

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

Reference: Case 03-E-0188 – Retail Renewable Portfolio Standard

Dear Members of the New York State Public Service Commission,

The Manufacturers Association of Central New York (MACNY) is the largest manufacturers association in New York State representing 300 members with over 50,000 employees in 19 counties in Upstate New York. MACNY members are very concerned about the recent ALJ's recommendations concerning plans to achieve the goal of 25% of electricity be purchased from renewable sources. Although the goal is admirable, it must not increase costs to commercial and industrial users and must not jeopardize the reliability of the state's electric energy delivery system.

The ALJ decision has raised many concerns of increased costs to commercial and industrial customers. The ALJ decision states that "The current and projected cost of electricity from renewable resources will remain at costs above the market cost of conventional resources through the time period studied".

The Department of Public Services' (PSC) cost estimates for this ambitious program is between \$1.14 and \$1.35 billion over 10 years. While it is difficult to project actual rate increases at this point in the proceeding, it is disturbing that the PSC's cost projections forecast that rate effect on industrial customers would be 30% higher than that of residential customers. This finding is particularly damaging given that New York State electricity costs for manufacturers are already significantly higher than in many other states, both regionally and nationally. Cost increases in electricity will most certainly costs New York State high paying manufacturing jobs as companies move their operations to other lower cost states or close their operations altogether.

Also, there are still many concerns about the possible impact of this proposal on the reliability of the state's electric system. MACNY urges that the final order await the completion of a more detailed study that will be completed in the fall.

Recommendations

Given the critical nature of the ALJ recommendations, MACNY recommends the following actions:

1. avoid any cost increases on the commercial and industrial sector

2. revise the schedule for achieving the 25% goal by ramping up from the first two-year learning curve.
3. expedite the review and response mechanism for the 2008 review

Recommendation One: Avoid Any Cost Increases on the Commercial and Industrial Sectors

The PSC must insure that there are no cost increases to commercial and industrial customers prior to the 2008 review. The economy is too weak and companies operations too vulnerable to add to an already uncompetitive rate structure. Options to achieve this include:

- broaden the list of exempted categories
- phase inclusion of commercial and industrial companies based on experience learned in 2006 and 2007
- begin first phase with a voluntary approach based on enhanced green marketing

Recommendation Two: Revise the Implementation Schedule

It is unrealistic and unwise to adopt a schedule for a major new program that is premised on growth rates in the early years matching those of the latter years. The challenging design, purchase and delivery issues will be confronted early on in the implementation stage. The lessons learned will allow for refinements, which can accelerate growth in the out years. The best way to implement this program is to revise the schedule for achieving the 25% goal by ramping up from the first two-year learning curve.

Recommendation Three: Expedite the Review and Response Mechanism for the 2008 Review

Included in the implementation recommendation of the ALJ is a proposal to conduct a 2008 review of the program "to evaluate the costs and benefits...adjust incentives...or otherwise modify the RPS." This may be the most important of all the recommendations made by the ALJ. There are very few things which any of the parties or staffs to the proceedings know for certain. Most major new initiatives require us to learn from the initial experience. We support this ALJ recommendation and would like to see the review be given more structure.

Final Caution : Avoid Repeat of the Six Cent Law

The recommended decision is clear on what it does want to happen - increase supply of renewable generation of electricity to 25%, but less clear on how it will prevent occurrence of what it does not want to happen - significantly increased costs on residential, commercial and industrial customers.

The proponents of the 6-cent law were confident that the program would lead to lower costs for consumers based on its projections of higher market costs for fossil fuels. They were wrong and ratepayers were saddled with billions of dollars of unnecessary imbedded costs.

It may very well be that market prices will make renewable power more attractive over other sources. That would be good. But in the event that it doesn't, there must be failsafe mechanisms for adjusting the program

In closing, MACNY would like to thank the Department of Public Service for holding public hearings and soliciting written comments. The nature of this issue and its impact on commercial and industrial users warrants a thoughtful and thorough review of the ALJ's recommendations. We are hopeful that our recommendations and those of others from the industrial sector will help modify the approach that will ultimately be chosen.

Sincerely,

Randy Wolken
President