

Consumer Power Advocates

Continuum Health Partners
Fordham University
Luthin Associates, Inc.
Memorial Sloan Kettering Cancer Center

Montefiore Medical Center
Mount Sinai Medical Center
New York University
NYU Hospitals Center

Via e-mail: secretary@dps.state.ny.us

July 25, 2011

Hon. Jaclyn A. Brillling
Secretary
Public Service Commission
3 Empire Plaza
Albany, New York 12223

Re: Case 10-M-0457: System Benefits Charge IV

Dear Ms. Brillling,

Consumer Power Advocates is an association of large, non-profit universities and medical institutions that collectively employ over 115,000 people with over \$13 billion in annual operating expenditures, whose primary goal is to decrease the cost of energy to consumers through regulatory intervention, advocacy before governmental officials, and the development of energy efficiency, economic development, and other programs and initiatives targeted to large energy consumers in New York City. Eight of CPA's recent member hospitals are among the 15 largest regional health organizations, including five of the six biggest, and seven are among New York City's 18 largest employers. Member organizations include Continuum Health Partners, Fordham University, Memorial Sloan Kettering Cancer Center, NYU Medical Centers, Mount Sinai Medical Center, Montefiore Medical Center, and New York University.

CHP support must continue

In its December 16, 2010 Order (pp.12-13) allowing comments, the Commission asked interested parties to address:

... (i) the problem(s) to be targeted; (ii) the current state of knowledge or technology and why existing, related R&D initiatives are not adequate to address the problem; (iii) why it is particularly appropriate for New York ratepayers, through NYSERDA, to be making the proposed financial commitment-- that is, why the problem addressed/solution opportunity is of particular concern to New York; (iv) expected

**15 Walling Place, Avon, NJ 07717
Tel 732-774-0005 Fax 732-774-0049**

benefits to New York in terms of increased safety and/or reliability, an improved environment, wholesale energy price reduction, economic development and jobs; (v) the history, status and results of similar projects previously funded by NYSERDA or others; (vi) the likelihood of leveraging SBC dollars with funds from external sources, and an appraisal of the likelihood that such external funding would be available absent a financial commitment from NYSERDA; (vii) , the expected link between those projects and meeting the Commission's clean energy goals; and (viii) for projects driven by anticipated economic development benefits, project evaluation criteria calling for business plans, budget and performance milestones, a demonstrated likelihood that recipients will stand on their own prior to expiration of SBC IV and a showing that benefits to ratepayers will be significant.

Combined Heat and Power (CHP) addresses all of the issues identified in the Order. CHP technology is developing, and has the potential to fully or partially resolve long standing load pocket concerns in certain parts of New York City, it could reduce emissions both by increased efficiency displacement of old, dirtier sources, and contribute to reliability through increased diversity of generation sources.

Regardless of potential or expected benefits, the CHP market has not yet developed to the point that NYSERDA support may be withdrawn. The recent Steam Peak Reduction Collaborative (SPRC) led by Con Edison investigated the possibility of using large CHP plants in buildings to supply steam to the Con Edison steam distribution system, and as a result, the Company agreed to file a tariff to allow CHP owners to export steam to the Con Edison system. This technology, if implemented, could be a game changer for the CHP industry. By providing an efficient use for steam in excess of building thermal load, allowing CHP systems to be designed to meet a greater portion of the host electric load, and to operate more hours of the year. As yet, there are no CHP projects designed specifically for this new approach, and given the limited number of steam distribution systems, it is unlikely that any other State or locality will provide the necessary support to develop these systems. .

Medical and academic institutions in particular have the greatest number of very large buildings capable of supporting CHP systems of 1 MW or greater. Systems of this scale are capable of contributing significant system benefits in terms of load relief at the distribution level, as well as providing energy and capacity in the NYISO markets. Because these large systems are very likely to become economically viable, NYSERDA support to create favorable investment opportunities now will create long term economic and environmental benefits for all New York State residents.

These facts make it particularly appropriate for New York ratepayers to continue to support CHP through SBC IV.

Selection criteria should be based on expected performance

It goes without saying that ratepayer funds must be expended in the most effective manner possible. In the case of SBC IV, this implies that a strict cost-benefit test should be applied equally to all applicants, and funding awarded only to those that generate the greatest expected benefits. Equity also demands that funds generated within a particular service area are used for the benefit of ratepayers in that same service area. Finally, it is essential that benefit metrics are continually revised to reflect the latest known system conditions. To the extent local capacity constraints are known to cause cost and/or reliability problems for customers, and to the extent efficiency or other measures may resolve these problems, that benefit should be counted.

Current levels of revenue collection are adequate

New York ratepayers continue to be burdened by utility rates that are among the highest in the United States. Much of that burden is the result of broadly supported environmental policies that have provided the obvious benefit of a cleaner and healthier atmosphere. Nevertheless, the SBC funding implies an ambitious program that balances the consumer interest in affordable bills with the public interest in further environmental benefits. That balance cannot be maintained unless the NYSERDA follows a vigilant process to select the projects of highest merit. CPA is confident that many CHP projects, when properly evaluated, rank among the most worthwhile energy efficiency values. NYSERDA itself recognized the value of CHP when it filed revisions to provide \$15 million annually to support CHP. However, we find the late addition of \$15 million to the rates paid by consumers to be unacceptable, both in its bill impact and in terms of the process to add that amount to bills. With proper prioritization, the SBC IV program as initially filed has sufficient funds to support worthwhile CHP programs as well as other equally worthy initiatives.

Thank you for the opportunity to offer these comments.

Very truly yours,

Catherine M. Luthin

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Executive Director