

NEW YORK STATE PUBLIC SERVICE COMMISSION

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Proceeding on Motion of the Commission Regarding a :
Retail Renewable Portfolio Standard : Case 03-E-0188
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**PRELIMINARY COMMENTS OF NEW YORK STATE ELECTRIC & GAS
CORPORATION AND ROCHESTER GAS AND ELECTRIC CORPORATION
CONCERNING A RETAIL RENEWABLE PORTFOLIO STANDARD**

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New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation (the “Companies”) hereby submit their preliminary comments concerning the announcement by the State of New York Public Service Commission (the “Commission” or the “PSC”) to implement a Renewable Portfolio Standard (“RPS”).¹ In its Instituting Order, the Commission posed questions to address threshold issues related to an RPS. The Companies will support an appropriate RPS. In addition, the Companies concur that the Commission should undertake a measured and rigorous analysis to ensure that any RPS implemented in New York State best serves the interests of consumers.

The comments submitted herein identify certain issues that the Commission should address as part of the process to develop an appropriate RPS for the State of New York. As more particularly explained in these comments, the Companies recommend that the most prudent course of action is to complete the issue identification phase and to conduct a series of collaborative sessions before written comments are submitted.

¹ Case 03-E-0188 – Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard (the “Renewable Proceeding”), Order Instituting Proceeding, issued February 19, 2003 (the “Instituting Order”); See also, Renewable Proceeding, Ruling Concerning Procedure and Schedule, issued February 20, 2003 (the “February 20 Ruling”) and Renewable Proceeding, Ruling Revising Schedule, issued March 6, 2003 (the “March 6 Ruling”).

The Instituting Order lists a number of threshold questions that the Commission asks the parties to address as part of the process to develop an RPS. The Companies concur that consideration of these matters, as well as the additional issues identified in these comments, will assist in the development of an appropriate RPS. The Companies also agree with the Commission’s decision to follow a “collaborative process with the goal of developing a draft policy statement.”² Consistent with that process, the Companies’ comments herein are limited to an identification of key matters that should be addressed. The Companies recommend that the initial collaborative sessions should be devoted to general discussions, with the ultimate goal of joining issues.³ The parties then should turn to the task of addressing the identified issues.

The Commission should determine, as a policy matter, what constitutes the best mix of renewable resources for the State’s renewables portfolio and what percentage of energy and capacity in the State should be generated from those renewable resources. In reaching its decision on those matters, the Commission should weigh the societal costs associated with whatever policy decisions the Commission reaches. The Commission should assess the merits of any proposed RPS against its impact on the development of a robust wholesale energy marketplace, prices consumers must pay and the achievement of environmental goals.

² Instituting Order, mimeo p. 3.

³ The first collaborative sessions should follow the education seminars discussed in Administrative Law Judge (“ALJ”) Stein’s: (1) February 20 Ruling; (2) March 6 Ruling; and (3) March 14, 2003 Letter to All Parties.

The Companies endorse efforts to develop additional electric supply resources to ensure that New York consumers can obtain their electricity needs. The Companies also acknowledge that an RPS can be an appropriate component of an overall New York State energy agenda. The development of a robust competitive wholesale market and the ability to attract much needed infrastructure investments in New York State must continue to guide the Commission as it considers adoption of an RPS.

I. COMMENTS

The Companies recommend that the issues identified below should be added to the list of threshold matters identified in the Instituting Order.

1. Establishment of an appropriate renewable resources baseline.
2. The potential impact of an RPS on the continued development of the wholesale electricity market, including how renewable resources will impact and interact with the existing wholesale electricity market structure.
3. The design of an RPS that will minimize, to the greatest extent, market distortions and above-market costs initially, and ultimately to prevent such distortions and above-market costs in an RPS program.
4. The design of an RPS that avoids burdens emanating from previous administratively-determined pricing policies.
5. The design of cost recovery mechanisms that ensure that utilities and energy services companies recover above-market costs in a competitively-neutral manner on an as-incurred basis from customers receiving retail electric service.
6. Determination of the most economic locations for renewable resources.
7. Ensuring compliance with the State Environmental Quality Review Act and other applicable laws.

II. CONCLUSION

The Companies urge the Commission to investigate the issues identified in these comments as well as those in the Instituting Order.

Respectfully submitted,

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