

November 8, 2006

The Honorable Jaclyn A. Brillling  
Secretary  
New York State Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223-1350

*Case 05-M-0090, Order Continuing the System Benefits Charge (SBC) and the  
SBC-Funded Public Benefit Programs*  
*Case 94-E-0952, Order Continuing and Expanding the System Benefits Charge  
for Public Benefit Programs*

Dear Secretary Brillling:

Attached are five copies of a Petition requesting a reallocation of certain SBC-II funds and to apply unexpended SBC-II fund balances to the program funding categories established by the Commission's "Order Continuing the System Benefits Charge (SBC) and the SBC-Funded Public Benefits Programs."

Sincerely,



Robert G. Callender  
Vice President for Programs

Enclosures

**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

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In the Matter of the System Benefits Charge III

Case 05-M-0090

In the Matter of Competitive Opportunities  
Regarding Electric Service

Case 94-E-0952

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**PETITION**

Introduction

The New York State Energy Research and Development Authority ("NYSERDA") respectfully requests approval from the Commission to reallocate certain SBC-II funds from one program category to another, and to apply unexpended SBC-II fund balances, in the amounts set forth below, to the program funding categories established by the Commission's "Order Continuing the System Benefits Charge (SBC) and the SBC-Funded Public Benefit Programs," ("the SBC-III Order") issued and effective on December 21, 2005 in the above-captioned proceeding.

Background

On January 26, 2001, the Commission issued an Order continuing the SBC program for a five-year period ending on June 30, 2006 ("SBC-II Order"), and establishing funding amounts by program category.<sup>1</sup> The SBC-II Order authorized NYSERDA, as program administrator, in consultation with interested parties and subject to Staff's direct oversight, to establish funding amounts for individual programs, within each program category. Commission approval is required for any reallocations of funds from one category to another.<sup>2</sup> The Commission's "SBC-III Order," continuing the SBC program through June 30, 2011, included similar provisions

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<sup>1</sup> Case 94-E-0952, In the Matter of Competitive Opportunities Regarding Electric Service, "Order Continuing and Expanding the System Benefits Charge for Public Benefit Programs," p. 26-27; issued and effective January 26, 2001.

<sup>2</sup> The category funding amounts have from time to time been revised by the Commission. See "Order Addressing Petitions for Clarification and/or Rehearing and Adjusting SBC Budgets," issued and effective July 3, 2001; "Order Providing Funds to Advise Consumers on Taking Measures to Conserve Energy to Avoid Higher than Usual Summer Energy Costs," issued and effective January 20, 2006.

requiring Commission approval for reallocations, and established "SBC Category Funding Levels" for the expenditure of SBC-III funds.<sup>3</sup>

The attached Financial Status Report – Summary (Attachment A), reports the cumulative SBC-funded program activities through the end of SBC-II. As is illustrated by the Summary, overall, NYSERDA's actual expenditures as of June 30, 2006 totaled \$705,194,303, or 73.3%, of the \$961,756,716 budget approved by the Commission and DPS staff. Of the remaining unexpended balance of \$256,562,413, NYSERDA's contractual commitments and encumbrances (contracts and incentive awards in process, but not executed as of June 30) totaled an additional \$226,098,438, leaving \$30,463,975 unexpended and uncommitted.

While, over the course of SBC-I and SBC-II NYSERDA continuously monitored the status of its expenditures, encumbrances and commitments in relation to approved funding, the market-based, open enrollment, subscription basis nature of the Energy Efficiency programs makes it difficult to control program expenditures and encumbrances in that category. NYSERDA's experience with implementing market-based programs has revealed that stopping and restarting program availability as a method of controlling expenses has a disruptive effect on program participants. Rather, NYSERDA staff adjusted program incentive levels during SBC-II in an effort to try to reduce the rate of expenditures. Nonetheless, it became clear in the final two years of SBC-II that certain Energy Efficiency subprograms were likely to exceed their approved funding unless the programs were terminated prior to June 30, 2006. In fact, funding for the residential efficiency programs was fully committed in June 2005, a full year before the end of SBC-II.

NYSERDA, in consultation with DPS staff at that time, determined that rather than terminating these programs prematurely, it would, instead, complete a reconciliation at the end of SBC-II and seek approval to reallocate funds as necessary to cover program activities that exceeded their approved funding amounts. As of June 30, 2006, the residential energy efficiency programs, within the broad Energy Efficiency category, ended SBC-II with commitments of \$8,733,288 in excess of the approved funding of \$167,088,876. Accordingly, NYSERDA requests authority to reallocate \$8,733,288 of unexpended and uncommitted Research and Development SBC-II funds to the Energy Efficiency category.

In addition, the End-Use Renewable program, within the broad Research and Development category, ended the period with an unexpended balance of \$24,742,163, of which \$12,194,680 was uncommitted. NYSERDA proposes to carry-forward the unexpended balance, and to use the unexpended SBC-II funds for renewables incentive programs. Under the SBC-III Plan, as approved by the Commission, no SBC-III funds will be used for this purpose.

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<sup>3</sup> Case 05-M-0090, In the Matter of System Benefits Charge III, "Order Continuing the System Benefits Charge (SBC) and the SBC-Funded Public Benefit Programs," p. 32, See Exhibit C; issued and effective December 21, 2005.

Attachment B sets forth, in detail, a summary of the amounts to be reallocated, the amounts to be carried forward, and the resulting SBC-III Category Funding Levels, should the Commission approve the reallocation and the carry forward requests.

Approvals Requested

Accordingly, NYSERDA hereby requests approval by the Commission:

(1) with respect to the SBC-II program funding categories, to reallocate \$8,733,288 from the Research and Development category to the Energy Efficiency Category, for the reasons described above.

(2) to apply all unexpended SBC-II funds to the corresponding SBC-III Category Funding Levels, in accordance with Attachment B hereto.

(3) to use unexpended SBC-II funds in the amount of up to \$ 24,742,163 (of which \$12,194,680 is uncommitted) for incentives for increased generation from renewable resources.

Dated: November 8, 2006

Respectfully submitted,



Robert G. Callender  
Vice President for Programs

NYSERDA  
 New York Energy Smart Program  
 As of June 30, 2006

Financial Status Report - Summary

Program	Total SBC I&II Approved Bgt	Expended	Encumbered, But Unexpended	(contracts & awards in process) Commitments	Encumbered & Committed	% of	
						SBC Budget	Uncommitted Funds
Energy Efficiency	542,249,800	428,437,500	109,515,092	3,963,028	541,915,620	99.9%	334,180
R&D	210,803,663	105,863,189	58,798,764	15,213,742	179,875,695	85.3%	30,927,968
Low Income	128,404,861	86,575,391	36,785,746	-	123,361,137	96.1%	5,043,724
Environmental Disclosure	1,924,029	800,922	46,614	299,985	1,147,521	59.6%	776,508
Subtotal	883,382,353	621,677,002	205,146,216	19,476,755	846,299,973	95.8%	37,082,380
Program administration	65,466,135	59,843,169	-	-	59,843,169	91.4%	5,622,966
NYS Cost Recovery Fee	9,000,000	9,171,116	-	-	9,171,116	101.9%	(171,116)
Evaluation	16,493,001	14,503,016	786,916	15,000	15,304,932	92.8%	1,188,069
TOTAL	974,341,489	705,194,303	205,933,132	19,491,755	930,619,190	95.5%	43,722,299

NYSERDA  
 New York Energy Smart Program  
 As of June 30, 2006  
 SBCII/SBCIII Carryforward Reconciliation - Summary

Program	SBCII	Proposed	Adjusted		SBCIII	Revised
	Unexpended Balance	SBCII Reallocation	SBCII Unexpended Balance	SBCII Unexpended Balance	Approved Funding	SBCIII Funding
Energy Efficiency	113,812,300	8,733,288	122,545,588	426,733,562	549,279,150	
R&D	104,940,474	(8,733,288)	96,207,186	182,000,000	278,207,186	
Low Income	41,829,470	0	41,829,470	190,170,000	231,999,470	
Environmental Disclosure	1,123,107	-	1,123,107	-	1,123,107	
Subtotal	261,705,351	-	261,705,351	798,903,562	1,060,608,913	
Program administration	5,622,966	-	5,622,966	62,717,124	68,340,090	
NYS Cost Recovery Fee	(171,116)	-	(171,116)	16,419,030	16,247,914	
Evaluation	1,989,985	-	1,989,985	17,919,177	19,909,162	
TOTAL	269,147,186	-	269,147,186	895,958,893	1,165,106,079	