Consumer Power Advocates

Columbia University Medical Center
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The College of New Rochelle
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NYU Langone Medical Center

Via e-mail

March 28, 2016

Honorable Kathleen Burgess
Secretary
New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

RE: 15-E-0302- Large Scale Renewables

Dear Secretary Burgess,

These are the comments of Consumer Power Advocates (CPA) in the above captioned proceeding. Consumer Power Advocates' mission is to lower energy costs for our members through representation in energy-related regulatory and legislative proceedings. CPA is an alliance of large not-for-profit institutions in the greater New York region. Our membership is open to hospitals, universities, medical schools, and cultural institutions. CPA members include some of the largest employers and energy users in New York State. Six of our recent member hospitals are among the 15 largest regional health organizations including five of the ten largest. According to Crain's New York Business, six current CPA members are among New York City's 25 largest employers.

CPA continues to support the Commission's efforts to develop a stable and self-sustaining renewable resources industry, and many of our members currently contract for large volumes of sustainable generation. A properly structured utility scale renewable program has the potential to improve air quality, reduce greenhouse gas production and stabilize energy prices. CPA has earlier commented in this case, and we will limit our comments on the *Staff White Paper on Clean Energy Standard* (Staff White Paper) to the issue of utility-owned generation (UOG) as it relates to the State's renewable energy mandate, as discussed in *Section C. 4. Utility Ownership and Self-Initiated Market Development*

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In its support of the use of purchased power agreements (PPAs) to develop large scale renewable resources (LSRs), Staff remarks that "…the successful development of distributed PV is based in part on the use of PPA where the developer is able to obtain long-term commitments for the sale of electricity and the monetization of RECs." (Staff White Paper, p.38) While we are encouraged by the recent increase in distributed solar energy resources, we note that the utilities have not been parties to the PPAs referred to by Staff, and thus ratepayers are not subject to the risk that these contracts will prove to be economic. Because of the continually falling cost of renewable resources, LSR PPAs would subject utilities and their ratepayers to that risk.

Staff correctly recognized that the cost of capital for utilities may be less than the cost of capital for third party investors (p.42), but essentially ignored this in its recommendations. Because of the capital intensive nature of renewable resources, Staff's dismissal of UOG is disappointing.

Staff's concerns about market power and long term economic efficiency are unwarranted. Electric distribution companies (EDCs) could only exercise market power by withholding resources, a strategy that violates NYISO rules and is easily discoverable in the case of any generator (such as LSR) that has a marginal energy cost of zero. Moreover, withholding renewables would defeat the purpose of meeting the renewable mandate. The Commission should ignore the market power issue with regard to renewable UOGs.

PPA pricing will be problematic. It is entirely possible that expectations of future energy prices are too low to justify LSR development, and therefore these contracts may be uneconomic from the start. Moreover, the large area of land needed for sufficient capacity is likely to be seen as large opportunity cost that a non-utility owner may prefer to exploit by retiring the LSR. Even if the LSR remains operational, the real estate and remaining plant will become a possibly large residual value for the LSR owner, financed by the ratepayers.

The history of PPAs is instructive here. Briefly, the unexpected decline in fuel prices made PPAs executed under the State's 1981 "six cent law" more expensive than other generation, with disastrous effect on New York's regulated utilities. In the case of LSRs, we believe PPAs will be even more risky because, just in the case of the earlier PPAs, the value of LSR energy will be determined by future fuel and energy prices, but the cost of new LSR will almost certainly decline as the technology improves. Thus, any PPA entered into is likely to be more costly than otherwise equivalent PPAs executed in the future. This will only lead to controversy and claims for relief from older, more costly contracts.

The use of UOG to meet renewable energy goals need not prevent the development of third party LSRs. Some EDCs may choose to meet that requirement by entering into a PPA, but others may not. This should be a matter management discretion for which utility managers must be held accountable. By allowing EDCs to own and operate LSRs directly, management will have direct responsibility to choose the most cost effective method of meeting their obligations.

Thank you for the opportunity to offer these comments.

Respectfully Submitted,
Catherine Luthin
Executive Director, Consumer Power Advocates