

STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE

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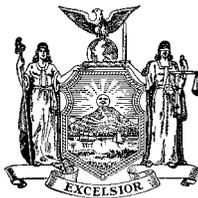
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February 19, 2004

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

Re: Case 03-E-0188
NY RPS Cost Study Report

Dear Administrative Law Judge Stein:

I am pleased to submit the enclosed *New York Renewable Portfolio Standard Cost Study Report II, Volume A*. It was prepared as a collaborative effort by Staff of the Department of Public Service, with significant input from Sustainable Energy Advantage, LLC (including its subcontractor, La Capra Associates) and with assistance from the New York State Energy Research and Development Authority.

Volume A is a report of the results of studying the Staff "Prime Case" and some sensitivities, all as outlined on the attachment to this letter. Volume B, which we hope to complete within a few weeks, will report the results of some additional sensitivities of the Prime Case as well as several alternative scenarios also outlined on the attachment to this letter. Volume A should give the parties sufficient information to review almost all methodological issues regarding the study. Volume B will generally just report additional cases using the same methodology.

Very truly yours,

PAUL AGRESTA
Assistant Counsel

cc.: Secretary Brillling
All Active Parties

NYRPS COST STUDY REPORT II

**Cover Letter Attachment
(Revised February 25, 2004)**

VOLUME A

Changes in Fixed Assumptions for All Cases (no options studied)

Baseline Resources

- updated to Calendar Year 2002 (latest) data
- NYPA Hydro upgrades added
- 10 MW & less Hydro expiring contracts subtracted

Green Marketing Forecast – updated to latest data and added

EO-111 Forecast added

Supply Curve

- PJM Wind cut in half
- NYPA Hydro upgrades subtracted
- 10 MW & less Hydro expiring contracts added as price takers

Hedging contracts for supply and UCAP factored in

Statewide UCAP cost effects factored in

Base Case

SEP MAPS Database with minor refinements and less new Article X plants

Sensitivity: One-Time Price Forecast Update to Actual Fuel Prices

Prime Case

SEP Load & Price Forecasts

25% Renewables by 2013, beginning in 2006

MUNI's & COOPs out

LIPA in

NYPA in

1% SBC-Like Tier (PV, small wind, fuel cells)

Delivery Requirement

Imports Allowed

No Waste to energy (WTE)

Prime Case Sensitivities

Cost Based Approach

Market Clearing Approach

Cost Based Approach with Current Fuel Prices

Market Clearing Approach with Current Fuel Prices

VOLUME B

Prime Case Sensitivities

- No Imports
- No Delivery Requirement
- No Production Tax Credit (PTC)
- WTE eligible
- DSM eligible/alternative
- No Load Growth
- 0% SBC-Like Tier
- 2% SBC-Like Tier
- 5% SBC-Like Tier
- 10% SBC-Like Tier

Alternative Case Scenarios

- Multiple Intervenors (MI) Ramp – 2009 through 2020, no SBC-Like tier
- Central Hudson Ramp – 56% of 25% by 2013 with no imports, no SBC-Like tier
- RETEC Ramp 2005-2013
- Joint Utility Scenario – no imports, no NE demand competing for resources, 10% SBC-Like Tier (50% PV / 50% Fuel Cells), limit biomass co-firing to 10 MWs, no off-shore wind, higher costs for each new increment of wind as projects are built, no new hydro, reduce landfill gas by 20 MWs, no CHP
- Joint Utility 2nd Case Scenario – no imports, no NE demand competing for resources, 1% SBC-Like Tier (Staff mix), limit biomass co-firing to 10 MWs, no off-shore wind, higher costs for each new increment of wind as projects are built, no new hydro, reduce landfill gas by 20 MWs, no CHP