

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission
Regarding a Retail Renewable Portfolio
Standard

Case 03-E-0188

INITIAL SUPPLEMENTAL COMMENTS

OF

COMMUNITY ENERGY, INC.

Community Energy, Inc. (CEI) is a signatory to the initial comments of the Renewable Energy Technology and Environmental Coalition ("RETEC") in response to the Public Service Commission's Order Instituting Proceeding, Case 03-E-0188 (Feb. 19, 2003) in this case and Administrative Law Judge Stein's Order Concerning Procedure and Schedule, Case 03-E-0188 (Feb. 20, 200) and respectfully submits these initial supplemental comments, in particular expanding on the RETEC's response to threshold issue #13.

13. The impact, if any, the renewable portfolio standard would have on existing green marketing programs in the State, and what the State might do to support developers and green power marketers during the process of developing rules to implement the standard.

The challenge of an RPS is to translate the slow ramp up in mandatory renewable energy demand into long-term power purchase agreements that support new renewable energy projects today.

In the eastern United States, virtually all of the wind energy development to date has arisen to meet green market demand – demand from commercial and residential customers choosing to pay a small premium to purchase wind energy. Customer demand for wind energy crosses the full gamut of customers from competitive switching customers to utility default customers. Under recent innovative programs like the Niagara Mohawk utility check-off program, the NYSEG Catch-the-Wind program and the Con-Edison *Solutions NewWind* Energy offering, customers across the state have purchased the output of one new wind farm in less than six months.

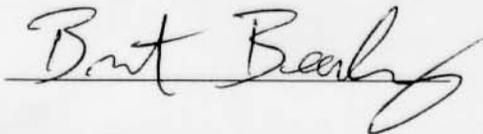
Given the cost of wind power east of the Mississippi, wind projects are not the least expensive renewable choice. Because of the higher price margin and the fact that the projects are capital intensive, they require 15-20 year contracts, rather than 5 year contracts sufficient for other technologies. Given this reality, it is difficult to develop sufficient appetite to generate the long-term contracts that build new projects with one program or one policy tool. An RPS is particularly disadvantaged in the early years if it is left to do the entire job across all technologies. This is so because the RPS by its nature is designed to first draw out development of the region's least-cost renewable resources, and then add other technologies over a five, ten or twenty year period. Without green energy marketing creating demand in the short term, the long-term

financing requirements of wind energy projects lose out to projects with shorter RPS ramp-up schedules and lower cost renewable alternatives, inherent in renewable portfolio standard design. As a consequence, no RPS program east of the Mississippi has resulted in a new wind energy project - in contrast to western states where wind power is close in price to conventional power.

On the other hand, an RPS standard in combination with green marketing and early market demand accelerates wind power development with much reduced costs for both the customers that choose to pay more for wind energy and those that pay the RPS costs in their rates. An RPS along with green customer choice offers a potent combination of short and long-term marketing demand that builds appetite for long-term purchase agreements, at a lower cost than either tool alone could produce. Market premiums paid by customers absorb the higher cost of introducing wind energy in the near term, as the portfolio standard ramps up long-term demand necessary to attract credit-worthy long-term buyers. In addition to this acceleration at reduced costs, green energy marketing programs allows key electric suppliers to gain confidence, experience and appetite and also educate the public, both of which will strengthen support for an RPS.

Finally, it is important that support for ongoing green marketing programs continue without halts because without sustained market signals, the financial markets necessary to bring on new projects will be paralyzed.

Respectfully submitted,



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