

December 6, 2004

Honorable Jaclyn A. Brillling
Secretary
State of New York
Public Service Commission
Three Empire State Plaza, 19th Floor
Albany, New York 12223-1350

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

Notice of Proposed Rulemaking published November 10, 2004
(SAPA ID No. PSC-45-04-00013-P)

Notice of Proposed Rulemaking published November 10, 2004
(SAPA ID No. PSC-45-04-00014-P)

Dear Secretary Brillling:

Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation (collectively the “Joint Utilities”) submit these comments (and five copies thereof) in response to the above-referenced Notices of Proposed Rulemaking (“NOPRs”) concerning a renewable portfolio standard (“RPS”). This filing has been served via e-mail to RPS ListServer subscribers.

The NOPRs solicit comments regarding, *inter alia*, the type of procurement approaches that should be available to the New York State Research and Development Authority (“NYSERDA”) in its administration of the central procurement model adopted by the Commission in its Order Regarding Retail Renewable Portfolio Standard, issued September 24, 2004 in the above-referenced proceeding. Additionally, the NOPRs seek comment concerning whether the type of procurement methodology used in the near-term (2005) – to meet the federal production tax credit (“PTC”) deadline -- and future procurement periods should be the same.

The Joint Utilities support the efforts of the Commission and NYSERDA to move forward expeditiously to implement a procurement process as one, but not the only, consideration in implementing the RPS Program. At the same time, consideration must be given to balancing the benefits that may arise from expedited implementation with the

potential for unintended or undesirable consequences that may arise if the process is not appropriately designed or implemented. To the extent practicable and feasible, the Joint Utilities believe that it is preferable to adopt initially a process that can be used efficiently and successfully both in the near-term and in future solicitation periods. In that way, potential bidders and developers will have information to use in shaping their participation in all aspects of the procurement process. Additionally, the process should be sufficiently flexible so that it can be adjusted based on actual experience and evolving market conditions. The Commission should seek to make it as clear as possible that the adopted solicitation method(s) used in the near term to meet the PTC deadline will not set a precedent for future solicitation periods.

The Joint Utilities continue to recommend adoption of a market-based solicitation process to best minimize the acquisition costs for the State and ratepayers, require minimal intervention from governmental agencies to execute and validate the results, and minimize the potential for disputes. Thus, the Joint Utilities have noted that auctions more cost efficiently set prices than requests for proposals, standard offers and other mechanisms. Accordingly, the Joint Utilities propose that the Commission endorse the use of auctions. The Descending Clock Auction offers the greatest potential for the successful financing of renewable projects and the cost-effective purchase of RECs by NYSERDA. The Descending Clock Auction would minimize the cost of acquisition, as compared to other auctions that, as the SAPA Notice states (SAPA No. 03-E-0188SA2 at 14), are typically designed to maximize revenue to the seller.

Finally, to document the success of the RPS Program in achieving cost minimization, one of the Commission's primary RPS implementation objectives (SAPA No. 03-E-0188SA3 at 2), the Joint Utilities support the recommendation that NYSERDA file annual year-end reports and an assessment of RPS program costs and benefits. Id. at 26.

Kindly acknowledge receipt of this filing by date-stamping the enclosed copy of this letter and returning it in the enclosed, self-addressed stamped envelope.

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Respectfully submitted,

THE JOINT UTILITIES

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