

CORNING NATURAL GAS CORPORATION

IMPLEMENTATION PLAN

for

**RESIDENTIAL
ENERGY EFFICIENCY
PORTFOLIO STANDARD (EEPS) PROGRAM**

Case 08-G-1010

June 25, 2009 (revised)

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INTRODUCTION:

On June 23, 2008, the New York Public Service Commission (the “Commission”), in Case 07-M-0548, issued an Order Establishing Energy Efficiency Portfolio Standard and Approving Programs (the “June 23 Order”). The June 23 Order required, among other things, that each gas utility to which the Order applied submit plans for a residential energy efficiency program as described in the June 23 Order (the “Program”). Initially, it appeared that Corning Natural Gas Corporation (“Corning” or the “Company”) was not subject to the June 23 Order because the Company was not included in Table 18 of Appendix 1, which identified the amounts each gas utility would be permitted to charge its customers. However, on July 3, 2008 an Errata Notice was issued to include Corning. The Errata Notice established a revised Table 18 and fixed the amount to be collected from customers. The June 23 Order, as corrected, authorizes Corning, effective October 1, 2008, to begin collecting a Gas System Benefit Charge (“GSBC”) for each unit of natural gas on each residential customer’s monthly bill. The GSBC has been collected by the Company since that time.

On August 22, 2008, the Company submitted an Energy Efficiency Portfolio Standard (“EEPS”) Program which was reviewed by Department of Public Service Staff (“Staff”). The review resulted in multiple Document/Interrogatory Requests from Staff and responses to each by the Company. The statewide review of utility company programs by Staff resulted in a subsequent Order Approving “Fast Track” Utility-Administered Gas Energy Efficiency Programs with Modifications issued April 9, 2009 in Case 08-G-1004 et al. (the “April 9 Order”).

The April 9 Order, at page 21, paragraph 9, directs utilities to submit Implementation Plans for their approved programs within 60 days of the date of the issuance of the April 9 Order. Each utility company is ordered to have its program effective not later than July 1, 2009.

The April 9 Order includes measures for space heating (hot water, hot air and steam units), indirect hot water heating, boiler reset controls, programmable thermostats and duct and air sealing. These appliances are all included in Corning’s Program.

The April 9 Order establishes specific program budgets according to Appendix 1, Table 3, pages 4-8. These program budgets represent an approximately 50 percent reduction in the budgets that were submitted in Corning’s August 22, 2008 EEPS Program which was prepared according to budgets provided by the June 23 Order and the July 3, 2008 Errata Notice. The budget items proposed in the April 9 Order severely restrict Corning’s ability to administer all facets of the program. In Corning’s reply comments which are summarized in Appendix 3 at pages 25 and 26, the Company had agreed to provide an Implementation Plan, as Staff recommended, with the exception of the items relating to contractor training, quality assurance plan and coordination with other New York energy efficiency programs due to the prohibitive administrative costs associated with these parameters. The Commission, at page 13 of the April 9 Order, indicates an understanding of the situation by pointing out “that the smaller utilities may need more [funds] due to lack of scale.” There is also a table on page 13 indicating a maximum deferral cap of \$100,000 for the smaller utilities. To the degree that quality assurance or contractor personnel training is required to be provided, this addition would require additional personnel that the current program budget does not allow.

The Company also pointed out in its reply comments that there are not sufficient funds to develop and execute an Evaluation Plan within the proposed budget. Appendix 3, page 12, paragraph 2, notes: “According to Staff, Corning could benefit if there were a statewide evaluation program.” The Company agrees and would be willing to participate in utilizing a plan that would be developed for small utilities to follow.

The Company has prepared this Implementation Plan according to the outline provided in the April 9 Order. Included in the Plan are provisions which will allow the Company to direct the largest percentage of the Gas System Benefit Charge GSBC to the customer incentives, while procuring the necessary information from customers for reports to Staff for purposes of monitoring the program savings.

Program Budget and Energy Savings:

Overall Program Budget

Below is the program cost budget which was derived from Appendix 1, Table 3 of the April 9 Order. The budget reflects the total “Approved Utility Expedited Program Costs” utilizing the supplementary allowances as well as the base allowances. The annual budgets have been broken down into categories according to the April 9 Order. A description of each category is provided in the Implementation Plan.

Approved Utility “Expedited” Program Cost Budget

Year	Planning and Administration (Admin & Mktg. Costs)	Customer/Trade Ally Marketing (Admin & Mktg. Costs)	Customer Incentives (Measure Costs)	Evaluation Measurement and Verification (Eval. M&V Costs)	Total
2009	\$4,028 (\$44,028 est.) *	\$2,169	\$28,430	\$1,823	\$76,450
2010	\$8,055	\$4,338	\$56,861	\$3,645	\$72,899
2011	\$8,055	\$4,338	\$56,861	\$3,645	\$72,899
2009-2011	\$60,138	\$10,845	\$142,152	\$9,113	\$222,248

* Includes estimated one-time Program implementation expenses of \$40,000 for setting up the various facets of the program including the required reports, establishing new personnel work tasks and schedules for the program requirements, as well as other required administrative and legal expenses to establish the program. This is only an estimate. Actual charges will be documented and are expected to be deferred, as necessary, and recovered in rates according to the April 9 Order, page 13 under discussion of “Administration, Marketing and Evaluation Expense.”

Overall Energy Savings Target Budget

Below is a table which shows the cumulative savings goals for the program pursuant to the April 9 Order. These goals have not been verified as achievable by the Company. It is the Company’s expectation that it will achieve the desired savings levels and efforts will be concentrated on that goal. The individual target achievable for each unit installed will vary. If more units are installed that have a high level of energy savings, the goals may be exceeded but this cannot be established until the program is underway and the Company begins to report the actual savings from the installed units.

Energy Savings Goals (Dth)

Category	2009	2010	2011	Total
April 9 Order Cumulative Savings Targets (Dth)	1845	3689	3689	9224

Program Components:

Overview

Corning will administer the EEPS Program in-house. The limited budgets that are available for each phase of the program preclude the Company from contracting with outside services for Planning, Administration or Marketing functions for the program. It is anticipated that the Company will participate in a statewide evaluation process that has been suggested by Staff. The current budget and scope of the evaluation process for the EEPS Program are beyond the resources of the Company and the limited, five percent (\$4,645) budget allowed in the April 9 Order for evaluation eliminates the possibility of adding personnel required to manage the evaluation process.

Only measures listed below will be eligible for the Corning EEPS Program. All applications and incentives (rebates) will be processed by the Company. No incentive (rebate) may be issued until all documentation required for the particular appliance has been received and checked for compliance with Program guidelines.

Planning and Administration

Planning and Administration of the EEPS Program will include initial setup of all program administrative requirements. This includes, but is not limited to: personnel costs plus overhead to obtain approval of Corning’s EEPS Program, all required supplies to administer the program, application processing, reporting, responses to customer and trade ally inquiries, customer tracking, integration of the EEPS Program into the Company CIS program and financial accounting requirements for the program.

Customer/Trade Ally Marketing

Customer marketing of the EEPS Program will include, but is not limited to, the promotion of all aspects of the Program on the Company website, bill inserts, newspaper, kiosks in the lobby, direct mail and program-specific literature. The Company, due to the extremely limited funds available, will attempt to do as much promotion as possible in conjunction with other printed material that is in existence, such as the monthly bill insert. An additional reminder or promotional program piece would simply be added to the already scheduled bill insert. The Company also expects to utilize its website as much as possible to encourage customers and trade allies to visit the website to obtain information. Once the site has been set up the incremental cost of posting this information will be minimal. The Company also expects that there will be some synergies from customer and trade ally marketing that will be conducted in Corning’s gas service territory by NYSEG which serves many of the Company’s customers’ electric needs. The EEPS programs for gas and electric service are expected to overlap substantially for marketing purposes.

Trade Ally marketing will be conducted through similar channels, including direct mail, website and material provided to a regional homebuilders association and cross-marketing through NYSEG’s established marketing programs. The Company will also conduct an educational program and invite local contractors in to receive an overview of the program. The Company also expects to coordinate its efforts with NYSERDA. The EEPS requirement is one of several energy efficiency programs that exist in New York. NYSERDA has been involved with gas and electric utilities in New York during the discussion of the EEPS Program. The Company will provide contact information to customers whose needs are not met by this program so they may seek energy savings from other NYSERDA-administered programs.

Customer Incentives

Customer Incentives (account credits) include all costs associated with a customer satisfactorily completing a program-qualified energy efficiency installation. The qualifying customer incentive amount, from \$25 to \$1,000, depending on the type of heating equipment installed, will be credited to the customer’s account at the property address where the improvement is installed, with one exception. In the event it is a landlord-owned, rather than owner-occupied property, a rebate check may be issued to the property owner of record when the appliance is installed. This will require the landlord/homeowner to supply additional verifying information.

Evaluation, Measurement and Verification

The evaluation process establishes specific parameters according to Appendix 4, page 4 of the April 9 Order. These parameters include but are not limited to: evaluation planning, program logic models, process evaluation, impact evaluation, evaluation-related market research, measurement and verification activities and evaluation reporting. The Company indicated in its reply comments that the extensive resources that would be required to achieve these parameters are beyond the scope of the Company’s resources. As indicated in Appendix 3, page 12, Staff agrees that the evaluation plan should not be allowed to overburden Corning. The entire annual amount for the evaluation, measurement and verification portion of the allocated budget is \$3,645. Appendix 3, page 12, of the April 9 Order notes: “According to Staff, Corning could benefit if there were a statewide evaluation program.” Corning supports this statement and will work with Staff and others to assist with the development of such an evaluation program in an effort to supply useful data for program analysis at a reasonable cost.

Eligible Measures and Incentives

Specific Equipment (Measures) Eligible for EEPS Program:

Included below is a chart which outlines the eligible appliances for the Corning EEPS Program. Each measure has been allocated an incentive according to the April 9 Order. The amount of each rebate listed will be credited to the account or property owner after all required documentation is provided to the Company to show compliance with the Program.

Eligible Measures and Incentives

Measure	Rebate	Eligibility
Furnace AFUE \geq 90	\$200	Eligible
Furnace AFUE \geq 92	\$200	Eligible
Furnace AFUE \geq 90 w ECM	\$400	Eligible
Furnace AFUE \geq 92 w ECM	\$600	Eligible
Furnace AFUE \geq 95 w ECM	\$600	Eligible
Water Boiler AFUE \geq 85	\$500	Eligible
Water Boiler AFUE \geq 90	\$1,000	Eligible
Steam Boiler AFUE \geq 82	\$500	Eligible
Boiler Reset Control*	\$100	Eligible
Indirect Water Heater*	\$300	Eligible
Programmable Thermostat*	\$25	Eligible
Duct and Air Sealing	\$600	Eligible

* - Installed by contractor with qualified heating unit

Each eligible measure will require certain documentation as part of the customer enrollment procedures for the program. Some of this information will include items specific to the device installed. At a minimum the model, serial number, energy rating and specific contract/purchase data for each item will be required to assure program compliance.

Estimated Customer Participation Levels

Participation in the program is voluntary and is funded by the GSBC. The Company has no means of determining the quantity of each measure that is likely to be installed pursuant to the program. The Company has in excess of 10,000 residential customers in the service territory and estimates that a significant number, in excess of 80 percent, of its customers utilize natural gas for space heating.

Below is a table which provides estimates of the quantities of each measure relevant to the EEPS Program. The number of units projected is based, in part, on the economy of the area. During the difficult economic conditions that exist nationally, as well as locally, the Company estimates that more applications will be made to receive incentives (rebates) on the lower initial cost units. To the degree that these estimates prove incorrect, the budgets within each category will need to be adjusted, both for the cost of the program and for the estimated energy savings of the program.

Individual Residential Natural Gas HVAC Program **Components Customer Participation**

Category	2009	2010	2011	Total
Furnace AFUE \geq 90	35	75	75	200
Furnace AFUE \geq 92	29	58	58	175
Furnace AFUE \geq 90 w ECM	5	10	10	25
Furnace AFUE \geq 92 w ECM	4	8	8	20
Furnace AFUE \geq 95 w ECM	2	5	5	12
Water Boiler AFUE \geq 85	7	14	14	35
Water Boiler AFUE \geq 90	1	2	2	5
Steam Boiler AFUE \geq 82	3	5	10	25
Boiler Reset Control	3	5	5	13
Indirect Water Heater	5	10	0	0
Programmable Thermostat	30	46	0	0
Duct and Air Sealing	2	3	0	0
Total	126	241	241	608

Eligible Measures Component Budget

Below is a table that shows budget estimates for the annual cost of the EEPS Program based on the incentive level for each component and the number of estimated participants.

Individual Residential Natural Gas HVAC Program **Components Budget**

Category	2009	2010	2011	Total
Furnace AFUE \geq 90	\$7,000	\$15,000	\$15,000	\$40,000
Furnace AFUE \geq 92	5,800	11,600	11,600	35,000
Furnace AFUE \geq 90 w ECM	2,000	4,000	4,000	10,000
Furnace AFUE \geq 92 w ECM	2,400	4,800	4,800	12,000
Furnace AFUE \geq 95 w ECM	1,200	3,000	3,000	7,500
Water Boiler AFUE \geq 85	3,500	7,000	7,000	17,500
Water Boiler AFUE \geq 90	1,000	2,000	2,000	5,000
Steam Boiler AFUE \geq 82	1,500	2,500	2,500	12,500
Boiler Reset Control	300	500	500	1,250
Indirect Water Heater	1,500	3,000	3,000	0
Programmable Thermostat	750	1,150	1,150	0
Duct and Air Sealing	1,200	1,800	1,800	0
Total	\$28,150	\$56,350	\$56,350	\$140,850

Program Procedures (Customer Enrollment):

Application Process

The Program will be made available to all residential customers served by Corning. Application materials will be available through the Company website and in printed form at the Company offices. Eligible participants must qualify under Corning’s current tariff guidelines as a residential customer and have a current account with the Company. The rebates/incentives are available for new construction and existing homes, but do not include “spec homes” (homes built by a developer but not under contract to a specific buyer). The customer will be responsible for completing the program application with all necessary supporting documentation.

Company personnel will process the application and determine whether the application is complete and that all required supporting paperwork is included. The Company will approve or reject the application based on the information provided by the customer. The Company will accept and process applications until such time as the budget for customer incentives under the EEPS Program has been met. At that time, the Company will contact Staff and request that additional funding be allocated and assessed through the GSBC. To the degree that additional funding is allowed by the Commission, additional applications will be authorized by the Company.

The Company will provide a checklist to the customer that indicates all documentation that is required to qualify for the particular incentive. The application for the incentive measure will be component-specific in its requirements. Each item of data required will be determined by the measure (appliance) that is being installed. The information required will include, but not be limited to: name, address and phone number of property owner requesting incentive; Company account number of customer, date of application, measure (incentive) requested, all available information on the furnace being removed such as make, model, Btu rating, latest burner efficiency test (in the absence of a test, information must be provided as to the estimated date of installation and the Btu rating of the unit removed); date contracted with a contractor to perform new installation work, date installation to begin, expected date of completion, name, address and tax ID number for contractor; project work order number, detailed invoice of measure being installed including model, serial number, AFUE rating or any other energy use and efficiency information, estimated annualized energy savings comparison data; whether electronically controlled motor or boiler reset control is installed and a detailed invoice showing cost of each component of the installation.

Upon notification from the Company that the application is complete, the Company will provide information to the customer as to the amount of the rebate for which the applicant is eligible. The Company will verify that the project was satisfactorily completed. Once the project is verified as complete, the Company will apply the appropriate credit to the customer’s account. No incentive (rebate) will be credited until all required documents have been provided (For a landlord-owned property, the credit will be granted to the property owner and not the tenant).

Customer Education and Outreach:

The EEPS Program will be promoted through bill inserts, information posted on the Company’s website and general advertisements. Program brochures will be distributed at a kiosk in the Company’s main lobby. The kiosk will have information and educational material provided. It should be noted that approximately 20% of Corning’s residential customers visit the Company’s office each month. In addition to the kiosk, customer personnel will be trained to familiarize customers with Corning’s efficiency and conservation programs when they visit the Company’s offices. The Education and Outreach Program will be administered by Company personnel in collaboration with NYSERDA.

Customers will be directed as often as possible to the Company’s website since the budget is so limited and the website has lower incremental costs to update with new information. The website will provide links to other energy agencies, such as the USEPA, NYSERDA and the Energy Star Program. The site will be focused on increasing customers’ understanding of the need to curb energy consumption. It is an objective of this Program to further emphasize that necessity

USEPA – The Company has entered into a voluntary partnership with the USEPA as a member of the Natural Gas STAR Program. The commitment on the Company’s part is to increase the availability of educational material to customers.

NYSERDA – Through links to the NYSERDA website and collaboration with NYSERDA personnel, Corning will make available NYSERDA conservation material and programs to the Company’s customers.

The total administration and marketing component of the budget is limited according to the parameters outlined in the April 9 Order. In Corning’s case approximately \$12,400 is allocated to these functions. This includes setting up; taking, reviewing, processing and authorizing applications; managing customer complaints, tracking accounts and carrying out all customer outreach and education functions.

The budget allocated for Education and Outreach is \$4,338 and categorized as follows:

Printed material (bill inserts, brochures, newspaper)	- \$2,000
Customer meetings (2)	- \$ 600
Website updates	- \$ 1,300
Contractor/vendor meeting	- \$ 400

Contractor/Trade Ally Education:

A Program summary will be available for contractors and vendors. The Company will set up a meeting with them to provide information about the EEPS Program. The Company is a member of a local homebuilders association and will provide material through that organization to contractors in the Company service territory. Corning will also use the homebuilders association and contractor meetings to promote the Company’s website so up-to-date information can be provided to them by a cost effective means.

The Company will provide, at a meeting of contractors who are interested in the EEPS Program, a session to train/educate their personnel on the requirements of this energy efficiency program. This session will include information on what appliances are eligible and what documentation must be provided for the customer to obtain the incentive. The Company will also utilize this meeting to stress the importance of installing energy-efficient appliances and how contractors can assess the energy savings over the long term compared to the initial cost of the appliance.

Quality Assurance:

The Company’s reply comments summarized in the April 9 Order point out that the costs of a dedicated quality assurance program are prohibitive. The Company is not a party to the contract for the installation of the appliance and would not, under normal circumstances of a new furnace installation, inspect the project. Upon notification by the customer that the project installation is complete, the Company’s function will be to verify that the appliance installed complies with the application submitted and read the gas meter. Should quality assurance inspections beyond this scope be required, Corning would require additional personnel and funding to meet the requirements of such a program addition.

Coordination with NYSERDA and Other Utilities:

The Company has participated in conference calls with the Joint Utilities Operations Group (“JUOG”) and with NYSERDA to discuss the ongoing issue of customer awareness. The group has also discussed the need to communicate in order to prevent customers from participating with two utilities for the same energy saving measure. Corning will continue to collaborate with the JUOG to optimize its effort with regard to double payment of rebates. The fact that Corning will only be participating with space heating appliances will simplify the process of tracking program participants. A contact will be established with NYSERDA and, to the degree it is acceptable to each organization, a list of names of participants in energy programs in the Company’s service territory can be shared. No account information, personal information or other proprietary information will be shared. The only purpose of sharing the identities of customers will be to prevent duplication of EEPS rebate payments to the same property owner, for the same energy saving appliance.

Evaluation:

Corning, as supported by Staff in the April 9 Order, expects to participate in a statewide evaluation system which is yet to be established. The Company will participate, through the Evaluation Group (“EAG”). This group was convened by the Director of the Office of Energy Efficiency and Environment. The Company will collect and

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provide data related to energy efficiency measures that are installed in order to support the tracking of the benefits of the EEPS Program.

Corning will contact the EAG prior to July 1, 2009 and provide a list of data that will be collected with each application. This will be done to assure that the Company is collecting all of the information necessary to complete reports to Staff on the monthly “scorecard” report (April 9 Order at 23, paragraph 14), periodic quarterly program and evaluation summary status reports (April 9 Order at 22, paragraph 13) and the annual report of each calendar year’s O&E/marketing program achievements (April 9 Order at 22, paragraph 11).