



March 3, 2005

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

Re: Case 05-M-0090.
Notice Soliciting Comments
in the Matter of the Systems
Benefit Charge III.

Dear Secretary Brillling:

The enclosed comments of Emerald Power Corporation (EPC) are submitted in response to the January 28, 2005 Notice issued by the Commission in the above-referenced case. In that notice, the Commission sought comments from interested parties concerning the effectiveness of the current Systems Benefit Charge (SBC) as well as proposals for modifying the SBC should it be continued beyond its currently scheduled expiration date of June 30, 2006.

Emerald Power is uniquely qualified to offer comments in this proceeding. In operation since 2003, EPC is in the early stages of demonstrating the commercial application of recently patented steam-reformer technology which, when proven, will revolutionize the electricity and natural-gas markets. Current plans call for EPC to install technology that will convert bio-solids at a Westchester County Waste Water Treatment Plant into combined heat and power. EPC will process 100% of the plant's daily output of 74 tons of sludge through a steam reformer to produce a synthesized gas that will be used to dry the sludge, heat the steam reformer and generate one megawatt of electricity. It is estimated that this one plant will save the County \$800,000 each year by reducing electric demand charges and eliminating the cost of sending 1500 tractor-trailer trucks to Virginia for dumping the sludge. Once proven, this process can be replicated in similar plants throughout the County and State.

As promising as this technology is, EPC is a small start-up company with limited financing availability. The existence of funds generated by the SBC, when invested in companies like EPC, offers a huge pay-back potential to the citizens of New York State in the form of increased system reliability, an improved environment, and lower costs for electricity and natural gas.

With this background, Emerald Power is pleased to offer its comments on the success of the current Systems Benefit Charge as well as offer suggestions on whether the SBC should be continued.

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CURRENT SBC OPERATIONS

New York State has long been recognized as an innovator and trendsetter in many areas. This is particularly true in the field of energy. In first proposing the creation of a Systems Benefit Charge, the PSC laid out ambitious goals for the program to promote energy efficiency; encourage renewable energy; assist low-income customers in reducing energy bills; promote research and development, and improve environmental protections. All of these worthwhile objectives must be viewed in the context of a State that was facing ever increasing electric demand coupled with shrinking excess capacity margins. Economic and political obstacles were increasingly difficult to overcome for anyone to build new electric plants anywhere in the State, and particularly in New York City.

We believe that the Commission was prudent in setting a short three-year life for the original SBC proposal. Programs such as these that are funded by electric customers need to face routine rigorous review to insure that they continue to be cost justified. We also support the continuation of the program for a five-year period ending June 30, 2006 with a significant increase in funds to accomplish its goals.

Emerald also applauds the Commission's choice of NYSERDA as administrator of the SBC program. By utilizing the services of an existing State agency with unique talents to balance technical and customer interests, we have no doubt that operating costs have been reduced thereby insuring that most of the money goes to fund necessary programs. It is equally important that the PSC continue to exercise oversight responsibilities to insure that SBC funds are being utilized to accomplish the goals established for the program.

We have reviewed the 2002 and 2004 Status Reports issued by NYSERDA outlining their efforts to fairly allocate SBC resources among the competing programs that they fund. It appears that they have struck a reasonable balance and that each of the major areas can be demonstrated to be cost-effective and result in a positive cost-benefit ratio. The reports also demonstrate that program demand is sufficient to utilize the full budget for each programmatic sector. We are confident that many other parties will comment on NYSERDA's stewardship of SBC funds as well as offering concrete suggestions on how the program can be improved.

CONTINUATION OF THE SYSTEM BENEFITS CHARGE

Emerald strongly supports continuation of the current System Benefit Charge for an additional five-year period with the funding level being increased to \$175 million per year. While much has been accomplished by the program since its inception, much more needs to be accomplished. While we reject any suggestion for an open-ended life for the program, in continuing the program, it is crucial that a reasonable time period such as five years be adopted. Many projects that would ultimately qualify for SBC funding have long lead times, and project developers need assurances that the program will still be in operation when they are ready to demonstrate the value of their technology. Also, a modest increase in the annual funding level will allow for growth over the extension period. The Commission should also reserve the right to revisit the funding level during the extension period should demand warrant.

In seeking comments, the Commission invited parties to address what modifications might be appropriate in light of the Commission's Renewable Portfolio Standard Opinion. Emerald strongly supports the State's efforts to increase the percentage of electricity generated from renewable resources. Continued reliance on fossil fuels for electric generation will only serve to adversely impact the competitive marketplace for those fuels. For environmental reasons, natural gas has become the fuel of choice for any expansion of generating capacity. We are seeing the result in the increased cost of natural gas to the consumer. There are many renewable technologies that must be explored for generation. The technology that EPC is developing offers a limitless supply of both electricity and natural gas generated from waste products that currently place a drain on society. Renewable technologies such as this must be seriously investigated by the State.

We recommend that any increase in SBC funding be dedicated to exploring and promoting renewable technology to advance the objectives of the Renewable Portfolio Standard. By marrying the SBC and RPS, the State sends a powerful message to all parties involved in the electric-generation market that State officials are serious about promoting renewable energy as part of the solution to our electric generating problems. Moreover, the State should consider using funds as loan guarantees to help projects based on new technology leverage equity with cash from banks. For Emerald, which is in the early stage of developing renewable energy projects through a new technology, the single largest obstacle to project development is securing financing.

The Commission also seeks comments on whether the scope of the SBC program should be expanded to include programs for natural-gas customers. Emerald would support such an extension in the belief that natural-gas customers could benefit from many of the same programs currently funded by the electric SBC. We suggest that the program be set for an initial five-year period to coincide with any extension of the electric SBC. To reduce operating costs and improve operating efficiencies, we



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recommend that any gas SBC program be administered by NYSERDA and be subject to the same rigorous reporting and cost-benefit analysis. In determining an adequate funding level for the gas SBC, it is critical that a separate funding mechanism be established to insure that the funding of a gas SBC is not being accomplished at the expense of the current SBC program.

As required by the Commission in their Notice Soliciting Comments, Emerald Power is submitting an original and fifteen copies of these comments to the Commission Secretary. In addition, a copy of our comments will be filed electronically through use of the Commission's e-mail listserver with all parties requesting service. Should any party to the proceeding require further information on our comments, please contact Jonathan Schreiber, Emerald Power's Managing Director at Emerald Power's Corporate Offices. He may be reached in writing at the address on our letterhead or by phone at (212) 627 0380 or by e-mail at Jschreiber@emeraldpower.com.

Respectfully submitted,

Emerald Power Corporation

By _____

Jonathan Schreiber
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