

September 26, 2003

Honorable Eleanor Stein
Administrative Law Judge
New York State Public Service Commission
3 Empire State Plaza
Albany, New York 12233-1350

Re: Case No. 03-E-0188 – Proceeding On Motion of the Commission Regarding a Retail Renewable Portfolio Standard

Dear Judge Stein:

In response to the Public Service Commission's "Ruling Establishing Comment Procedures", issued June 19, 2003, and "Ruling Granting, in Part, Motions to Amend the Comment Schedule", issued on August 18, 2003 in the above referenced proceeding, please accept these comments on behalf of the New York State Department of Economic Development ("the Department" or "Empire State Development"). Among other things, the Public Service Commission ("PSC" or "the Commission") instituted this proceeding to develop and implement a twenty-five percent (25%) Renewable Portfolio Standard ("RPS") for electric energy retailed in New York State.

To the extent it can be implemented in a cost-effective manner, the Department concurs with PSC's objective to provide a reliable supply of renewable energy for the state's electric consumers. In so doing however, consideration must be given to ensuring a mix of generation sources and reliable, low-cost electricity, as these are critical requirements, particularly for commercial and industrial customers, in continuing the Department's efforts to foster business development and the expansion of jobs in New York State.

II. Comment on the Revised Working Objectives

B. Revised Working Objectives

3. Economic Benefits

The Department has concerns with the results of the initial modeling studies as set forth in the PSC's "New York Renewable Portfolio Standard Cost Report" ("Report") dated, July 28, 2003. PSC's initial modeling studies, which are based on a wide array of renewable sources, indicate that electricity costs for consumers will rise as a result of the proposed RPS. Specifically, the Report states that statewide monthly bill impacts on industrial and commercial customers include estimated increases of up to .52%. This would result in an annual increase of over six-percent (6%) and the industrial rate increase would be more than two times that of all other classes. This costing will negatively impact the business climate in New York State and will hinder the Department's ability to further attract and retain jobs. Any increase in rates that will negatively impact the state's electric customers should be further analyzed. Such analysis should include the specific identification of the impacts of any potential rate increase resulting

from the proposed RPS. A final process for RPS must not result in negative economic impacts on the state's economy.

The PSC's continuing investigations should focus on those renewable technologies that are commercially feasible and will contribute to the goal of lowering electricity costs for consumers over the long term. Renewable sources that are not economically viable in the commercial marketplace at this time should only be supported by federal and state research and development programs.

New York State's move to deregulation and the institution of competitive electric markets was designed to lower prices, create market efficiencies and stimulate economic development. Clearly, decreasing the cost of energy is a key component in meeting the economic challenges of the state's industrial and commercial sectors and enabling future job creation and business expansion. While the generation of electricity with renewable resources is expected to dampen price spikes in the electric markets and mitigate interruptions in fuel supplies, it is expected that the overall end benefit of the RPS should result in downward pressure on electricity prices in New York. However, as currently presented, this does not appear to be the case.

In addition, the identification of a mix of economically feasible renewable energy sources will enable the Commission to approve a RPS policy that incorporates these objectives. The appropriate mix of resources needs further study.

Lastly, the Department supports the competitive development of economically feasible renewable generation resources to continue New York's leading tradition in the renewable energy sector. Diverse companies engaged in project development, equipment manufacturing, engineering, and operations will bring new business investment, create construction and permanent jobs, and provide new tax revenues for localities as a result of the RPS.

IX. Other Issues

A. Reliability and Interconnection Requirements

The Northeast power grid blackout on August 14, 2003 has underscored concerns at the federal and state levels with issues such as transmission system reliability and renewable energy development. The PSC has indicated that potential reliability issues will be addressed as part of the RPS proceeding. Final cost estimates for reliability requirements and the interconnection of renewable energy projects must be included in the PSC's economic modeling for the RPS to determine impacts on electricity prices for consumers.

B. Coordination With Federal Initiatives

The PSC must coordinate the development of the RPS with potential federal RPS requirements and incentives now being considered as part of a comprehensive energy bill in the United States Congress. The Department recommends that the PSC monitor the proposed federal energy legislation and allow flexibility in its RPS timetable to give full consideration to inclusion of appropriate renewable energy components, including development incentives.

X. Conclusion

In summary, the Department recommends that the PSC continue to study the issues set forth in this letter so that the PSC will eventually be able to approve a cost-effective RPS that will be consistent with federal programs, decrease electric prices in New York State's competitive marketplace (particularly for the state's industrial and commercial customers), deliver the benefits of fuel diversity and diminish reliance on fossil fuels. These elements will help to sustain an economic climate that will enable the attraction and expansion of businesses and creation of jobs in New York State.

Thank you for the opportunity to comment. If you have any questions, please do not hesitate to contact me at (518) 292-5275.

Sincerely,

Michael J. Santarcangelo
Director of Energy Policy

Cc: Service List (via electronic mail only)