
CO ₂ (Annual Tons)	5,749	15,688
SO ₂ (“)	Negligible	Negligible
NO _x (“)	5	9
Contracted Life Cycle Customer Savings⁶	\$21,603,444	\$33,686,241
Contracted Life Cycle Avoided Costs⁷	\$15,697,575	\$31,361,198

Notes:

1. Residential and low-income participants are dwelling units.
2. These savings have been verified as installed by NYSERDA’s third-party Measurement and Verification evaluation contractor. As projects are analyzed on an on-going basis following completion, the evaluation lags behind contracted and installed savings. Residential savings have decreased over last quarter due to the installation of a cogeneration system.
3. Contracted therm savings are inclusive of installed therms.
4. Contracted therm savings were estimated at \$17.50 per decatherm for residential customers and \$15.25 per decatherm for commercial customers.
5. Estimated annual emissions reductions are based on 0.0585 tons of CO₂ per decatherm.
6. Amounts are based on an average measure life of 15 years, 3% discount rate, and \$17.50 and \$15.26 per decatherm for residential and commercial, respectively.
7. 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.

Multifamily Performance Program — The multifamily program has two components for the transition year of the Con Edison Gas Efficiency Program; the Multifamily Performance Program (MPP) for system-benefits-charge-eligible Con Edison gas customers and the Gas Efficiency Performance Program (GEPP), which is a resource acquisition program for Con Edison gas customer who do not pay system benefits charge charges or wish to do only gas efficiency measures. To date, four projects have applied to the GEPP program and 33 have applied to the MPP. The MPP had originally been allocated \$1,450,000, and the GEPP has been allocated \$3,500,000. Because the MPP has experienced more activity than the GEPP, in accordance with the approved plan, NYSERDA has shifted funds between the programs to reflect the heightened activity in the MPP. The new budget allocation is \$1,000,000 for the GEPP and \$3,950,000 for the MPP. NYSERDA has encumbered and committed \$3,845,295 through the residential and low income programs.

EmPower New YorkSM — EmPower New YorkSM provides energy efficiency services to low-income households with income below 60% of State median income, at no cost to the eligible

^a Installed therm savings are reported for all completed or substantially completed residential projects (consistent with SBC reporting). These savings are preliminary pending verification by NYSERDA's Measurement and Verification contractor; however, these projects have been inspected and verified by NYSERDA's implementation contractors. Completed commercial projects have been independently verified and the savings are reflected in the Installed Therm Savings field.

participant. Using SBC funds, the focus is on electrical efficiency, including high-efficiency lighting and ENERGY STAR refrigerators. However, under the Gas Program, using a comprehensive energy assessment, the installation of non-electric home performance measures, including blower door- assisted air sealing, attic and side-wall insulation, and heating system service and replacement are eligible. The goal is to target measures that can reduce household energy costs by an average of \$300 per year, in approximately 370 households. As of June 30, 2008, approximately 200 projects had been completed. By September 30, 2008, all 370 projects will be completed; in addition, work is in progress for 20 additional households, but will not be completed by September 30, 2008.

New York ENERGY STAR® Labeled Homes — This program provides incentives to homebuilders for constructing market rate New York ENERGY STAR Labeled homes in the Con Edison gas service territory. The homes will include gas heating equipment that exceeds current New York ENERGY STAR Homes program standards. Two large developments expected to result in more than 600 ENERGY STAR homes are in early phases of development.

Assisted New York ENERGY STAR® Labeled Homes — This program provides incentives to homebuilders and customers for constructing New York ENERGY STAR Labeled Homes for sale to low and moderate income homebuyers. The homes must include gas heating equipment that exceeds current New York ENERGY STAR Homes program standards. Two informational meetings were held with New York City Department of Housing Preservation and Development officials. Westchester County's chief attorney Stewart Glass, and informational meetings with the Westchester Housing and Planning departments, and members of the Con Edison Gas Collaborative were held to encourage these jurisdictions to include ENERGY STAR homes in their development programs. The New York State Division of Housing and Community Renewal, as a result of collaborations with NYSERDA program staff, will award an additional 5-points for affordable Assisted New York ENERGY STAR Labeled Homes included in proposals submitted for funding through their Unified Funding RFP process. In addition, two large developments expected to result in approximately 80 Assisted ENERGY STAR homes are in early phases of development.

Home Performance with ENERGY STAR® (HPwES) — This program provides incentives to participating home performance contractors for upgrading the energy efficiency of existing one-to-four family homes in the Con Edison gas service territory. The homes are to be retrofitted with gas heating equipment that exceeds the minimum standards of the current program. The Conservation Services Group, an implementation contractor for NYSERDA, and various field staff continue to work with participating home performance contractors educating them about the program's benefits and offering them opportunities to take advantage of tiered incentives available in the Con Edison Gas service territory. As the market matures, construction is expected to increase dramatically. New contractors are constantly being recruited, trained, and accredited to facilitate infrastructure development in downstate markets. New contractors have enrolled in the program as a result of additional incentives available through comprehensive tiers newly instituted last quarter, and participation of homeowners is now on the rise. It is anticipated that approximately 20 homes that will have already received home assessments will not be completed by September 30, 2008.

Residential Marketing — A new television commercial was created to run in New York City. The new commercial gives a general energy message to all City residents and highlights the special incentives available for the purchase and installation of high efficiency gas equipment. The new spot ran on cable television in all five boroughs starting the week after Christmas and on Fox 5, My 9, and NY 1 in December 2007 and early 2008. NYSERDA has expended the entire marketing budget for the program, and no additional marketing will be conducted through September 30, 2008.

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 SmartSM** programs to enable integrated, 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 SmartSM** Loan Fund. Accomplishments of the Commercial Gas Efficiency 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. As of September 30, 2007, ten (10) studies were initiated under the Pilot Program. From September 30, 2007 through June 30, 2008, three (3) studies were initiated under the Transitional Program.

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. As of September 30, 2007 twenty-five (25) gas audits were initiated under the Pilot Program. From September 30, 2007 through June 30, 2008, thirty one (31) gas audits were initiated under the Transitional Program.

Enhanced Commercial/Industrial Performance Program (ECIPP) — ECIPP offers customers a 3-tiered approach to obtain incentives for energy efficient improvements. Tier I offers incentives for pre-qualified energy efficiency measures. The cap on this tier is \$25,000. Tier II offers incentives based on a technical engineering analysis. Tier II incentives are \$1.50/therm saved up to \$500,000. Tier III offers performance-based incentives. The incentives for Tier III are \$2.00/therm saved up to \$1,000,000. As of September 30, 2007, in the Pilot Program, twenty five (25) projects were initiated. From September 30, 2007 through June 30, 2008, thirty one (31) projects were initiated under the Transitional Program.

New York Energy SmartSM Loan Fund — The Loan Fund uses the same pre-qualified list as ECIPP and minimum equipment efficiency levels are consistent for equipment pre-qualified under the ECIPP and Loan Fund programs. As of September 30, 2007, in the Pilot Program, two (2) loan subsidies were initiated. Since September 30, 2007, there have been three (3) projects under the Transitional Program.

PROGRAM PROJECTIONS

Projections have been made regarding budget status as of the end of September 2008, based on project and budget status as of September 8, 2008. These are best estimates but are subject to change due to changes in project pace or timing of receipt of invoices.

Table 3. Projected Budget Status as of September 30, 2008

	Budget*	Paid	Committed	Available
Commercial	\$4,176,133	\$1,386,489	\$4,176,133	\$0
Low Income	\$8,526,822	\$1,135,759	\$5,029,000	\$3,497,822
Residential	\$3,813,191	\$1,142,874	\$2,100,000	\$1,713,191
Subtotal	\$16,516,146	\$3,665,122	\$11,305,133	\$5,211,013
Gas Study	\$199,593	\$199,593	\$199,593	\$0
Evaluation	\$360,000	\$58,316	\$175,000	\$185,000
Administrative and NYS Cost recovery fee	\$1,392,453	\$761,228	\$761,228	\$631,225
Total	\$18,468,192	\$4,684,259	\$12,440,954	\$6,027,238

*Budget does not include interest earnings. NYSERDA will discuss allocation of interest earnings with DPS staff.

ADDITIONAL PROGRAM PIPELINE

NYSERDA commits incentives for large construction projects at various points in the project lifecycle. Funds for most projects in the one-to-four family residential sector are encumbered at project completion. A number of projects that have started their participation in the gas programs above will not have yet reached those milestones that would trigger full commitment of all project-related incentives by September 30, 2008. The additional incentives related to those projects would fully commit remaining available funds shown in Table 3 above.

NYSERDA is working with participants to expedite their projects, with the goal of committing as many additional funds as possible by September 30, 2008.