

**BEFORE THE
STATE OF NEW YORK PUBLIC SERVICE COMMISSION**

Proceeding on Motion of the :
Commission to Examine Repowering : **Case 12-E-0577**
Alternatives to Utility Transmission :
Reinforcements :
:

**COMMENTS OF THE BUSINESS COUNCIL OF NEW
YORK STATE, INC., THE SIERRA CLUB, ALLIANCE
FOR CLEAN ENERGY NEW YORK, THE VOTE SOLAR
INITIATIVE, CITIZENS CAMPAIGN FOR THE
ENVIRONMENT, EARTHJUSTICE, NORTHEAST
ENERGY EFFICIENCY PARTNERSHIP AND
ENVIRONMENTAL ADVOCATES OF NEW YORK**

I. INTRODUCTION

Over the next several months, the Commission must decide between retreating to New York’s expensive energy past or spurring New York forward toward a more reliable and sustainable energy future. Specifically, in this proceeding the Commission is tasked with planning for the retirements of two coal power plants, Cayuga and Dunkirk (“the Plants”), which first came online in the 1950s. These older and less efficient plants, like others in New York and across the country, have been priced out of the market due to the sweeping transition toward cleaner, more efficient and reliable energy sources.

The undersigned groups (“Concerned Parties”) applaud the Commission for taking time, resources and great care in evaluating options for the State’s ratepayers, especially in considering the economic and environmental impacts of retiring the Plants. As set forth below, the Concerned Parties urge the Commission to broaden its consideration of alternatives to meet the reliability need created by the retirement of the Cayuga and Dunkirk plants. To the extent that non-transmission and non-repowering alternatives can meet some or all of the reliability need at

a lower cost to ratepayers, these alternatives should be given full and appropriate consideration in this proceeding. Moreover, should further analysis conclude that non-transition alternatives do not provide a feasible alternative to transmission or repowering, the Concerned Parties urge the Commission to prioritize transmission solutions over costly and inefficient repowering.

II. BACKGROUND

On January 18, 2013, the State of New York Public Service Commission (“Commission”) issued an *Order Instituting Proceeding and Requiring Evaluation of Generation Repowering* (“Jan. 18 Order”) in the above proceeding. In the Jan. 18 Order, the Commission directed Niagara Mohawk Power Corporation d/b/a National Grid and New York State Electric & Gas Corporation (collectively, the “Utilities”) to:

examine the relative costs and benefits of repowering the [Cayuga Operating Company, LLC (“Cayuga”) and Dunkirk Power LLC (“Dunkirk”) coal-fired] plants at their existing sites, and to compare those costs and benefits to the costs and benefits of alternative transmission upgrades over the long term.¹

The Commission added that:

[t]he benefits to be evaluated must include, but may not be limited to, the reliability, environmental, and customer impacts associated with the repowering and transmission solutions.²

In response to the Commission’s directives, in February 2013 the Utilities filed their estimates for costs associated with the transmission construction alternative, and provided request for proposals (“RFP”) documents directed to the Cayuga and Dunkirk facilities in order to solicit, per the Commission’s terms, “the level of out-of-market support each would require in

¹ Jan. 18 Order at 3.

² *Id.*

order to finance the repowering of their respective facilities”³ In March 2013, Cayuga and Dunkirk filed their responses to the RFPs, and on May 17, 2013, National Grid and NYSEG filed their reports and recommendations with the Commission. The Commission is expected to rule on the alternatives in the near future.

The Business Council of New York State, Inc. (“Business Council”), the Sierra Club, Alliance For Clean Energy New York (ACE NY), the Vote Solar Initiative, Citizens Campaign for the Environment (CCE), Earthjustice, Northeast Energy Efficiency Partnership (NEEP), and Environmental Advocates of New York (collectively, the “Concerned Parties”) hereby submit these comments for the Commission’s review and consideration in making its determination with respect to the proposed alternatives and the choice for New York State’s energy future.

The Business Council is the leading business organization in New York State, representing the interests of large and small firms throughout the state. Its membership is made up of thousands of member companies, as well as local chambers of commerce and professional and trade associations. Though 72 percent of its members are small businesses, it also represents some of the largest and most important corporations in the world. All told, its members employ more than 1.2 million New Yorkers. The primary function of the organization is to serve as an advocate for employers in the state political and policy-making arena, working for a healthier business climate, economic growth, and jobs.

The Sierra Club is a nonprofit environmental organization with 600,000 members nationally, including more than 35,000 members in New York State. The Sierra Club’s mission is to explore, enjoy, and protect the wild places of the earth; to practice and promote the responsible use of the earth's ecosystems and resources; to educate and enlist humanity to protect

³ Jan. 18 Order at p.3.

and restore the quality of the natural and human environment; and to use all lawful means to carry out these objectives.

Alliance for Clean Energy New York (ACE NY) is a 501(c)(3) nonprofit membership organization whose mission is to promote the use of clean electricity technologies and energy efficiency in New York State in order to increase energy diversity and security, boost economic development, improve public health, and reduce air pollution. Members of ACE NY include nonprofit environmental, public health and consumer advocacy organizations, educational institutions, and private companies that develop, produce and sell clean energy and clean energy technologies, as well as energy efficiency services, in New York.

The Vote Solar Initiative is a national, non-profit organization working to mitigate climate change and stimulate economic development by bringing solar energy into the mainstream. For the past 10 years, Vote Solar has been focused at the state level on removing regulatory barriers and implementing the key policies necessary to bring solar to scale. With over 3,000 members in New York, Vote Solar has been particularly engaged in the state's energy policies since 2007.

Citizens Campaign for the Environment (CCE) was formed in 1985 by a small group of concerned citizens who recognized the need to provide public involvement to advance stronger environmental policy. Today, after 25 years as a not-for-profit, non-partisan advocacy organization, CCE has grown to an 80,000-member organization with offices in Farmingdale, NY, White Plains, NY, Albany, NY, Syracuse, NY, Buffalo, NY, and Hamden, CT. CCE continues to work to empower the public by providing members with opportunities to participate in the political process and thereby advance a strong environmental agenda. CCE engages in extensive education, research, lobbying and public outreach. One of CCE's primary goals is to

help citizens increase their influence and participation in important environmental campaigns. Through such activism, the public has a stronger voice in the development of public policies and legislative agendas.

Earthjustice is a non-profit public interest law organization dedicated to protecting the magnificent places, natural resources, and wildlife of this earth, and to defending the right of all people to a healthy environment.

NEEP is a non-profit organization whose mission is to accelerate energy efficiency in the building sector through public policy, program strategies and education.

Environmental Advocates of New York's mission is to protect our air, land, water, and wildlife and the health of all New Yorkers. Based in Albany, Environmental Advocates of New York monitors state government, evaluates proposed laws, and champions policies and practices that will ensure the responsible stewardship of our shared environment. Environmental Advocates of New York works to support and strengthen the efforts of New York's environmental community and to make New York a national leader.

III. COMMENTS OF THE CONCERNED PARTIES

The Concerned Parties believe that the Commission's proposals for meeting the reliability needs driven by the retirement of the Plants were overly narrow. To compensate for the loss in generation produced by the Plants, the Commission provided two options: repowering of these facilities or, alternatively, investment in transmission upgrades to maintain reliable electric service for customers. However, the Commission failed to include any feasibility analysis or eligibility for cost effective non-transmission alternatives ("NTAs") such as energy efficiency, clean distributed generation, improved transmission system capabilities, performance

and efficiency. or demand response to play a role in a reliability solution portfolio—resources that are lower in both cost and environmental impact than repowering.. This is especially disappointing since, in contrast, both NYSEG and National Grid included the consideration of NTAs in the scope of their RFPs for meeting their plant-specific reliability needs in previously launched but separate proceedings.⁴

To the extent that further analysis demonstrates that a portfolio of cost-effective NTAs on their own could not fully address the reliability needs driven by the retirement of the Plants, the Concerned Parties support investment in transmission upgrades to obviate the need for these outdated and inefficient plants, rather than a costly repowering of the Plants at the ratepayers' expense. Requiring ratepayers to help finance the expensive repowering of these Plants in a location where the market has clearly indicated they are no longer needed nor economic—at an likely cost in the hundreds of millions of dollars⁵—will simply perpetuate the status quo, and will not help New York move forward toward a cleaner, more reliable energy future. Such a return to New York's past will place a huge financial burden on ratepayers, will deter investment in new, more efficient and renewable projects, and will further increase west to east power congestion.

Instead, the Commission should recognize that New York now has a dynamic and competitive energy market where capital costs and associated risks for conventional projects are borne directly by private developers, rather than through public subsidies. It is important to note the market is explicitly structured so as to provide price signals for new conventional generation construction, repowering and continued operations, where such actions are cost-effective and

⁴ See “Process and Schedule,” National Grid, Case 12-E-0136 – Petition of Dunkirk Power LLC and NRG Energy, Inc. for Waiver of Generator Retirement Requirements—Process and Schedule for Soliciting Alternative Reliability Support Services, (Sept. 17, 2012); “Process and Schedule,” NYSEG, Case 12-E-0400 - Petition of Cayuga Operating Company, LLC to Mothball Generating Units 1 and 2 - Process and Schedule for Soliciting Alternative Reliability Support Services, (Jan. 16, 2013).

⁵ In New York's Energy Highway Blueprint Update for April 2013, the potential repowering of 750 MW of inefficient coal plants on Long Island was estimated to cost \$1.5 to \$2 billion dollars.

appropriate to maintain reliability. For instance, a look at the recent New York Control Area's May 2013 Spot Market prices (\$5.76 per kilowatt-month) versus those in May 2012 (\$2.91 per kilowatt-month) reveals that capacity prices have increased substantially and, if these prices hold for the remainder of the summer capability period, the market will be sending a collective price signal that a generator could obtain roughly \$3.4-million of value for every 100 megawatts of capacity for the summer capability period alone. This example illustrates that this market should be allowed to work—as opposed to undercutting those market signals with the out of market repowering payments being considered in this proceeding. Indeed, with pricing signals like these, it appears neither efficient nor appropriate to provide old and inefficient generators an unnecessary, out-of-market contract that will be funded by ratepayers.

In large part due to New York's energy market design, New York ratepayers have benefited from cleaner, more reliable generation as well as historically lower wholesale electricity costs. Like all markets, there are always opportunities to review and provide minor adjustments to ensure efficient market outcomes that deliver reliable, cost-effective power to consumers. Rather than repowering older, less efficient generators, the Commission should place an emphasis on the most efficient, cost-effective and environmentally-friendly solutions, including maximizing the technically feasible role for NTAs, along with necessary transmission upgrades to fulfill this reliability need in a more efficient and economical manner. If NTAs are insufficient or too costly, transmission upgrades are preferable since they can help support renewable energy development and the diversified energy portfolio New York needs to minimize economic risk from potential fossil fuel price volatility.

IV. CONCLUSION

The Concerned Parties appreciate this opportunity to submit their comments to the Commission, and encourage the Commission to analyze the feasibility of NTAs to meet the reliability needs driven by the retirement of the Plants. In the event that these NTAs on their own are not sufficient or too costly to compensate for the retirement of the Plants, the Concerned Parties urge the Commission to reject the repowering alternative in favor of relatively modest transmission upgrades and other, more efficient and environmentally sound solutions. Selecting this approach will best serve to improve reliability, be less disruptive to New York's broader energy market, and is in the best interest of New York ratepayers. It is time to let the past be the past. New York must move beyond that past, recognize the benefits of the current electric market that has provided more reliable, less costly and more sustainable electric power, and maintain its commitment to that market.

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