KEYES, FOX & WIEDMAN LLP

Via Electronic Filing

September 10, 2015

Honorable Kathleen H. Burgess
Secretary
NYS Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

RE: Case 14-M-0101 – Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision

Dear Secretary Burgess,

Enclosed please find for filing in this proceeding The Alliance for Solar Choice's *Reply Comments on Staff White Paper on Benefit-Cost Analysis*.

Thank you for your assistance in this matter.

Sincerely,

Blake Elder

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BEFORE THE
STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision.	CASE 14-M-0101

REPLY COMMENTS ON
STAFF WHITE PAPER ON BENEFIT-COST ANALYSIS

THE ALLIANCE FOR SOLAR CHOICE

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September 10, 2015

I. INTRODUCTION & SUMMARY

The Alliance for Solar Choice ("TASC") submits these reply comments in regard to the Initial Comments of the Joint Utilities on the Staff White Paper on Benefit Cost Analysis ("White Paper"), issued on July 1, 2015 in the REV proceeding.

TASC is an organization founded by the largest solar rooftop companies in the nation. It seeks to establish and maintain successful distributed solar-energy policies throughout the United States. Its members include Demeter Power, Silveo, SolarCity, Solar Universe, Sunrun, Verengo, and ZEP Solar. These companies are important stakeholders on solar policy at both the state and national levels. They are responsible for many thousands of solar installations serving businesses, residents, schools, churches, and government facilities in New York State. TASC's member companies have brought hundreds of jobs and many tens of millions of investment dollars to New York's cities and towns. TASC has submitted comments to this Commission in all major stages of the REV process. TASC has also participated in dozens of proceedings involving valuation of distributed renewable generation systems, including proceedings before state utility commissions in Arizona, California, Colorado, Hawaii, Iowa, Kansas, Louisiana, Maine, Minnesota, Nevada, North Carolina, Oregon, South Carolina, Utah, Vermont, Washington and Wisconsin.

These comments primarily respond to the Initial Comments of the Joint Utilities. Staff, the Commission and the stakeholders have invested a tremendous amount of time and energy in the REV process to date. The objective is a fundamental reform of the electric distribution business for the purpose of reducing costs – primarily though greater use of distributed energy resources ("DER") in place of traditional utility investments, operations and practices. That goal, however, and the primary objective of the REV proceeding, will be thwarted if the proposals by utilities on Benefit Cost Analysis ("BCA") are adopted. The Joint Utilities' proposals in combination essentially doom the REV process to achieving marginal change. In combination, the Joint Utilities' proposals are a recipe for a failed REV process. High discount rates, exclusion of externality values, refusal to base prices for DER services on BCA values, denial of the need for DER investment stability, the proposed screening and Distribution Provider Test procedure, and resistance to any consideration of wholesale price effects of DER, are simply a pattern of resistance to DER. TASC urges the Commission to reject these proposals and hold firm to the original intent of the REV process.

TREATMENT OF EXTERNALITIES

The Joint Utilities would assign zero value to environmental externalities beyond that imbedded in the locational based marginal pricing ("LBMP"). The rational is that DER investments will not affect emissions and because externality values in the BCA would create a price differential between DERs and other low- or zero-emission central station generators. However, the expansion of DER resources holds substantial promise to reduce emissions below the limits in the Regional Greenhouse Gas Initiative ("RGGI") and the U.S. Environmental Protection Agency's recently finalized Clean Power Plan regulations. The current emission targets in these rules are only interim steps toward a much larger reduction needed to prevent the worst impacts of greenhouse gas emissions. Moreover, the electric power sector is responsible for greenhouse gas emissions that are not subject to emission caps. The best example is methane emissions associated with the production and transport of power plant fuels.[1] DER resources reduce those emissions across the production chain by reducing demand for fossil fuel supplies. The BCA should address all environmental costs associated with the electric power industry, and not pretend that early-stage carbon controls eliminate the overall emissions reduction benefits of DER. Ultimately, the REV should be considered a key tool in a long-term effort to reach beyond the emission targets in RGGI and the Clean Power Plan. That role for REV will be thwarted if the BCA design assumes that the current targets are the end point, or if New York, by adopting a weak and tradition-biased BCA, fails to cultivate a vibrant market for DER technologies.

TASC believes it is entirely appropriate to create a price differential between distributed and central station generation, even if the latter has low direct carbon emissions. It is eminently apparent that the State of New York cannot build an energy future on new large-scale nuclear and hydroelectric resources. While there may be reasonable arguments to extend the life of some existing nuclear and hydroelectric resources, other policy mechanisms are available to accomplish this and it makes no sense to distort or bias the entire BCA for this purpose.

Investment Stability

The Joint Utilities essentially argue that a stable investment environment should only be pursued for traditional utility investments and that the BCA should be "agnostic" as to the choice between traditional and DER investment.[2] The problem with this argument is that the tradition investment model is failing to deliver an affordable,

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[1] *See* TASC Initial Comments at p. 16; Initial Comments of Pace Climate and Energy Center at p. 13.
[2] Initial Comments of Joint Utilities at p. 9.

resilient or a sustainable electric power system. To say that the REV process should not favor DER is to question the entire purpose of this proceeding. The reality is that the current system is strongly biased against clean DERs, and that the status quo is unacceptable and needs to change. As was apparent in the Staff Track II White Paper, ensuring investment stability for DER providers and customers, not just utilities, is an important principle for equity in regulatory reform. Accordingly, the Commission should design the BCA such that there good reasons to invest in New York and good reasons for investors to believe that the future regulatory structure will not impose boom/bust cycles that will thwart the growth of new technologies and services. It will not be easy for DER to compete with the advantages of incumbency enjoyed by utilities. One way to level the playing field for new DER technologies and services is to accept the fact that the purpose of the REV is to establish investment-grade market opportunities for DER.

Benefit-Cost Analysis as Basis for DER Pricing

One way to preserve the status quo is to confine the BCA to some abstract advisory role, so that the environmental, economic, public policy and resiliency benefits of DER are ignored in decisions about future investments in the distribution system. Here again the Joint Utilities argue to maintain the status quo. TASC strongly urges the Commission to resist suggestions that prices should ignore benefits of DER.

Reject the Distribution Provider Test and "Initial Screen"

The Joint Utilities' proposal for an "initial screen" and a Distribution Provider Test ("DPT") is another attempt to narrow the use of the BCA so that traditional utility investments are advantaged.[3] TASC notes that the four-step process leaves the utilities enormous discretion that could be used to eliminate DER alternatives. Utilities would each decide on their own which traditional distribution solution would be compared to "non-wires-alternatives." They would also eliminate from competition any utility project that is to be carried out in less than three years time. For load reductions, each utility would establish a "utility-specific percentage" limit on how much peak load is to be reduced. Existing equipment replacement would not be eligible for competition from DER. No rational is given for these screening mechanisms and they appear designed to eliminate virtually any DER application.

After constraining the analysis by the screening criteria, utilities would use a threshold economic test (the DCT) that effectively disregards the diverse set of benefits that DERs provide.

Only DERs which survive this gauntlet would be considered for procurement. The result is easy to predict: virtually no DER would be implemented. This type of analysis is unprecedented, fails to correspond to the vision of the REV, and would subvert innovative approaches to solving grid problems. The process would disadvantage portfolios of resources that provide diverse benefits compared to those that could be less costly, but provide fewer overall system benefits. Moreover, the utility proposal to categorically exclude bulk system benefits effectively pre-supposes that transmission and distribution DER investments have zero bulk system value. A proper evaluation would consider bulk system benefits along with all other potential benefits.

[3] Initial Comments of the Joint Utilities at 13.

The Joint Utilities do make a valid point on the need for some test to be used at the primary stage of analysis to identify resource types that can meet system needs while providing the largest set of benefits. However, as TASC previously stated, the Total Resource Cost ("TRC") Test is the proper test to use for this purpose.[4]

Wholesale Electric Price Suppression

The Joint Utilities urge the Commission to ignore the effect of DER in reducing wholesale prices. Recent experience in New England and the Mid-Atlantic states show clearly that DER can have this effect, and that the effect can be large. Though the valuation of impacts of DER on wholesale electric price may be controversial, that does not mean that the effect does not exist or should be ignored. We expect that further study of this topic will reveal reasonable quantification options, and thereby avoid the patently incorrect result that benefits are zero.

Discount Rate

The Joint Utilities support the use of a utility weighted average cost of capital ("WACC") as the appropriate discount rate. However, a WACC-based discount rate excessively diminishes the value of important long-term benefits and costs in the evaluation of resource options. The REV planning process is designed to serve long-term consumer and public interest, a process that necessarily must assign significant value to long-term benefits and costs. Here again the utilities seek to bias the BCA in favor of traditional, status quo utility investment. The Commission and Staff should reject this proposal.

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[4] TASC Initial Comments at pp. 5-6.

Conclusion

TASC respectfully requests that the Commission and Staff reject the narrow and overly traditional approach that the Joint Utilities are attempting to enforce on the BCA framework, so as to prevent limiting the expansive and forward-thinking nature of the entire REV process.

Respectfully submitted,

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