

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Case 03-E-0188 – Proceeding on Motion
of the Commission Regarding a Retail
Renewable Portfolio Standard

INITIAL COMMENTS ON BEHALF OF
THE MUNICIPAL ELECTRIC UTILITIES ASSOCIATION
OF NEW YORK STATE

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INTRODUCTION

The New York State Public Service Commission (“Commission”) instituted this proceeding to develop and implement a renewable portfolio standard (“RPS”) for electric energy in New York State (Case 03-E-0188, Order Instituting Proceeding (“Order”), issued February 13, 2003). In its Order, the Commission established a working target that by the year 2013, at least 25% of the electric energy retailed in New York State would be generated from renewable resources. Under the guidance of Administrative Law Judge Eleanor Stein, the proceeding was conducted on a collaborative basis, primarily through “working groups.”

These comments are submitted on behalf of the Municipal Electric Utility Association of New York State (“MEUA”). The MEUA, consisting of 46 members, was created in 1930 to foster the efficient operation of New York’s publicly-owned and operated electric systems.¹

In 2002, MEUA members obtained approximately 87% of their energy from the New York Power Authority’s (“NYPA’s”) Niagara hydroelectric project. Almost all of the MEUA

¹ MEUA consists of all but one of the 47 municipal public power entities in New York State. There are also 4 rural electric cooperatives.

systems use some “incremental energy” to meet their needs beyond that met by their Niagara contracts. Of the 46 MEUA members, 35 have joined together in the New York Municipal Power Agency (“NYMPA”), a joint action agency that purchases the incremental (*i.e.*, non-Niagara) power for its members. Those systems are subject to New York State Public Service Commission jurisdiction (*See, e.g.*, Case No. 97-E-1575, Memo dated February 9, 1998, Issued and Effective February 27, 1998). However, other municipal MEUA member systems obtain their full requirements from NYPA, including their incremental requirements, and hence are subject to NYPA’s regulatory jurisdiction and are not regulated by the Commission.

SUMMARY

The Working Group #2’s “consensus” that an incremental RPS should apply to municipal systems does not reflect the views of the municipal systems. While MEUA is a strong supporter of renewable energy resources, MEUA strongly objects to the imposition of a mandatory incremental RPS requirement upon its members. Based on their unique circumstances, MEUA’s members should be exempt from an RPS.

DISCUSSION

The MEUA membership obtains approximately 87% of their energy from NYPA’s Niagara hydroelectric project. They have, by far, the largest percentage of renewal generation of any suppliers in New York State. The MEUA members are community-owned and governed public power systems. Most of MEUA’s members first entered into contracts with NYPA for Niagara hydroelectric power in 1961. Since then, the MEUA membership has financially carried the Niagara hydroelectric project, one of the great environmental boons in the history of power generation.

It is inappropriate for the Commission to impose an RPS burden on MEUA’s members because they are local governments. As noted above, the Commission has regulatory jurisdiction

over 35 of the MEUA's members. The Power Authority, because it is their full energy requirements supplier, has regulatory jurisdiction over the other MEUA members. While the Commission could impose an RPS on the MEUA members it regulates, it could not impose such a requirement on those it does not. It would not be sound public policy to impose such a mandate on local governments. As community-owned public power systems, the MEUA members have a particular and unique responsibility to their customers. They are governed by their local elected officials and ultimately by their citizens. In light of their present contractual support of the NYPA Niagara project – which on average accounts for over 87% of their total usage – it is neither necessary nor desirable for the Commission to impose an incremental portfolio mandate upon them. Given their uniquely heavy reliance on renewable generation, these local governments should not be subject to a new State program.

MEUA's membership uses a relatively small amount of energy beyond their Niagara power purchases. For example, in 2002, MEUA's municipal membership used approximately 3,634,000 MWh of renewable Niagara hydroelectric energy and only 536,000 MWh of "incremental" energy, that is, energy above and beyond their Niagara purchases. An RPS requirement on that relatively small amount of incremental energy would be immaterial on the state-wide stage.² Furthermore, imposing upon them a mandatory requirement to make some portion of that piece of their portfolio renewable will impose a significant complication upon their incremental portfolio purchasing practices. Given the amounts at stake, a mandatory RPS will do very little for the state target and makes very little sense for MEUA's members.

Since MEUA members now have an 87% renewable portfolio, applying an across-the-board mandatory incremental RPS on MEUA produces some curious results. It all depends, of course, on how the program works in detail. But assume in year one that all LSEs are obligated

² State-wide load for the year was 158,724,000 MWh. A 1% increase in renewables for MEUA's "incremental" energy would result in 5,360 additional MWh, which represents 0.0034% relative to the state-wide total.

to obtain an incremental 1% from renewables. MEUA members as a group would go from 87% to 88% renewable. Another LSE may go from 17% to 18%, or from zero to one percent. Does it make sense, from a state policy perspective, to impose that sort of obligation on the local public power entities given what they do now, and how little a new mandate would accomplish?

MEUA's members' portfolios are so different than that of any other suppliers in New York State that application to them of a statewide uniform RPS is inappropriate. As their circumstances are so completely different, their treatment in this area must be different.

The municipal systems, through the MEUA, in partnership with NYPA, have a long history of promoting energy efficiency and economic development. For example, in the 1990's, NYPA and MEUA joined in the award winning "Watt Busters" program which was targeted to residential customers. The program has cut consumption and peak demand for electricity in participating municipal systems. Thereafter, the MEUA's "Energy Efficiency Program" ("EEP") provided energy efficient technologies for both commercial and industrial customers and municipalities themselves. The program focused on three areas: lighting for C&I customers, specific industrial user applications and system technologies. By the year 2000, under the EEP, over 1,300 audits were completed, nearly a thousand installations were accomplished, and over \$7 million in technology upgrades were installed. Pursuant to the EEP alone, approximately 18 million kWh are saved each year. Currently, a number of MEUA members participate in the "Independent Energy Efficiency Program" ("IEEP"). This program is a continuation of the EEP. Just in the year 2002, approximately \$2.5 million was invested through the IEEP in energy efficiency for both system-wide and customer-specific applications. IEEP programs range from the Village Insulation Program, to energy efficient lighting for customers and communities, to energy efficient equipment at wastewater treatment stations, and new energy efficient traffic lights that are 90% more energy efficient than traditional traffic signals. The MEUA and NYPA have also joined in the "Tree Power" program pursuant to which over 30,000 trees have been planted. That program too is ongoing.

In short, as befits their public power partnership, the MEUA and NYPA have had, and continue to have, aggressive energy conservation programs.

Consistent with that history, and pursuant to Governor Pataki's policy, in August 2002, NYPA and the MEUA launched a cooperative effort to promote the use of electric vehicles in New York State – the “*MAP Program*.”

“It is especially fitting that the public power systems of the Empire State are uniting in an effort to promote environmentally beneficial transportation choices for the citizens of New York,” said Eugene W. Zeltmann, president and chief executive officer of the Power Authority.

“The municipal electric systems and rural electric cooperatives of New York State are served by hydroelectricity from the New York Power Authority. By using that clean, renewable power to fuel emission-free electric vehicles, New York's public power communities will showcase their commitment to environmental quality,” Zeltmann said in remarks Wednesday to the MEUA Annual Conference in Saratoga Springs.

“Electric vehicles can help address concerns about air and noise pollution, as well as work to reduce our nation's dependence on imported fuel sources,” said Karl Lux, president of the MEUA, which represents 46 municipal electric communities and four rural electric cooperatives in New York State. “This electric vehicle initiative is another good example of MEUA and NYPA working together to serve our customers. Our local public power systems hope to demonstrate the practical day-to-day use of electric vehicles. We also plan to make EVs available to schools for educational purposes and to community groups to raise public awareness of the benefits of electric vehicles,” Lux said.³

The Power Authority has set aside \$1.2 million to finance the *MAP Program*. The municipalities will borrow from that fund, interest-free, and through their loan repayments, create a revolving fund for MEUA members to use for further energy conservation initiatives.

In light of the MEUA's aggressive energy conservation programs, it would be inappropriate for the Commission to impose an incremental RPS upon MEUA's municipal members.

³ “New York Public Power Systems Ally to Promote Electric Vehicles,” NYPA Press Release, August 28, 2002.

Finally, a mandatory RPS will interfere with the public power partnership between the MEUA membership and NYPA. Not only do MEUA and NYPA have the long and effective partnership we discussed above, but they are pledged to, and are now working on, further energy conservation programs. As NYPA President Zeltmann has said, a recent agreement between NYPA and the MEUA provides the foundation for expanded cooperative efforts to create new jobs, promote the use of clean electric and hybrid-electric vehicles and implement energy-efficiency measures in the municipal systems' territories. MEUA's programs, in partnership with NYPA, are better than most and second to none. In the NYPA/MEUA partnership, public power is meeting its public obligations.

CONCLUSION

The MEUA members are public power systems that obtain over 87% of their power from one of the world's great renewable wonders. They are also local governments. In their important public power partnership with the New York Power Authority, they more than meet their public power obligations in far reaching environmental and energy conservation programs. Nothing is "broken" with the MEUA's environmental and energy programs, and no RPS "fix" is warranted.

Respectfully submitted,

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