

March 27, 2003

Via USPS 1st Class Mail

Honorable Janet H. Deixler, Secretary
State of New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

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

Dear Secretary Deixler:

Please accept for the State of New York Public Service Commission's consideration an original and three copies of the Initial Comments of Local 1-2, Utility Workers Union of America, AFL-CIO and Locals 83, 97 and 503, International Brotherhood of Electrical Workers in the above proceeding pursuant to the Ruling Revising Schedule (Issued March 6, 2003).

Respectfully submitted,

Richard J. Koda, Principal
Consultant to Utility Workers Union
of America, AFL-CIO, Local 1-2 &
International Brotherhood of
Electrical Workers, Locals 83, 97
and 503

c: Active Party List as of March 26, 2003 via e-mail
Emanuel Hellen, President
Utility Workers Union of America, AFL-CIO, Local 1-2
Danny Addy, President/Business Manager/Financial Secretary
International Brotherhood of Electrical Workers, Local 83
Thomas J. Primero, President/Business Manager/Financial Secretary
International Brotherhood of Electrical Workers, Local 97
Robert V. Citrolo, President/Business Manager/Financial Secretary
International Brotherhood of Electrical Workers, Local 503

Initial Comments of Local 1-2, Utility Workers Union of America, AFL-CIO and Locals 83, 97, and 503 International Brotherhood of Electrical Workers Regarding a Retail Portfolio Standard for Electric Energy Retailed in New York State – Case 03-E-0188

Introduction

The following comments are made on behalf of Local 1-2, Utility Workers Union of America, AFL-CIO and Locals 83, 97 and 503 International Brotherhood of Electrical Workers ("Local Unions") that represent approximately 2,450 utility workers directly involved in the electric energy generation process in the State of New York. These union members perform their electric generating functions in an extremely competent, safe and cost affective manner.

The electric generating personnel represented by the Local Unions are instrumental in helping to maintain safe and reliable energy production in New York. These skilled employees efficiently operate the plants using a variety of fuel sources to produce reasonably priced electric energy for all New Yorkers. They are trained to operate the plants in a safe, reliable and efficient manner.

The Local Unions have been active participants in many of the proceedings pertaining to the restructure of the electric industry in New York. The initial comments which appear below reflect the Local Unions' point of interest regarding a retail portfolio standard for electric energy retailed in the State of New York pursuant to the Notice of Procedural Conference issued February 20, 2003 and the Ruling Revising Schedule issued March 6, 2003 in this proceeding.

In its Order instituting this proceeding, the Commission expressed its concern with the effects of fossil-fired generation on climate and the security implications of importing much of the fuel needed to supply the electricity needs of New York. It also expressed concern regarding New York's vulnerability to price spikes and possible supply disruptions that may result from an over-dependence on natural gas and other fossil fuels which have a finite supply.¹ The Commission views renewable resources as a significant potential energy reserve and one, if properly developed, could lower air emissions and increase system reliability.²

The NYSEERDA Report in response to the 2002 State Energy Plan found that a retail renewable portfolio standard ("RPS") can be implemented in a manner that is consistent with the wholesale and retail marketplace in New York. Also, it has the potential to improve energy security and help diversify the state's electricity generation mix, as well as spur increased economic development opportunities in the renewables industry.³

Summary

The Local Unions are concerned with maintaining New York's high quality electric system in a cost efficient and professional manner. They also maintain the belief that the implementation of a RPS has the potential to benefit or harm the public interest and may or may not be cost effective for New York ratepayers in the long run. The benefit or harm depends on how and to what extent a RPS

¹ Case 03-E-0188 – Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard, Order Instituting Proceeding (Issued and Effective February 19, 2003) at 1.

² *ibid.* at 2.

³ *id.*

is implemented in New York and its neighboring regions. The Local Unions have concerns about how the implementation of a RPS would affect the current jobs at many of the fossil fuel plants presently serving New York with reasonably priced power in a period of economic uncertainty. They also have concern regarding the net impact on the reliability of the system given the potential and variable unavailability of power generated by certain renewables.

Specific Initial Comments

Threshold Issues

1. The types of resources that should be considered as “renewable” for the purposes of a renewable portfolio standard.

The Local Unions believe that, without exception, all types of energy resources which are not depletive or are naturally replenished when used at sustainable levels, including solid waste, should be considered as “renewable” for purposes of a RPS. If it can be generally classified as “renewable” it should be classified as such for purposes of a renewable portfolio standard.

2. The appropriateness of including renewable resource energy procured from outside the State, such as hydropower from Canada or wind energy from New England.

The Local Unions believe that it would be appropriate to only include renewable resource energy procured entirely within the State. Exceptions to such a proposed rule should be made only on an adequate showing that specific renewable energy sources outside of New York provide an unquestionable benefit to the public interest of all New Yorkers.

3. The retail suppliers that should be required to sell energy from renewable resources.

In order for a RPS to work efficiently, all suppliers of retail energy in New York should be required to sell energy from renewable sources. All suppliers should be subject to the same requirements and renewable percentages of supply resources.

4. The impact, if any, on the ability of energy services companies' (ESCOs) abilities to compete with utilities if they are required to procure renewable resources beyond what their customers request, given the relative sizes of the loads supplied by utilities and ESCOs currently, and how such impacts might be overcome.

The Local Unions contend that if all suppliers of retail energy in New York are subject to the same requirements and supply percentages regarding renewable resources, there would be no impact on the ability of ESCOs to compete with utilities as each would be subject to the same requirements and in the same proportions.

5. The best methods for retail suppliers to procure renewable resources (e.g., construction and ownership versus purchases).

The Local Unions believe that the procurement methods may need some degree of flexibility and that it may be appropriate that retail suppliers be allowed to procure renewable resources from either construction and ownership or purchases. An obligation trading system may be appropriate as well. What is clear is that the procurement methods, as well as other aspects of RPS, need to be thoroughly investigated in this proceeding.

6. Methodologies for the recovery of costs by regulated utilities.

The Local Unions believe that the recovery of additional costs, incurred by regulated utilities that were mandated by the Governor, Legislature or Commission, should be in the form of a surcharge to current rates, if the utilities provide adequate documentation and support of such costs over and above their present revenue requirement.

7. Individual retail suppliers' targets, if appropriate.

Individual retail suppliers' targets are appropriate and should be no lower than the floor set by the Commission or regulatory agency responsible for setting the floor requirement.

8. The potential impact on reliability and system operations due to the addition of renewable resources, especially those resources that operate only intermittently (e.g., windmills and photovoltaics), and what, if anything, must be done to ensure that reliability is maintained.

The Local Unions have significant concern regarding the net impact on the reliability of the system given the potential and variable unavailability of power generated by renewables that operate only intermittently or do not operate because of developmental problems. If a RPS is adopted, reserve margins may have to be increased to ensure that any intermittent operation of renewable resources does not jeopardize the electric system in New York.

9. The appropriate means to monitor progress toward meeting the goal and to ensure results, including possible rewards and disincentives.

At this point in the proceeding, the Local Unions have no input to provide regarding the means to monitor progress toward meeting a RPS goal and ensure results, including possible rewards and disincentives. The Local Unions expect that the appropriate means or monitoring would be an issue to be discussed and considered in this proceeding.

10. The appropriateness of a "renewable attributes trading" system, and the components of any such system that might be developed.

A “renewable attributes trading” system may be appropriate and, if adopted, it is envisioned that such a system would operate similar to the system presently in effect for emissions trading. However, like other RPS issues, the Local Unions expect that a “renewable attributes trading” system would be an issue to be discussed and considered in this proceeding.

11. The impact, if any, on the Commission’s Environmental Disclosure Label Program, and any modifications that might be needed and appropriate for that program.

At this point in the proceeding, the Local Unions have no input to provide regarding the potential impact on the Commission’s Environmental Disclosure Label Program.

12. The practicality of installing new renewable facilities in the high load areas of the State. If the targeted renewables are built upstate, the impact, if any, such construction might have on the addition of new resources in the load centers where they are most needed, and the appropriate means to ensure that additional generation and transmission resources will be built where they are most needed.

The Local Unions believe that the practicality of installing new renewable facilities in high load areas of the State is an issue that comprises both engineering and financial components which should be thoroughly investigated in this proceeding before any decisions regarding this issue are made.

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.

At this point in the proceeding, the Local Unions have no input to provide regarding the impact, if any, the renewable portfolio standard would have on existing green marketing programs in the State. However, with regard to support of developers and green power marketers during the process of developing rules to implement the standard, the Local Unions believe that such support is not necessary. Any new subsidies proposed for implementing renewable power sources should be avoided with the possible exception of economic development applications. As with other issues, a thorough investigation of this issue is needed prior to any decisions being made.

14. Changes needed, if any, by the Public Service Commission and NYSERDA in the SBC-funded renewable energy program to coordinate with the new target.

At this point in the proceeding, the Local Unions have no input to provide regarding changes needed, if any, by the Public Service Commission and NYSERDA in the SBC-funded renewable energy program to coordinate with the new target.

Other Issues

1. Concern of Effects of Fossil-Fired Generation

The Commission expressed its concern regarding the effect of fossil-fired generation on climate, security implications of importing, price spikes and supply disruption. In the Commission's view, these concerns may be ameliorated by renewable resources acting as a significant potential energy reserve which could lower emissions and increase system reliability if properly developed.

From the Local Unions perspective, the effect of fossil generation on climate would be more effectively dealt with by on-site emission reduction techniques rather than by increasing renewable resources. In fact, this week the State approved regulations which would require electric generating power plants operating in New York to significantly reduce their emissions. It is not clear what security implications are of concern to the Commission especially with regard to coal which is the nation's most abundant fuel. Although oil and natural gas may be vulnerable to price spikes and supply disruptions, coal has historically shown a resistance to such phenomena. While renewable resources may be a significant potential energy reserve, the Local Unions contend that developmental renewable sources and those that operate intermittently would, in fact, decrease system reliability.

2. Diversity of Generation Mix and Increased Economic Development

The Local Unions generally agree the renewable resources would likely help diversify the state's generation mix, and while renewables may spur increased economic development opportunities in the renewables industry, it is important that those economic development opportunities in one portion of the state's economy do not sacrifice jobs that are viable in another sector of the state's economy, specifically in the present electric energy generating sector.

Any mandate from the Commission should be one that expands the opportunity employment at reasonable cost. With regard to the cost of any RPS, the Commission should be very wary of implementing any new program which would increase the cost of electric energy to all electric customers in New York. Any significant increase in costs for electric energy to New Yorkers would have a dramatic negative effect on the quality of life in this state considering the economic conditions in which the citizenry of the state finds itself, especially in light of the economic impact to result from the approval of rules to significantly reduce power plant emissions in New York.

Conclusion

The Local Unions are significantly concerned with the potential effects on jobs in the present electric energy generating sector of the New York economy. The Local Unions are also concerned about any diminution in the reliability of the electric system and the potential increase in the cost of electric power generated in the State of New York as a result of any RPS that may be adopted. These issues should be fully and thoroughly investigated and addressed before the Commission adopts any RPS.