

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

Proceeding On Motion of the Commission Regarding Retail Case 03-E-0188
Renewable Portfolio Standard

The Jamestown Board of Public Utilities (“BPU” or “Jamestown”), a municipally-owned utility in western New York State, is pleased to submit the following comments on the New York State Public Service Commission’s (“Commission”) “Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard”¹. The BPU strongly encourages the Commission to exclude municipalities from the RPS or to allow municipalities to participate voluntarily and to include biomass and hydropower within the scope of renewables covered by the RPS.

The Jamestown Board of Public Utilities

The BPU is a municipal utility established in 1890. The majority of the BPU’s power is purchased from the New York Power Authority’s (“NYPA”) Niagara hydroelectric project. In order to provide reliable and cost-effective power to its consumer- ratepayers the BPU also owns and operates the Samuel A. Carlson Generating Station, which generates approximately 92 MW of fossil-fuel fired generation (coal and gas). In addition to producing power, the Carlson Generating Station cogenerates utilizing an award-winning district heating system. The district heating system supplies heat

¹ These comments are filed in conformance with the Order Instituting Proceeding (February 19, 2003) and the Administrative Law Judge’s Ruling Concerning Procedure and Schedule (February 20, 2003).

to residential, commercial, industrial, non-profit and other facilities, including schools and the local hospital. District heating is an innovative and recognized energy conservation measure noted for increased thermal efficiency and reductions in a variety of pollutants. Unlike the vast majority of district heating systems nationwide, this system was developed beginning in the mid-1980s.

The BPU is also part of the City of Jamestown, a small government entity. The City of Jamestown has been designated as one of the 40 most economically depressed cities in the nation by the United States Department of Housing and Urban Development. The City has seen a continual decline in population with a loss of more than 20,000 residents since the mid-1960s and a declining tax base. The community's current property tax rate is one of the highest in New York State, with losses of taxable property valued at more than \$1 million a year for the last several years. Declining industrial and commercial property values have created an inventory of depressed competitive sales, driving these overall property values and assessments still lower.

The economic and reliable power provided by the BPU is an essential component of a comprehensive plan to create a strong economic base and sustainable growth for the City, its residents and the greater Jamestown area. Many local businesses consider the BPU the main reason for remaining in Jamestown. Moody's Investors Service has concluded that in the declining economy of the area, the BPU is one of the few stabilizing forces for the local government.

The Renewable Portfolio Standards Should Not Apply to Municipalities

The BPU strongly supports excluding municipalities from the RPS. Excluding

municipalities from the RPS would be consistent with the actions of virtually all states that have RPS policies. According to the Renewable Portfolio Standards Background and Analysis for New York State, at 12-13 (Grace *et al.*, 2002) in this docket, consumer-owned utilities are “almost always exempt from RPS requirements, which are frequently established in an electricity reform process focused on the IOUs . . .” Among the states expressly exempting municipally-owned utilities are Massachusetts, Nevada, New Jersey, Texas, Maine, Connecticut and Arizona. The only state where municipalities are generally included in the RPS is Wisconsin. There is no reason for New York State to reach a different conclusion.

There are good reasons for excluding municipal utilities from the RPS. Because municipalities are locally controlled and are non-profit entities owned by their ratepayers, they already have incentives to develop renewable and other environmentally friendly resources. The goal of the BPU is not only to maintain low electric rates but also to promote economic development in the Jamestown area while protecting the environment. Renewables and energy efficiency measures have a role in achieving these goals.

The BPU provides a good example of promoting innovative energy technology. The BPU has voluntarily undertaken substantial efforts to develop energy conservation measures that support the broader environmental goals of New York State. The BPU has installed an award-winning district heating system at a cost of approximately \$8 million to minimize energy demand and increase efficiency. District heating is an EPA-recognized energy conservation measure noted for increased thermal efficiency. In addition, district heating allows for centralization of load that eliminates the sharp spikes in demand of individual buildings. All this translates to lower emissions and consequently

reduced environmental pollution. District heating also offers demand side management applications by replacing electrical heating systems. The BPU began installation of this system in the mid-1980s and has significantly expanded the system to 55 customers with additional customers to be added. The BPU's district heating system, in combination with the BPU's allocation from the non-polluting Niagara hydroelectric generators, already minimizes the impacts of the BPU's operations on the environment and diversifies the BPU's energy portfolio. There is no need for the Commission to impose the additional RPS requirement on the BPU.

In determining whether the RPS is applicable to municipalities, the Commission should also consider the significant financial impacts such a standard could have on municipal utilities. The BPU's low electric rates are a significant advantage that Jamestown has in attracting new business and are important in stemming the economic decline in the Jamestown area. This is particularly true in Jamestown because the BPU is critical to the City not only for its payments in lieu of taxes but also for its bond rating. Jamestown simply cannot afford significant new costs. **Renewables Should Be Defined to Include Biomass**

The BPU supports the inclusion of waste tires and biomass within the scope of renewables covered by the RPS. Many of these materials are currently disposed of, rather than reused. Disposal not only has significant costs but carries with it significant risks to the environment. Extending the RPS to cover these wastes would serve the important purpose of encouraging economically and environmentally-friendly recycling of these materials.

Waste-tire burning is but one example of the problems associated with the current disposal system for these solid wastes and the advantages of encouraging their use as renewables. The accumulation of waste tires in New York State poses significant environmental problems. The New York State Department of Transportation estimates that at present approximately 20 to 22 million waste tires are generated each year, in addition to the 19 to 38 million waste tires already stockpiled across

New York State. Many of these stockpiles are illegal. These stockpiles pose serious environmental problems, including tire stockpile fires that cause air and groundwater problems and which are difficult to contain and costly to clean up.

The inclusion of waste tire-to-energy facilities as renewable resources for purposes of the RPS would be supportive of the state's efforts to develop a comprehensive, integrated waste tire management strategy. Traditional landfill disposal for tires has become progressively less acceptable because of limited landfill space, increased costs, environmental concerns and operational problems caused by whole tires. Use of tire waste as a fuel would provide an important market outlet for the tires and would support fuel diversity.

There are similar reasons for including a wide range of biomass in the RPS. For example, the Jamestown area generates significant wood and paper wastes. Instead of paying to dispose and transport these wastes, they could be productively recycled as fuel for power plants. Their use would simultaneously support fuel diversity. These wastes should also be included within the scope of the RPS.

Renewables Should Be Defined to Include Hydropower

The Commission should include hydropower within the scope of renewables under the RPS. The majority of Jamestown's power is provided by the New York Power Authority from its Niagara hydroelectric project. This hydropower provides important economic benefits to the Jamestown area with minimal environmental impacts on New York state.

The presence of the hydropower reduces acid rain and other air emissions that threaten New York's parks and forests. Hydropower provides an important alternative to fossil-fuel fired generation and one with no air emissions. Large hydropower units such as NYPA's Niagara plant eliminate the need for thousands of MWs of additional fossil-fuel fired generation, generation that would

only result in significantly increased acid rain in New York and further deterioration of the Adirondacks.

The hydropower that the BPU purchases should also be included within renewables because, unlike many other hydro projects, it has low impacts on its river environment. Because Niagara Falls itself has limited the ability of fish to move from the upstream to the downstream part of the river, the Niagara Project does not impose any additional impacts in this regard. NYPA has recently undertaken a significant upgrade of the Project which will improve efficiency and allow for the better use of the state's hydropower resources. Thus, NYPA's Niagara Project has a much less significant environmental impact than other hydro projects, including those in other states that have elected not to include hydro within their RPS portfolio.

The Jamestown Board of Public Utilities is pleased to have this opportunity to provide comments and looks forward to working with the Commission in the development of the RPS. The BPU reserves the right to supplement these comments with additional information at a later time.

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