

### Substance of Proposed Rule

The New York State Public Service Commission is considering authorizing allocation of additional funds to the Renewable Portfolio Standard (RPS) Customer-Sited Tier. The purpose of the increased funding, if approved, is to respond to changing market needs for eligible renewable energy technologies.

The 2004 RPS Order<sup>1</sup> sought to increase the proportion of electricity attributable to renewable resources to at least 25% of electric energy used in New York State by the end of 2013. Accordingly, the Commission established preliminary procurement targets and corresponding budgets for the Main Tier and Customer-Sited Tier in that Order, with implementation of the Main Tier of the RPS program beginning in 2006.

In a subsequent June 28, 2006 Order<sup>2</sup>, the Commission authorized incentive funding for the Customer-Sited Tier through 2009 at \$45 million, and directed NYSERDA, in consultation with Staff, to develop a Customer-Sited Tier Operating Plan that defines the specific programs to be implemented through at least 2009. The Operating Plan was released in February 2007. Of the \$45 million funding target, \$40.5 million was allocated to specific renewable energy technologies and \$4.5 million was set aside for discretionary purposes to allow for subsequent allocation based on program demand. The allocations in accordance with the June 2006 Order were as follows:

#### **Allocations Through 2009**

Solar PV	\$13,800,000
Fuel Cell	11,200,000
Anaerobic Digester	11,000,000
Small Wind	4,500,000
Discretionary Funds	<u>4,500,000</u>
<b>Total</b>	<b>\$45,000,000</b>

The June 2006 Order also specified that any unused funding for the eligible technologies will be assigned at the end of each year to the discretionary category, which NYSERDA, in consultation with Staff, may distribute the following year to eligible technologies on an as needed basis.

Consistent with the provisions in the June 2006 Order, NYSERDA and staff evaluated the effectiveness of the individual Customer Sited Tier programs and found that the pace of deployment of two technologies --anaerobic digester gas-to-electricity (ADG) and solar PV is expected to outstrip the funding authorized in these two Customer-Site Tier programs well before the end of 2009.

<sup>1</sup> Case 03-E-0188, Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard, Issued and Effective September 24, 2004.

<sup>2</sup> Order on Customer-Sited Tier Implementation, Issued and Effective June 28, 2006

The ADG Program was released in August of 2007. Twenty (20) applications were received for funding totaling approximately \$13.7 million. Staff notes that this amount already exceeds the allocation to this technology.

The Solar PV Program provides cash incentives of \$4.00 - \$5.00 per watt for newly installed systems by NYSERDA eligible PV installers. Applications for 295 PV systems totaling \$6.44 million encumbered and an additional \$3.25 million pending have been received as of May 31, 2008. Based on the pace of market demand for this program, staff and NYSERDA expect funding to be depleted in this program prior to 2009.

To address the market demands for the ADG and PV programs, and in accordance with the June 2006 Order, NYSERDA used 3 million in discretionary funds in the following manner:

**Discretionary Funding Allocations**

Solar PV	\$2,900,000
ADG	1,500,000
Small Wind	<u>(1,400,000)</u>
<b>Total</b>	<b>\$3,000,000</b>

An additional \$1.5 million of approved discretionary funding remains available for either the PV or ADG program. However, Staff notes that this amount will still not be sufficient to meet demonstrated demand for these two programs through 2009.

Staff reports that during its review with NYSERDA on RPS program progress, a cash flow balance of approximately \$51 million was identified as a result of collections (undertaken by the utilities participating in the RPS Program) exceeding paid invoices by NYSERDA for renewable energy attributes. Accordingly, the Commission is considering authorizing NYSERDA to use this cash flow balance in the Customer-Sited Tier to help satisfy current demonstrated demand for the ADG and PV programs.

Staff reports that the programs for fuel cells and small wind have not been as robust; therefore, the Commission is not considering additional funding for those two programs at this time.

Of the approximately \$51 million, the Commission is considering allocating \$30 million to the PV program and \$10 million to the ADG program. In addition, the Commission is considering allocating \$4.6 million to program evaluation, measurement and verification. These services are intended to provide comprehensive post evaluation and monitoring of system performance to ensure RPS funds are expended for their stated purposes and that any deficiencies found are identified for immediate correction and future adjustments. The remainder of the \$51 million will be retained for contingencies.

Therefore the revised total recommended allocations for all technologies through 2009 are as follows:

**Revised Allocations through 2009**

Solar PV	\$46,700,000
Fuel Cells	11,200,000
ADG	22,500,000
Small Wind	3,100,000
Discretionary Funds	1,500,000
M & E	<u>4,675,000</u>
<b>Total</b>	<b>\$89,675,000</b>

The Commission may accept, reject, or modify any proposal relating to these matters.