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February 28, 2005

Jaclyn A. Brillling, Secretary
NY State Public Service Commission
3 Empire State Plaza
Albany, NY 12223-1350

RE: CASE 05-M-0090

Dear Secretary Brillling:

Following are my comments on the System Benefits Charge program and its continuation. My comments are organized by applicable question number.

1. To what extent have the goals and objectives established by the Commission been achieved?

In general, the System Benefits Charge program has been highly successful and has been accomplishing its objectives. It has helped to fill the gap in research and market development activities and transition the energy marketplace toward commercial viability and sustainability. This transition is a work in progress, however, and requires more time.

2. Should the SBC program continue beyond its current expiration date of June 30, 2006? If so, for what duration should the SBC be extended and at what funding level?

Yes, the SBC program should be continued for a 5-year period at a level comparable to the previous program extension.

3. Have conditions changed since the establishment of the SBC that would necessitate a change in the overall goals and objectives of the SBC? If so, what changes are recommended?

Although the RPS provides a market mechanism for the installation of new renewable energy generation technologies, it does not address or substitute for the principal objectives and goals of the SBC program. Funds should no longer be directed to specific renewable energy generation projects that qualify as an RPS participant for the purposes of offsetting their capital and operating costs.

4. If assuming continuation of the SBC, how should programs be prioritized to meet those goals and objectives?

Programs that cannot be addressed directly via the RPS initiative should have top priority within the SBC program. Strategies that address barriers to RPS implementation should also be a priority.

5. How might the SBC programs be adjusted given the Commission's order regarding an RPS?

This was addressed in part in the response to question 3 above. The RPS provides a critical market “pull” for new technologies, and the SBC should be adjusted to address barriers, knowledge gaps, business support, marketing, public education, and other related activities that are vital to the ultimate success of the RPS.

7. What specific program(s) should be eliminated, expanded or created?

The siting of wind farms in the state will encounter challenges for a variety of reasons. These challenges may be rooted in legitimate environmental concerns, in the lack of public familiarity and favorable zoning, or the general lack of baseline experiential data, among other reasons. Therefore this program area should be expanded to address siting barriers and prevent significant delays in accomplishing the RPS’s penetration targets.

R&D and upgrades to the transmission and distribution infrastructure should be expanded to the extent that it will accomplish benefits to multiple energy developers and the grid system operator. The SBC should also provide incentives to T&D system owners to upgrade and expand their facilities to attract and accommodate the development of clean energy facilities in locations that currently are inaccessible to developers because it would be too expensive to develop and pay for the upgrades themselves.

New types of technology applications or ownership structures for renewable energy systems should be encouraged. For example, cooperative ownership of energy facilities for customer-side-of-the-meter applications has little precedent in New York and encounters significant barriers. The facility sizes, which likely would serve commercial, industrial, or municipal customers, may typically fall within the 1-10 MW size range. This program area deserves attention to attract participants by demonstrating viable approaches and addressing barriers.

A new program area deserving attention is general research and development to address issues of common benefit to project developers. In the wind energy industry, for example, there are uncertainties about using alternative or complementary technologies (e.g., sodar) for determining how wind speeds increase with height, or about how much production losses will occur due to icing events that occur every winter in NY. Developers generally don’t have the expertise to address these technical and meteorological issues themselves with quantitative precision. Nor are they interested in investing in newer and better approaches until they are convinced that they work reliably. If technical consulting firms and education/research institutions had the opportunity to propose “at large” research ideas to the SBC program, unanticipated benefits could be realized that developers in common could share.

The incentive program provided under the RPS is not sufficient to build a sustainable PV industry in the state. Therefore ongoing initiatives focused on PV technology and market development are needed.

8. How can SBC funded programs be more responsive to the needs of New York’s energy consumers?

Regular opportunities should be provided to give the SBC program recommendations for new program areas. Alternatively, an “at large” pool of funds could be made available for deserving research that does not “fit” within targeted funding programs.

12. Should SBC funds be extended to programs that encompass R&D into retail and/or wholesale electric market competitiveness issues, or transmission and/or distribution of the State’s energy resources?

Yes, on both accounts. Achieving sustainable markets at competitive prices requires focus on electric market competitiveness issues. Likewise, transmission and distribution system issues, which can determine whether new energy generation can even reach the market, clearly deserve attention (see

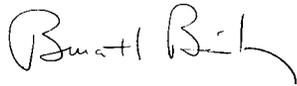
second paragraph under question 7 above). T&D system owners/operators should be incentivized to attract and support renewable energy generation.

13. Should the scope of the SBC program be expanded to include programs for natural gas customers?

Only to a small degree if at all. The inclusion of natural gas could distract the primary mission of the SBC and move into a much larger world of non-electricity energy issues. While there are some relationships between gas markets and electricity markets, they are complicated and oftentimes very indirect. Maintaining focus on electricity generation and markets, and ensuring the success of the RPS, are two SBC objections that will likely reap the largest program benefits.

Thank you for this opportunity to provide comments on the SBC program.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce H. Bailey". The signature is written in a cursive style with a large initial "B" and a long horizontal stroke at the end.

Bruce H. Bailey
President
AWS Truwind, LLC