

September 25, 2003

Via USPS 1st Class Mail

Honorable Jaclyn A. Brillling, Acting Secretary
State of New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: CASE 03-E-0188 – Joint Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard.

Dear Acting Secretary Brillling:

Please accept for the State of New York Public Service Commission's consideration an original and three copies of the Initial Comments of Local 1-2, Utility Workers Union of America, AFL-CIO and Locals 83, 97 and 503, International Brotherhood of Electrical Workers in the above proceeding pursuant to the New York Public Service Commission's Ruling Establishing Comment Procedures (Issued June 19, 2003) and Further Ruling Concerning Schedule and Procedure (Issued September 19, 2003).

Respectfully submitted,

Richard J. Koda, Principal
Consultant to Utility Workers Union of
America, AFL-CIO, Local 1-2 &
International Brotherhood of Electrical
Workers, Locals 83, 97 and 503

c: Active Party List as of August 27, 2003 via e-mail
Emanuel Hellen, President
Utility Workers Union of America, AFL-CIO, Local 1-2
Danny Addy, President/Business Manager/Financial Secretary
International Brotherhood of Electrical Workers, Local 83
Thomas J. Primero, President/Business Manager/Financial Secretary
International Brotherhood of Electrical Workers, Local 97
Robert V. Citrolo, President/Business Manager/Financial Secretary
International Brotherhood of Electrical Workers, Local 503

I. Summary

The Local Unions continue to be concerned with maintaining New York's high quality electric system in a cost efficient and professional manner. Key elements which should be considered thoroughly and addressed by the Commission in this proceeding include, at a minimum, (1) the cost of RPS implementation and who is responsible for paying that cost, (2) the reliability of the New York State electrical system that would result from such implementation, and (3) other methodologies which would provide similar benefits compared to a Renewable Portfolio Standard, consistent with the revised working objectives to be adopted in this proceeding.

Regarding the cost of RPS implementation, cost studies have been submitted by both the Department of Public Service Staff ("Staff") and Central Hudson Gas & Electric Corporation, New York State Gas & Electric Corporation, Rochester Gas and Electric Corporation, and Niagara Mohawk Power Corporation ("Joint Utilities"). These studies conclude that the implementation of an RPS in New York will cost in excess of between \$260 million (net of installed capacity payments)¹ and of \$1 billion net of any fuel savings². While the elements of the two cost studies are still being reconciled, it is apparent that the cost to ratepayers will be significant. To the degree that the net cost to implement the RPS is only \$0.50 per customer per month, a significant percentage of customers throughout the country have expressed an unwillingness to pay for increased renewable energy production as demonstrated in a study performed by the Earnest Orlando Lawrence Berkeley National Laboratory.³ The same reaction would be expected in New York State as a whole and especially in the economically depressed areas of the State.

The issue of reliability of the electric system in New York as the result of an implementation of an RPS in New York, given the potential and variable unavailability of power generated by certain renewables, has not yet been adequately addressed in this proceeding. A conference on reliability has been scheduled for October 10, 2003, with additional development of the record in this case likely to follow. The Local Unions' comments regarding the proposed RPS effect on system reliability in New York will be included in their reply comments due to be filed October 31, 2003.

Regarding the issue of examining other methodologies which would provide similar benefits compared to a RPS, emission reduction technology options and energy efficiency options need to be considered against renewable energy technologies on a level evaluation field.

Also, the Local Unions continue to have concerns about how the implementation of the proposed RPS in New York would affect the current jobs at many of the fossil fuel plants presently serving New York with reasonably priced power in a period of economic uncertainty. It is important that economic development opportunities in one portion of the state's economy do not sacrifice jobs that are viable in another sector of the state's economy, specifically viable jobs in the present electric energy generating sector.

¹ DPS Staff Cost Study dated July 28, 2003 at Results-7-28-03.xls

² Joint Utilities Cost Study transmittal letter to Hon. Eleanor Stein, dated July 28, 2003 at 4.

³ Using Contingent Valuation to Explore Willingness to Pay for Renewable Energy: A Comparison of Collective and Voluntary Payment Vehicles by Ryan Wiser, LBNL-53239 at http://eetd.lbl.gov/ea/EMS/EMS_pubs.html#RE.

II. Comments on Revised Working Objectives

The Local Unions believe that the numerical sequence of items under B. Revised Working Objectives, from 1. through 6. does not signify any order of priority or weight to be considered in evaluating issues dealing with establishing a RPS in New York. The Local Unions believe that all of the elements listed therein be given equal weight when considering the establishment of an RPS.

III. RETEC Straw Proposal

The Local Unions are opposed to the following sections of the RETEC Straw Proposal dated 7/23/03:

- Re: Eligible Generation – Resource Type/Vintage: d) Biomass resources limited to: landfill gas; anaerobic digesters fed by on- farm waste and other eligible biomass resources; and other low-emission biomass technologies using sustainably grown biomass fuels; and, [G]arbage burning technologies are not renewable and have adverse environmental impacts; they should be excluded from eligibility in the RPS.

The Local Unions recommend that the only limitation placed on biomass resources should be one of cost in a framework of least-cost renewable energy selection. All types of biomass should be eligible as should garbage burning technologies which would meet the Local Unions' definition of "renewable".

- Re: Additional Incentives: The Local Unions are opposed to any tiers such as those that would provide additional incentives based on emerging technologies or location.
- Re: Interaction with Green Market: The Local Unions are opposed to separating any green market premium products from meeting the adopted RPS as long as the green market premium products in question are renewable.

IV. Eligibility

The Local Unions believe that, without exception, all types of energy resources which are not depletive or are naturally replenished when used at sustainable levels, including solid waste, should be considered as "renewable" for purposes of a RPS in both the Baseline and Target levels.

This is an important consideration in establishing a reasonably low cost RPS. The more resources that are appropriately considered renewable, the greater the pool of resources and options would be available to compete for achieving the lowest renewable cost profile for the portfolio standard adopted in this proceeding. In keeping with achieving a low cost RPS, it is recommended that no tiers be adopted and that renewables compete on price to become a part of the standard portfolio.

The Local Unions continue to believe that it would be appropriate to only include renewable resource energy procured entirely within the State. Exceptions to such a proposed rule should be made only on an adequate showing that specific renewable energy sources outside of New York provide an overriding and unquestionable benefit to the public interest of all New Yorkers. The criteria for such overriding and unquestionable benefit exceptions should be established by the Commission prior to the effective date of any RPS adopted by the Commission.

The Local Unions continue to believe that the practicality of installing new renewable facilities in high load areas of the State is an issue that comprises both engineering and financial components which should be thoroughly investigated in this proceeding before any decisions regarding this issue are made. The safety and reliability of the electric system in New York is paramount, and must be thoroughly considered when any renewable facilities are sited.

The Local Unions believe that renewable portfolio standard projects should not be mutually exclusive with green marketing programs in the State. Also, the Local Unions believe that the SBC-funded renewable energy programs should not be eligible to receive any renewable energy credits (“RECs”) over and above the greater of the individual SBC funding or REC determination absent any SBC funding. For example: If a project would be initially eligible for SBC funding of \$500,000 and RECs of \$800,000; the maximum amount of total funding from SBC and RECs would be \$800,000. Likewise, if the project were to be initially eligible for SBC funding of \$500,000 and RECs of \$200,000; the maximum amount of total funding from SBC and RECs would be \$500,000.

V. Overall RPS Structure

The Local Unions prefer a central structure rather than individual procurement because a central structure appears to be more easily administered and would be more efficient than an individual procurement structure. In this model the Local Unions envision a mandatory participation by all load servicing entities with non-jurisdictional entities such as NYPA and LIPA participating on a quasi-mandatory basis. These non-jurisdictional entities would be required to participate unless they file a detailed explanation of why it would be in the public interest for them not to participate. Under central procurement structure all suppliers would be subject to the same requirements and renewable incremental percentages of supply resources.

The issue of what is being procured should be answered as follows: Although both renewable energy and its attributes may be procured through the central structure, at a minimum it is the attributes of the energy that should be procured through the central structure.

Regarding which procurement mechanisms should be utilized in the establishment of a RPS, the Local Unions recommend Option 1 – ISO Option or, as second choice, Option 4 – Centralized State Agency Option. These options have been recommended because both would be administered by agencies that have a history of administering state-wide energy related functions. The ISO Option is preferred because of its history of dealing with system reliability and the functioning of the electric market in New York.

The Local Unions believe that Enforcement Mechanisms are appropriate, but suggests that the issues need to be elaborated and discussed further.

VI. Credit Trading

It is becoming clear that a comprehensive trading system is appropriate to establish a market for energy components, such as renewables, so that market values of the attributes pertaining to energy generated/consumed in New York would be “transparent” (visible to all) which may be used as an aid in determining the worth of the specific energy components. If adopted, it is envisioned that such a system would operate similar to the system presently in effect in Massachusetts for attributes trading.

The Local Unions see a positive impact if the Commission’s Environmental Disclosure Label Program were expanded to include a more comprehensive “attributes” labeling program which would incorporate the elements comprising the “attributes trading” system.

VII. Contracting Standards

At this time, the Local Unions have no input into this area.

VIII. Cost and Benefit Considerations

Cost and benefit considerations are important issues to be considered in establishing a RPS. In this proceeding, cost studies have been submitted by both Staff and Joint Utilities. As indicated in the Summary above, these studies conclude that the implementation of an RPS in New York will cost in excess of between \$260 million (net of installed capacity payments) and of \$1 billion net of any fuel savings. Although the elements of the two cost studies are still being reconciled, it is apparent that the cost to ratepayers will be significant.

LBNL Study

In work funded primarily by the Assistant Secretary for Energy Efficiency and Renewable Energy of the U.S. Department of Energy, the Earnest Orlando Lawrence Berkeley National Laboratory (“LBNL”) reached some disturbing conclusions from its exploration of the preferences held by U.S. residents for different ways of supporting and paying for renewable energy generation. The work was comprised of a national contingent valuation survey, supplemented by an opinion survey.

The contingent valuation survey used four scenarios involving collective v. voluntary payment for renewable energy and government v. private provision of the renewable energy service. Scenario 4 corresponds to a RPS (collective payment, private provision of service). This contingent valuation survey found that if the respondents were asked to pay \$0.50 more per customer per month for renewable energy, 78.9% of those respondents expressed a willingness to pay, meaning that 21.1% had an unwillingness to pay for renewable energy production.⁴ The unwillingness to pay a \$0.50 per customer per month charge increased in the other three scenarios from 38.1% to 42.5%. In addition, as the bid amount for the renewable energy increased, so did the unwillingness to pay for that

⁴ Ibid. at Table ES-2

renewable energy. Also, it should be noted that the study's author acknowledges an upward bias regarding the willingness to pay for renewable energy in the contingent valuation survey questions.⁵ Therefore the 21% figure above should be considered a lower bound on customers unwillingness to pay for renewable energy.

The companion opinion survey results were consistent with the basic results of the contingent valuation survey and the author of the LBNL report stated in his summary of the opinion survey results that:

[P]erhaps surprisingly, just 55% of respondents believe that “renewable energy production should be increased, even if it costs more than other electricity production options.”⁶

Or conversely, almost half of the respondents believed that renewable energy production should not be increased if it cost more than other electricity production options.

NYSERDA August 2003 Study

A study prepared for the New York State Energy Research and Development Authority (“NYSERDA”), which included technical and economic potential analysis, provides insight regarding how renewable energy generation stacks up against another technology in the form of energy efficiency. In this study, the technical potential for efficiency and renewable energy represents the theoretical outer bounds of the electricity resources physically available for exploitation, without any regard for cost or market acceptability. And the economic potential for efficiency and renewable energy is defined as that amount of technical potential available at technology costs below the current projected costs of conventional electric generation that these resources would avoid.

Statewide economic potential as a share of technical potential under both low and high avoided costs is shown in a table which summarizes the component shares of each efficiency and renewable energy technology evaluated in the study for each year 2007, 2012 and 2022.⁷ What is shown in this table is that during the above period (2007-2022), energy efficiency technologies are more economically efficient than renewable energy on a total or aggregate basis, but are less so than the specific renewable energy derived from Biomass, Hydropower, Municipal Solid Waste and Windpower at high avoidable cost scenarios. Only at the end of the period does Windpower exceed the economic efficiency of energy efficiency technologies at low avoidable costs.

The results of this study suggest that only certain renewable energy sources are economically appropriate for use in the RPS in New York State and that other technologies are appropriate for use in obtaining the benefits sought by the proposed RPS.

IX. Other Issues

⁵ Ibid. at xi.

⁶ Ibid. at x.

⁷ Energy Efficiency and Renewable Energy Resource Development Potential in New York State, Final Report, Volume One: Summary Report, Prepared for NYSERDA by Optimal Energy, Inc., American Council for an Energy-Efficient Economy, Vermont Energy Investment Corporation, Christine T. Donovan Associates, August 2003 at 3-5.

1. Effects of Fossil-Fired Generation

Although the effect of fossil-fired generation on climate, security implications of importing, price spikes and supply disruption may be ameliorated by renewable resources acting as a significant potential energy reserve which could lower emissions and increase system reliability if properly developed, the Local Unions provide a different perspective.

The Local Unions see the effect of fossil generation on climate being more effectively dealt with by on-site emission reduction techniques or energy efficiency efforts rather than by increasing renewable resources. Regarding security implications of fossil fuel, although oil and natural gas may be vulnerable to price spikes and supply disruptions, coal has historically shown a resistance to such phenomena. While renewable resources may be a significant potential energy reserve, the Local Unions contend that developmental renewable sources and those that operate intermittently would, in fact, decrease system reliability, as opposed to on-site emission reduction techniques or energy efficiency efforts.

2. Diversity of Generation Mix and Increased Economic Development

The Local Unions generally agree the renewable resources would likely help diversify the state's generation mix, and while renewables may spur increased economic development opportunities in the renewables industry, it is important that those economic development opportunities in one portion of the state's economy do not sacrifice jobs that are viable in another sector of the state's economy, specifically in the present electric energy generating sector.

The Local Unions have serious concerns regarding the data used to support the RETEC Benefits Analysis dated July 28, 2003. With regard to the positive effects of an RPS on property values, these positive effects were derived from linear regression models which yielded r^2 values of between 0.01 and 0.39 for the Madison project and between 0.04 and 0.63 for the Fenner project.⁸ These statistics suggest that something entirely different than the view of wind turbines affecting property values positively in the communities in question. With regard to the number of construction jobs and operating jobs appearing in the tables of the RETEC Benefits Analysis, the data appears to show that each renewable energy facility is unique and that what is true regarding job creation for one renewable facility will likely not be true for another.

Any mandate from the Commission should be one that expands the opportunity employment at reasonable cost. With regard to the cost of any RPS, the Commission should be very wary of implementing any new program which would increase the cost of electric energy to all electric customers in New York. Any significant increase in costs for electric energy to New Yorkers would have a dramatic negative effect on the quality of life in this state considering the economic conditions in which the citizenry of the state finds itself.

⁸ The Effect of Wind Development on Local Property Values, Renewable Energy Policy Project Analytical Report, May 2003 at 29-30.

X. Conclusion

The Local Unions appreciate the opportunity to provide the Commission with their comments and concerns as discussed above. The Local Unions remain significantly concerned with the potential cost to ratepayers of increasing the level of renewables in New York and the potential negative effects this implementation would have on jobs in the present electric energy generating sector of the New York economy. The Local Unions are also concerned about any diminution in the reliability of the electric system resulting from any RPS that may be adopted. Detailed comments on reliability are anticipated to be filed on October 31, 2003.

The Local Unions recommend that if a RPS is established, that it is implemented using a least cost approach as recommended in the comments above. Also, it is recommended that renewable energy technologies be evaluated on a level assessment field against other technologies that would provide similar benefits of generation diversity, environmental improvement, economic efficiency, competitive neutrality and administrative fairness consistent with the revised working objectives to be adopted in this proceeding.

Also, the Local Unions seek administrative notice of the Ernest Orlando Lawrence Berkeley National Laboratory, August 2003 Study: Using Contingent Valuation to Explore Willingness to Pay for Renewable Energy: A Comparison of Collective and Voluntary Payment Vehicles by Ryan Wiser, LBNL-53239 at http://eetd.lbl.gov/ea/EMS/EMS_pubs.html#RE.

The above issues are important to the Local Unions, affect the public interest and should be addressed before the Commission adopts any RPS.

Dated: September 25, 2003
Ridgefield, Connecticut

Respectfully Submitted,

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To: Honorable Eleanor Stein, Administrative Law Judge
cc: Active Party List as of 8-27-03
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