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Honorable **Jaclyn** A. Brillling
Secretary, New York Public Service Commission
Three Empire State Plaza
Albany, NY 12223

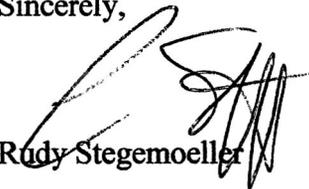
October 12,2005

Re: Case 05-M-0090 - In the Matter of the System Benefits Charge III

Dear Secretary **Brilling**:

Enclosed please find an original and fifteen copies of the Comments of Plug Power **Inc.** on **Staff** Proposal Dated August 30,2005 in the above-captioned proceeding. A copy will be served electronically on all parties.

Sincerely,



Rudy Stegemoeller

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

In the Matter of the System Benefits Charge III

Case 05-M-0090

**COMMENTS OF PLUG POWER INC. ON STAFF PROPOSAL DATED
AUGUST 30,2005**

**Rudy Stegemoeller, Esq.
For Plug Power Inc.**

**P.O. Box 359
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October 12,2005

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of the System Benefits Charge III

Case 05-M-0090

COMMENTS OF PLUG POWER INC. ON STAFF PROPOSAL DATED AUGUST 30,
2005

Plug Power Inc. generally supports the **Staff Proposal** but seeks clarification of (1) the treatment of fuel cells in the System Benefits Charge III (“**SBC3**”) program and (2) the eligibility of off-grid projects in the newly established Transmission and Distribution program.

1. Fuel cell spending should be concentrated in technology development and manufacturing incentives.

Fuel cells have characteristics of renewable generation and of conventional CHP. They resemble renewable generation in that they are cleaner than any combustion resource and, in the long run, they represent a potential end-use technology for renewably derived hydrogen. They resemble conventional CHP in their near-term fuel source and their capture of heat byproduct.

The **Staff Proposal** regarding renewable resources states that SBC3 resources should complement the RPS by supporting marketing, technology development and manufacturing incentives.

Plug Power agrees with this characterization of the proper role of SBC3 vis-à-vis the RPS. Fuel cells, however, are not included within the renewable programs of the SBC. Because fuel cells are an eligible technology under the RPS, it is important that the criteria for funding RPS-eligible technologies through SBC3 should also be applied to fuel cells in the CHP program.

Plug Power and the Clean Energy Advocates have proposed that a separate funding category be established for fuel cells within the CHP program. The **Staff Proposal** neither accepts nor rejects this proposal, instead calling on NYSERDA to review its programs for potential consolidation and simplification.

If fuel cells are not established as a separate category, then the Commission should specify that the CHP program should contain two general categories: one for

demonstration projects, and one for technology development and manufacturing incentives. Fuel cell projects would fall within the latter category. This would accomplish the objective of placing fuel cells on similar footing with other RPS-eligible technologies.

2. Transmission and distribution program funding should be available for off-grid projects that avoid T&D expenditures and line losses.

SBC funding should be available for clean off-grid projects that avoid the need for distribution infrastructure investments. A customer installing a clean off-grid generation system, forgoing the free footage and the line maintenance that would otherwise be paid for by the customers of the distribution utility, should be eligible to receive funding in recognition of the utility cost that has been avoided.

Utilities' avoided costs **from** off-grid projects are not limited to the costs of line extensions. Long-term costs of maintaining lines, particularly in wooded areas, can far exceed the revenues produced from those lines. The conventional alternative to line extension is diesel generation with its associated air emissions.

Funding off-grid projects is consistent with **Staff's** stated priority of "reducing power delivery loss." Remote grid-connected projects, aside from the cost of building and maintaining distribution lines, result in disproportionately large line losses.

In many cases, the owner or operator of an off-grid project is a utility customer at other facilities, and will be paying the SBC surcharge. Plug Power would support a limitation on the eligibility of off-grid projects to customers that pay the SBC surcharge for accounts related to other facilities.

Respectfully submitted,

Rudy Stegemoeller, Esq.
For Plug Power Inc.

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