

ATTACHMENT – EDH-4

Public Service Electric and Gas Company  
Case Name: EEE EXT II  
Docket No(s): EO14080897

Response to Discovery Request: RCR-EE-0035  
Date of Response: 11/06/2014  
Witness: Melanson, Jess E.  
Cost Benefit Calculations

Question:

Please refer to the benefit cost results in the "Overview FINAL" worksheet of the PSEG EE Program CBA - Res MF, Hosp, Muni DI - 07312014 v.7.xls file. It appears some of the benefit cost calculations have errors. Please consider fixing these errors, or provide an explanation if the Company thinks they are not errors:

- a. Do PSE&G and CEEEP agree that the cost used for purposes of the TRC test should include the program administration costs as well as the incremental measure costs (which could be a combination of the participation cost plus the program incentive when the incentive is set to cover the incremental cost partially or fully)? If not, please explain in detail why not.
- b. Do PSE&G and CEEEP agree that item # 6 Lifetime Program Investment Costs in row 10 should be replaced with the Lifetime Program Incentive Costs? If not, please explain in detail why not.
- c. Do PSE&G and CEEEP agree that The Program Administrator (PA) test and the Ratepayer Impact Measurement test should not include "6. Lifetime Program Investment Costs"? If not, please explain in detail why not.

Attachments Provided Herewith: 0

Response:

The following response was provided by CEEEP.

Please note that there can be two types of EE programs:

1. A program, like PSE&G's where the program administrator pays for a portion of the measure cost as direct rebate/ incentive to the participant
2. A program, where the program administrator pays for installing a control device, and also provides incentive to the participant in the way of energy bill reductions for a controlled response (e.g. Demand Response).

In case 1, which is the present case for CEEEP's CBA, the program investment cost is equal to the program incentive cost plus the program administration cost. However, in case 2, they are not.

- a. While CEEEP accounted for the program administration cost and the participation cost, it did not include the program incentive cost for the purposes of the TRC test. CEEEP agrees that the program incentive cost should also be included in the TRC test. Making the said changes, the Benefit/Cost ratios for TRC test is 1.07 for Multi-Family sub-program, 2.05 for Direct Install sub-program and 1.45 for the Multi-Family sub-program compared to the previous values of 3.36, 5.15 and 4.69, respectively. However, it should be noted that the recalculated TRC values are very conservative since they are based on total costs as opposed to the traditional use of incremental cost for the TRC test. Additionally, please note that the above recalculation did not affect the results of the Program Administrator tests for the three sub-programs.
- b. CEEEP does not agree as the two have different meanings in different context, as explained above in the introduction to this response.
- c. As described above, in the case of these proposed sub-programs, the program investment cost is equal to the program incentive cost plus the program administration cost. Accordingly, both these have been included while calculating the PA and RIM tests.