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

November 22, 2010

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

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

Dear Ms. Brilling,

Consumer Power Advocates (CPA) is a membership organization formed in 2002 to support regulations and public policies that recognize the needs of energy users. Our members are among the leading academic and medical institutions in New York City, and all are customers of Consolidated Edison. Some of our members are actively developing over 10 MW of combined heat and power (CHP) systems, and others are in various stages of considering such systems.

CPA supports the continuation of the System Benefits Charge (SBC) because our members understand that important environmental and economic gains are achievable, but that these gains may only be possible with continued public support. We offer the following comments on NYSERDA's SBC IV program filing.

CPA supports the continued collection of SBC at the current level of revenue. While we appreciate the importance of maintaining minimal bill impacts, we also regret the difficult choices that restriction imposes on the Commission as it approves program budgets. In at least some cases, we believe the NYSERDA filing fails to provide adequate support to important programs.

CPA is concerned about the transfer of SBC programs to Energy Efficiency Portfolio Standard (EEPS). Regardless that these programs remain funded, the fact is that the purpose of the eponymously named EEPS program is to advance energy efficiency alone. SBC was developed to support all the public policy goals that were formerly financed through utility rates, before industry restructuring made the continued viability of that approach uncertain. The proper purposes of SBC include not only research and low income customer assistance, but also support for reliability and demand response measures which are not based on energy efficiency. Measures that provide relief from transmission and distribution system weaknesses may not be appropriate for EEPS, but they remain valuable and worthy of support. Of particular concern is the use of Total Resource Cost (TRC) in evaluating projects that avoid costly distribution system upgrades. TRC values the benefit of the distribution component at the system average long run avoided cost (LRAC), but the correction of a load pocket or relief form transmission congestion charges could have significantly greater benefits to consumers. These benefits are properly considered in the SBC program, although they are not based on energy efficiency.

CPA is distressed that funding for Combined Heat and Power projects has been eliminated. In a 2002 report[1], NYSERDA estimated that as much as 2,200 MW could be installed by 2012. NYSERDA further estimates that accelerated development of CHP would avoid the emission of 10,000 tons of NOx, 27,000 tons SO2 and almost 4,000,000 tons of carbon annually. Obviously, eight years later this level of development seems unlikely, if not impossible, but it demonstrates that the CHP industry is still in its early development, and requires responsible policy support. Funding assistance through SBC programs has been, and should continue to be a part of that support. Among our members, many CHP projects are in the planning stages to replace aging central plant infrastructure. Most of these projects include related projects such as asbestos abatement, boiler and/or chiller replacement, electric service upgrades and other measures. The majority of these clients would either not perform the central plant upgrades at all or install compromised less efficient systems without the savings provided by the CHP plant.

While CPA understands the reluctance to subsidize technologies that cannot pass the strictest cost/benefit test, we believe that the TRC test, as currently applied in EEPS, understates the benefit of CHP in at least some cases. As we understand TRC, the long-run avoided cost (LRAC) of utility electric distribution systems is valued at only the average LRAC for each utility. In reality, Con Edison's system contains several load pockets and other areas of weakness, and the value of CHP in these areas includes the LRAC of avoided system upgrades. While these distribution system issues may not be directly related to energy efficiency, they do raise important environmental and economic issues for consumers. Mitigation of distribution load pockets should therefore be counted as a benefit of CHP in the SBC program. To exclude this important benefit from consideration undermines the effectiveness of the SBC program, and thwarts the purpose for which it was intended.

TRC further underestimates the LRAC cost of energy if one assumes that current electricity prices are likely to rise as the economy recovers, or if the New York Independent System Operator (NYISO) defines a new capacity zone in the Hudson Valley, as has been discussed. Added generation, including CHP, in New York City and the Hudson Valley may avoid the necessity and added cost of that possible new zone. Considering NYSERDA's estimated CHP potential of 2,200 MW of CHP capacities, which is, coincidently, approximately equal to the capacity of the Indian Plants, whose licenses may expire by 2015. The possibility of a material and beneficial effect on energy and capacity prices seems assured. These benefits should be counted. The TRC does not count these favorable price changes because they represent a transfer payment from consumers to energy producers. New York State policy should recognize the benefit of lower prices to consumers.

The Commission should correct the omission of funding for CHP projects in SBC4 caused by the inclusion of SBC programs in EEPS. SBC funds should not be subject to the stricter requirements of the EEPS program.

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[1] Combined Heat and Power for New York State, NYSERDA, October 2002

CPA recognizes the difficulty of funding measures that, although worthwhile and in the public interest, do not provide an immediate payback to building owners. Loan guarantees funded by SBC would mitigate the risk exposure of lenders with regard to funds borrowed by customers to implement measures covered by SBC.

CPA further objects budget cuts among some programs now included in the Energy Efficiency Portfolio Standard. For example, the following table shows budget cuts among some of these programs:

	SBC3 total budget, all years millions	Percent of SBC3 funds committed	SBC4 total budget, all years millions	Percent budget decrease
Commercial new construction	$ 111	97%	$ 56	-50%
Existing facilities	$ 173	97%	$ 96	-45%
Subtotal	$ 284	97%	$ 152	-46%
Multi-family	$ 26	91%	$ 12	-54%

All these programs have proven valuable to consumers, and should continue to be funded at levels at least equal to their funding in the past.

Respectfully submitted,

Catherine M. Luthin

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Executive Director