

Hon. Eleanor Stein  
Administrative Law Judge  
State of New York Department  
Of Public Service  
Three Empire State Plaza  
Albany, New York 12223-1350

March 28, 2003

RE: Case No. 03-E-0188  
Proceeding on Motion of the Commission Regarding a  
Retail Renewable Portfolio Standard

Dear Hon. Stein:

The Long Island Power Authority (LIPA) respectfully submits these initial comments in response to the Public Service Commission's Order Instituting Proceeding , Case 03-E-0188 (February 19, 2003).

Overall, while LIPA is not subject to Commission jurisdiction in this matter, LIPA firmly endorses the concept behind the issuance of the Renewable Portfolio Standard and believes that significant benefits could result through its proper implementation.

1. LIPA suggests that the following resources be considered as "renewable" for the purposes of a renewable portfolio standard.
  - Wind
  - Photovoltaics
  - Fuel Cells
  - Hydropower
  - Landfill gas .
  - Biomass

Lastly, LIPA suggests that consideration may warranted to including measurable reductions achieved through demand side efficiency programs as part of the renewable mix.

2. LIPA acknowledges that it would be desirable for the majority of renewable energy procured for compliance with a State initiative to come from renewable resources within New York State, however LIPA suggests that at this stage it may be premature to rule out opportunities outside of the State which may provide economical renewable power for New York ratepayers
3. LIPA believes that the standard should be applicable to all retail suppliers operating within New York State.

4. It remains to be seen as to whether procurement or development will be most advantageous to retailers, and is likely to vary depending upon individual circumstances. The RPS needs to encourage private capital markets to invest in renewable energy technologies. Regulatory policy which encourages market participants to enter into long-term contracts as a mechanism for meeting RPS obligations should go a long way towards addressing financial uncertainty.
5. The responsibility for compliance with RPS should be spread evenly by region and customer class. The RPS design should require prudent determination for cost recovery by regulated utilities where prudence is defined in terms of both least long-term cost and achieving the goals of the RPS including the construction of renewable projects.
6. Until the final classification of what renewables (both existing and planned) are defined as complying with the goals of the RPS, the answer as to what each retailers burden should be will remain unclear. Given the large quantity of existing hydropower currently being included in the overall sales within the State and relative disproportionate share that it comprises of certain retailers product mix, care needs to be given to ensure that a level playing field exists in the market place. No retailer should be disproportionately advantaged or disadvantaged because of prior actions it undertook without regard to the renewable benefits of such actions.
7. Dependent upon the final classification of technologies (both existing and planned) qualified as meeting the definition of renewable, the potential impacts to the grid could be varying. The statewide application of modest amounts of various different renewable energy technologies may only result in minor effects to the grid. Certain technologies if positioned on a distributed basis may actually have positive effects on the system. Obviously, there will need to be a coordinated plan and guidelines as to how larger scale renewables are incorporated into the grid, however we believe the means and measures to facilitate this process currently exist through the NYISO and NYS Reliability Council.
8. LIPA believes that is important to set up a system to monitor progress towards meeting the 25% goal. However, any consideration of mid-term goals will need thorough evaluation including but not limited to the technological and economical progress of certain developing technologies at such times. Some degree of flexibility should be planned for in the event of changes which may occur over the next ten years which may have a material impact on the ability of the RPS to be achieved.
9. Certainly a renewable attributes trading system could be beneficial in instances where the siting of large amounts of renewable generation in a particular area may

be impractical. However, the details of any such system must be thoroughly vetted , and any system will need to address the following criteria:

- O Minimization of the cost and complexity of implementation and enforcement
  - O Ensurance of a fair marketplace which does not disadvantage either the seller or buyer.
  - O Assurance of the accuracy, veracity and uniqueness of claims so that customer and ratepayer confidence in the marketplace is established.
  - O Promotion of greater liquidity of markets by establishing well-defined property rights and by maximizing the number of buyers and sellers in a market.
  - O Encouragement of renewable energy project development where it is least-cost within the designated market.
11. LIPA does not offer an opinion at this time on the possible impact of the RPS on the Commission's Environmental Disclosure Label Program.
  12. LIPA believes that an RPS may very well serve as a base from which "green" marketing programs may expand upon.
  13. Although there is likely a role for some public fund support in the overall implementation of the RPS, a careful review will need to be undertaken to establish whether such funds are additive or redistributed from existing priorities and furthermore, whether such funds are deployed to coordinate the overall RPS effort or are used offset the premium (if any) of the actual costs incurred by the retailer in procuring such renewable energy.

Lastly, LIPA offers the following general comments. If the RPS is implemented on a technology neutral basis, one would expect that the least cost complying technologies will likely represent the lion's share of any renewable energy mix. Although this may result in the minimization of cost being incurred in the near term, it may come at the expense of the continued commercialization of currently developing renewable technologies as well as other renewable technologies which although technically commercialized require larger volumes of deployment to bring costs down to more economical levels. Secondly, it is LIPA's interpretation based upon the language instituting the proceeding that the RPS is targeting its percentage requirements on energy rather than installed capacity basis.

We thank you for the opportunity to offer our comments on this matter.

Sincerely,

Daniel Zaweski  
Director of Energy Efficiency  
and Distributed Generation Programs