NEW YORK STATE
DEPARTMENT OF PUBLIC SERVICE

CASE 20-E-0249 - In the Matter of a Renewable Energy Facility Host Community Benefit Program.

STAFF HOST COMMUNITY BENEFIT PROGRAM PROPOSAL

(Filed September 23, 2020)

TABLE OF CONTENTS

NEW YORK STATE
DEPARTMENT OF PUBLIC SERVICE

CASE 20-E-0249 - In the Matter of a Renewable Energy Facility Host Community Benefit Program.

STAFF HOST COMMUNITY BENEFIT PROGRAM PROPOSAL

(Filed September 23, 2020)

INTRODUCTION

The Accelerated Renewable Energy Growth and Community Benefit Act (Act)[1] requires the Commission to consider a "Host Community Benefit Program" to provide benefits to utility customers in Host Communities in which future "Major Renewable Energy Facilities" are located. The Act provides flexibility as to the structure of such a benefit program, including the options of a bill credit or a compensatory or environmental benefit. Department of Public Service Staff (Staff) provides this proposal detailing a Host Community Benefit Program. This proposal provides a pathway towards implementing a program that would carry out the Act's directives while balancing the interests of stakeholders including Host Communities, the owners of Major Renewable Energy Facilities, and electric utility ratepayers statewide.

At a high level, Staff proposes that residential electric utility customers residing in a renewable Host Community, receive an annual bill credit for each of the first ten years that a Major Renewable Energy Facility operates in that community. Funding for the bill credits would be provided by the owners of the major solar and wind renewable energy facilities by paying an annual fee of $500 per megawatt (MW) and

[1] 2020 New York State Session Laws Chapter 58, Part JJJ.

$1,000 per MW, respectively, of nameplate capacity.[2] The fees paid by a Major Renewable Energy Facility would be distributed equally among the residential utility customers within the Host Community of the facility.

BACKGROUND

Accelerated Renewable Energy Growth and Community Benefit Act

Section eight of the Act provides that the Public Service Commission (the Commission) will establish a program through which the owners of Major Renewable Energy Facilities will fund a benefit for electric distribution utility customers located in the communities that host the facilities. The Act states that the benefit can take the form of "a discount or credit on the utility bills of the utility's customers in a renewable host community, or a compensatory or environmental benefit to such customers."[3]

The Act defines "Renewable Host Community" as "any municipality within which a major renewable energy facility defined in paragraph (h) of subdivision 2 of section 94-c of the executive law, or any portion thereof, has been proposed for development."[4] Further, the Act defines "renewable owner" as "the owner of a major renewable energy facility constructed after the effective date of this section that is proposed to be located in a host community, for which the New York state energy research and development authority has executed an agreement for the acquisition of environmental attributes related to a

[2] References to capacity should be understood to mean alternating current.

[3] §8(2).

[4] §8(1)(a).

solicitation issued by such authority after the effective date of this section."[5]

Executive Law §94-c(2)(h), which was also enacted as part of the Act, defines a "major renewable energy facility" generally as "any renewable energy system, as such term is defined in section sixty-six-p of the public service law … with a nameplate generating capacity of twenty-five thousand kilowatts or more, and any co-located system storing energy generated from such a renewable energy system prior to delivering it to the bulk transmission system, including all associated appurtenances…." Public Service Law §66-p defines "renewable energy systems" as "systems that generate electricity or thermal energy through use of the following technologies: solar thermal, photovoltaics, on land and offshore wind, hydroelectric, geothermal electric, geothermal ground source heat, tidal energy, wave energy, ocean thermal, and fuel cells which do not utilize a fossil fuel resource in the process of generating electricity."

The Act specifically provides the benefit to a "utility's customers," and defines "utility" as "an electric distribution utility regulated pursuant to section 66 of the public service law and serving customers within a host community."[6] Further, recognizing that the identified benefit does not apply to customers of the Long Island Power Authority (LIPA), the Act explicitly provides that LIPA shall establish a program in its service territory to achieve the same objectives.[7]

[5] §8(1)(b).

[6] §8(1)(c).

[7] §8(2).

Renewable Energy Credits

The Commission's Order Adopting the Clean Energy Standard,[8] as further refined in additional orders and implementation plans that followed in Case 15-E-0302, established the Renewable Energy Standard (collectively, the Renewable Energy Standard Orders). The Renewable Energy Standard includes a Tier 1 obligation for load serving entities to procure Renewable Energy Credits (RECs) associated with new renewable energy resources. The Renewable Energy Standard Orders authorize the New York State Energy Research and Development Authority (NYSERDA), as central procurement administrator, to offer long-term contracts to renewable generators, on a competitive basis, for the purchase of Tier 1 New York Generation Attributes Tracking System (NYGATS) certificates, or RECs. A Tier 1 REC results from the production of one megawatt hour (MWh)[9] of energy from eligible renewable generation sources. Pursuant to the Renewable Energy Standard Orders, NYSERDA contracts with suppliers, through a series of competitive requests for proposals, for the Renewable Energy Standard Tier 1 RECs created by eligible generation resources. NYSERDA procures Tier 1 RECs through a competitive solicitation process in which renewable generators submit $/MWh REC bids. Once a project is operational, Tier 1 RECs are transferred from the renewable generator's NYGATS account to NYSERDA's NYGATS account and the renewable generator invoices NYSERDA for the Tier 1 RECs. NYSERDA accepts the Tier 1 REC transfer and pays the renewable generator.

---

[8] Case 15-E-0302, Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard, Order Adopting the Clean Energy Standard (issued on August 1, 2016).

[9] One megawatt hour is equivalent to 1,000 kilowatt hours.

MAY 2020 NOTICE AND RESPONSIVE COMMENTS

On May 29, 2020, the Secretary to the Commission issued a Notice Soliciting Comments (Notice) in this proceeding. The Notice invited commenters to submit responses to specific questions, as well as general comments pertaining to the consideration of a Host Community Benefit Program for municipalities within which major renewable energy facilities will be constructed. The comment period expired on July 3, 2020.

In response to the notice, 54 entities and members of the general public provided comments. Among these were 14 unique comments. In addition to comments from the general public, the following entities provided comments: Independent Power Producers of New York, Inc. (IPPNY); New York Power Authority (NYPA); the Joint Utilities;[10] Clean Energy Advocates;[11] City of New York; American Farmland Trust; EDF Renewables; Land Trust Alliance; Greene Land Trust; Alliance for Clean Energy New York, Inc. (ACE NY) (on behalf of itself and the Solar Energy Industries Association); Association of Towns; and, Town of Barre.

Staff has reviewed each of the comments received and has reflected those comments in this proposal. Where appropriate, Staff identifies comments in setting forth specific aspects of the proposal below. All interested members of the

[10] The Joint Utilities includes: Central Hudson Gas & Electric Corporation; Consolidated Edison Company of New York, Inc.; New York State Electric & Gas Corporation; Niagara Mohawk Power Corporation d/b/a National Grid; Orange and Rockland Utilities, Inc.; and Rochester Gas and Electric Corporation.

[11] Clean Energy Advocates includes: Natural Resources Defense Council, New Yorkers for Clean Power, New York League of Conservation Voters, and Sierra Club.

public and entities will have an opportunity to provide comments on this proposal before the Commission takes action.

PROPOSAL FOR A HOST COMMUNITY BENEFIT PROGRAM

Staff proposes a statewide bill credit program to be called the Host Community Bill Credit Program (Program).[12] The Program would provide an annual benefit to residential electric utility customers[13] within a Host Community for any applicable solar and wind projects. As noted earlier, customers serviced by the Long Island Power Authority (LIPA) are not affected by this proposal, however the Act requires LIPA to consider its own program to benefit its customers impacted by the siting of Major Renewable Energy Facilities.

It is important to note that the program effectuated by the Commission will be additive to existing pathways that Host Communities use to obtain compensatory benefits from Renewable Owners. Given that municipalities are often compensated at the government level through those agreements and payments, Staff's proposal that the Program be directly applied to residential electric utility customers would complement the benefits that are already provided by owners of Major Renewable Energy Facilities.

[12] There are other incentives provided through NYSERDA programming related to benefits to solar projects, such as the NY-SUN Incentive Program, however this program is separate and independent of any other rebates or incentives that homeowners may be eligible for and receive under another program type.

[13] The Program would apply to residential customers of the investor owned and municipal electric utilities listed in Appendix A.

Incremental Benefit for Utility Customers in Host Communities

Community leaders negotiate various economic benefits on behalf of their constituents with project developers. Such benefits often include payments in lieu of taxes (PILOT), negotiated host community agreements (HCA), and/or other payments made by Renewable Owners to local communities. These benefits are generally provided to municipal governments. HCAs can also be used as the vehicle for non-tax related benefits (e.g., local road upgrades, improvements to local parks and other municipal facilities) to the municipality in which the renewable energy project is to be sited. While they may ultimately benefit residents of the Host Communities, the Renewable Owners do not provide the compensatory benefits directly to Host Community residents.

The Program will provide compensatory benefits directly to residential electric utility customers in Host Communities. While a number of commenters expressed concern that the Program would take the place of other negotiated compensatory benefits, this is not the case. Host Communities continue to have the opportunity to negotiate other municipal benefits, such as PILOTs and HCAs, with Renewable Owners.

Some commenters suggested that the Program be optional, allowing municipalities to choose to participate. For example, ACE-NY proposes that a Renewable Owner should have the option of either offering the bill credit through this Program, or entering into an HCA, a PILOT agreement, offering a subscription to a CDG project to the town government, or a combination of these options, based on negotiations with the Host Community.

Additionally, Clean Energy Advocates supports allowing Host Communities the option to negotiate bill credits as part of an overall package. However, it proposes that, for those Host

Communities and Renewable Owners that cannot negotiate an agreement on their own, this Program set forth a standardized bill credit that Renewable Owners would provide to a Host Community as a backstop.

These proposals for municipalities to individually negotiate the benefits required under §8 of the Act as part of an overall package for the Host Community do not appear to align with the provisions of the Act, which mandates a benefit to the individual utility customers in the Host Community. Accordingly, the Program set forth in this proposal is for a compensatory benefit that Renewable Owners must provide to residential utility customers in Host communities.

Type of Benefit

The Act provides that the benefit can be a bill credit, an environmental benefit, or another type of compensatory benefit provided to utility customers in a Host Community. The majority of comments received expressed support for a bill credit. However, several commenters opine that an environmental benefit program would be more appropriate. They suggest that the Host Community Benefit Program being considered should go towards meaningful, landscape-level environmental needs of the Host Community and surrounding areas rather than isolated and uncoordinated projects or minimal utility bill credits. New York City stated that, to maximize value, benefits should not be paid to any individual customer. Additionally, some commenters proposed developing a different compensatory benefit. For example, the Association of Towns suggested using the Program to fund communal benefit projects, such as assisting in broadband and cellular technology development, particularly as many of these projects will be located in rural communities.

In developing its proposal for the Program, Staff seeks to ensure that individual utility customers see a tangible compensatory benefit from Renewable Owners. Staff believes that this goal can be accomplished most clearly through a bill credit. Environmental or other compensatory benefits may be more diffuse throughout the community, and the plain language of the statute is focused on individual electric utility customer benefit, rather than community benefit. Additionally, depending on the total amount to be provided as an environmental or compensatory benefit, each individual utility customer may receive an insubstantial benefit. Alternatively, to ensure that the resulting benefit is substantial, they may need to be allocated on a first come first serve, or other basis, and thus not reach all utility customers in the Host Community. Furthermore, they could result in the Renewable Owner providing only partial funding for a broader program. While such arrangements could be a part of the other compensatory benefits negotiated by a Host Community, they do not ensure that each residential utility customer receives a tangible benefit.

This proposal sets forth a Program that provides a bill credit that is provided to every residential utility customer in the Host Community. This meets the purpose of §8 of the Act by ensuring that all residential utility customers receive a tangible benefit.

The Notice also requested comments regarding the frequency of a bill credit. Several commenters responded that, should a bill credit program be implemented, an annual bill credit be applied. Clean Energy Advocates suggests that the value of a bill credit be disbursed as an annual rebate check, separate from the utility bill. According to Clean Energy Advocates, this would allow a more flexible use of the funds and prevent the instance where energy use may increase as a result

of a lower bill that may occur if a bill credit is provided on-bill in an unnoticed fashion. IPPNY, ACE-NY, and EDF Renewables recommend a monthly payment of the credit, while the Joint Utilities comment that a bill credit should be applied no more frequently than annually. The Joint Utilities state that this will ensure that the amount is meaningful to each customer and ease the administrative burden.

Staff proposes that the Program provide an annual credit, appearing on a residential utility customer's first electric bill of the calendar year with a line item specifying the associated renewable project. As described further below, the annual credit would be an equal amount for each residential utility customer impacted by a particular Major Renewable Energy Facility.

This will result in a bill credit amount that is more meaningful to each residential utility customer, and that should minimize any unintended consequences on customers' incentives to conserve electricity. Further, it will ease the administrative requirements related to issuance of the bill credits as compared to other intervals, such as monthly or quarterly. This could be important as Staff anticipates that the number of Major Renewable Energy Facilities will increase over time.

Duration of Annual Credit

The Notice asked commenters whether the benefit should be provided only once, or should recur, and if so, for how long. Of note, New York City commented that, as in the former Article X proceedings, the Program funds should be made available concurrent with construction of the project. New York City states that providing recurring benefits will place an undue burden on electricity consumers. Further, stated New York City, the Commission did not see a need to provide recurring benefits

in the Article X proceedings, accordingly, recurring benefits should not be provided in this context.

Staff proposes the bill credits be applied annually for the first ten years that the Major Renewable Energy Facility operates. The bill credit would be provided for the first time on customers' first bill of the year immediately following when the major renewable energy facility becomes operational. The credit would then be provided on the first bill of the year in each of the nine following years.

Providing an annual credit for ten years ensures that customers realize a substantial benefit, while moderating the impact on the Renewable Owner. Were the credit provided only one time, it would need to be larger to have a commensurate impact. Requiring Renewable Owners to finance such a one-time credit could materially and negatively impact the economics of the proposed Major Renewable Energy Facility. Further, providing a credit for ten years, even though the Major Renewable Energy Facilities will likely have longer service lives, balances the interests of affected residential customers in Host Communities and the costs to be borne by Renewable Owners, and thus, ratepayers across the State.

Application of Credit to Customers' Bills

Staff proposes the bill credit be treated as a rebate, utilizing the utility bill to deliver and facilitate such a rebate. Staff further proposes that the bill credit be applied after all other adjustments to the bill have been made.

As stated by some commenters, providing the credit on an annual basis will ensure that customers see the full value of the annual benefit, rather than split it among each of the twelve months of the year. Further, by providing the credit in a single bill each year, it will help customers to identify the

impact of this benefit as distinct from the impact of their usage on their monthly electric bill. By treating the credit as a rebate after applying every other aspect of a customer's bill, this should ensure that the Program does not interfere with any other programs, such as the Energy Affordability Program,[14] Community Choice Aggregation,[15] Budget Billing, or Community Distributed Generation Solar.[16]

The Program serves to provide a recognizable benefit to Host Communities to increase acceptance of Major Renewable Energy Facilities. In order to do this, the credits must be transparently recognizable on customers' bills, as noted in the comments of ACE-NY and EDF Renewables. Accordingly, when providing the credit, and also in months where a portion of the credit remains unused, the customers' bills should include a line item identifying the amount of the credit and the Major Renewable Energy Facility with which it is associated. As discussed below, if more than one Major Renewable Energy Facility is sited in the same Host Community, the Program would provide residential electric utility customers with a benefit for each facility. The Joint Utilities commented that under such circumstances, they would aggregate credits for one or more projects on customers' bills as or in a single line item.

---

[14] Case 14-M-0565, Proceeding on Motion of the Commission to Examine Programs to Address Energy Affordability for Low Income Utility Customers.

[15] Case 14-M-0224, Proceeding on Motion of the Commission to Enable Community Choice Aggregation Programs. The Commission approves each application for a CCA. A list of approved projects may be found at: http://www3.dps.ny.gov/W/PSCWeb.nsf/All/82F83CAC4E71F05D8525835900429D8F?OpenDocument

[16] Case 15-E-0082, Proceeding on Motion of the Commission as to the Policies, Requirements and Conditions for Implementing a Community Net Metering Program, Order Establishing a Community Distributed Generation Program and Making Other Findings (issued July 17, 2015).

However, this would compromise the needed transparency regarding the connection of the credits to specific Major Renewable Energy Facilities. Accordingly, in such instances, the customers' bills should show a line item for each credit, identifying the Major Renewable Energy Facility with which it is associated. In comments responsive to this proposal, electric utilities should identify any barriers to providing the credits as a line item on the bill. If appropriate, the electric utilities can propose an alternative means to provide customers with the requisite information on their bills, such as through the use of a bill message.

Potential Accumulation of Excess Credits

Staff anticipates that there could be instances where a customer receives bill credits under the Program that the customer does not fully utilize during the year. This could occur due to a combination of factors, such as multiple Major Renewable Energy Facilities sited in the customer's Host Community, and/or the customer's participation in other utility programs that reduce the customer's bill, e.g., the Energy Affordability Program. It is important that such customers see the full benefit of this Program. There are multiple options for ensuring this, including requiring the utility to disburse the remaining credit to the customer at the end of a year (via a check or otherwise), or simply rolling over the credit to future years.[17] Each option, however, could have unintended consequences. For instance, rolling the credit over to the next year may result in a progressively growing credit balance on the

[17] Should a customer have a credit balance and then cease being a utility customer, e.g., due to a relocation outside of the utility's service territory, then the utility would need to disburse the remaining credit balance to the customer.

customer's account. Parties are encouraged to identify the pros and cons of these options and to propose alternatives in their comments.

Benefit Recipients

Utility Customer Class

Section eight of the Act states that the benefit should be provided to utility customers. The Notice solicited comments on which types of utility customers should receive a bill credit, if that was the selected benefit. In response, several commenters stated that a bill credit should only be applied to residential electric utility accounts. Citizens for Local Power and numerous public comments expressed that the Commission should pay special attention to low-to-moderate income (LMI) residents to ensure that those residents receive their fair share of benefits.

A utility's residential customers provide a good analogue for capturing all of the residents of a Host Community. There are fewer master metered residential dwellings in rural areas, so applying the credit to residential utility accounts should sufficiently ensure that all residents receive a benefit under the Program. Therefore, under this proposal, all residential electric utility customers who reside in the Host Community will receive a compensatory benefit under the Program.

Section eight of the Act defines "utility" as an electric distribution utility regulated pursuant to Public Service Law (PSL) §66. Thus, the benefit under the program would go to residential customers of investor-owned electric utilities, such as Niagara Mohawk Power Corporation d/b/a National Grid, and municipal electric utilities, such as Jamestown Board of Public Utilities.

Staff's proposal would provide an identical benefit to each residential electric utility customer within a Host Community. Benefits related to this Program would not count towards the State's LMI spending. Therefore, LMI residents' receipt of benefits under this Program would not impact the pursuit of other LMI energy efficiency or clean energy programs.[18]

Geographic Extent of a "Renewable Host Community"

Section eight of the Act states that the benefit will be provided to utility customers in a "Renewable Host Community" and defines Renewable Host Community as a municipality within which a Major Renewable Energy Facility is sited. The Notice sought comments regarding what the geographical bounds of the Program should be in relation to the location of the Major Renewable Energy Facility.

In response to the Notice, commenters provided varying opinions. ACE-NY and EDF Renewables stated that residential utility customers within two miles of a facility should be eligible for a bill credit program. They suggest that providing the bill credit to all residents of a municipality could significantly reduce the benefit to individual customers, and that residential utility customers within two miles of the facility are those most impacted by it. ACE-NY also added that the two-mile boundary has been the typical analysis radius used for solar projects under PSL Article 10.

IPPNY states that the Host Community should be residential customers residing within the municipality where the facility, or any portion thereof, has been proposed for

[18] Case 18-M-0084, In the Matter of a Comprehensive Energy Efficiency Initiative, Statewide Low- and Moderate-Income Portfolio Implementation Plan (filed July 27, 2020).

development, within a radius of up to, but not more than, five miles from the facility. IPPNY notes that PSL Article 10 allows party status for a municipality or resident of such municipality located within a five-mile radius of a proposed facility.

New York City and Land Trust Alliance urged that the entire town or city in which the Major Renewable Energy Facility is located should receive the benefit. New York City adds that the Act requires providing the benefit to the entire municipality. Citizens for Local Power and Clean Energy Advocates suggest a Renewable Host Community should be empowered to determine whether benefits should be community-wide or concentrated in a certain geographic area.

Section eight of the Act links the Renewable Host Community to the municipality in which a Major Renewable Energy Facility is sited. Staff proposes that all residential customers within such a municipality receive a benefit under the Program. For this purpose, municipality should be understood as a town or city. Every location in New York State is part of a town or city, thus, operating the program at this level ensures that it covers Major Renewable Energy Facilities wherever they are sited. Given the amount of space needed for siting a Major Renewable Energy Facility, it is unlikely that one will be sited within a city or village, but by including cities as well as towns, this ensures that no location is ineligible for the Program.

While other entities may be considered municipalities (e.g., counties and villages), counties can be very large both in population and geographic size. Thus, providing a benefit to every residential customer in a county could result in a de minimis benefit. Additionally, applying the benefit to an entire county could result in customers receiving a benefit who are barely, if at all, impacted by the Major Renewable Energy

Facility, which could be located many miles away. At the other end of the spectrum, all villages in New York State are also part of towns, thus, providing the benefit specifically to villages could result in unnecessary confusion due to overlapping jurisdictions.

Additionally, Staff anticipates that there will be instances where a Major Renewable Energy Facility may be sited in an area across multiple towns (or cities). In such instances, the benefit would be provided to residential customers in each of the towns or cities within which the Major Renewable Energy Facility is sited.

Magnitude of Benefit

Section eight of the Act requires that Renewable Owners fund the Program. Staff recognizes that Renewable Owners pay, and Host Communities benefit from, HCAs, negotiated between the Renewable Owner and individual host municipalities, and PILOTs. It is important to note that every project has very specific economics due to the many variables that exist during development. As discussed above, it is also important that residential customers receive a meaningful benefit under the Program to increase acceptance of Major Renewable Energy Facilities. Furthermore, Staff anticipates that Renewable Owners will seek to recover the costs of the Program through their REC bids.[19] Thus, the costs of the Program, in turn, will likely be recovered from all electric ratepayers across New York State.

Additionally, as noted by several commenters, for future Major Renewable Energy Facilities, both Renewable Owners

[19] Staff recognizes that Major Renewable Energy Facilities compete with renewable generators located out-of-state in REC solicitations.

and customers who would receive benefits under this Program would benefit from reasonable certainty about the cost and size of the benefit. For example, ACE-NY, EDF Renewables, and IPPNY stated that the cost borne by Renewable Owners for each facility should be measured in $/MW for reasons of certainty and consistency, and that in fairness the amount paid by a facility should not be based on external factors such as the size and population of the Host Community(ies).

Proposed Cost and Amount of Benefit

In proposing a benefit amount, Staff has endeavored to balance the interests identified above. Staff proposes that Renewable Owners pay an annual fee of $500/MW for solar generation facilities and $1,000/MW for wind generation facilities. The fee would be paid in each of the first ten years of a Major Renewable Energy Facility's operation. Consistent with the Act, the fee would only apply to facilities with a nameplate generating capacity of 25 MW or more. The fee would only apply to the generating capacity of the Major Renewable Energy Facility, therefore storage system facilities attached to renewable projects would not impact the calculation of the fee. By setting the cost of the Program based on the MW capacity of the Major Renewable Energy Facility, rather than a fixed benefit per customer, the structure will avoid incenting Renewable Owners to cluster facilities in towns with low populations to minimize the cost of the Program.

With regard to distributing the benefit to residential customers, Staff proposes to divide the annual benefit fee paid by the Renewable Owner evenly among the residential customers within the host town(s) and/or city(ies). Staff recognizes that the resulting bill credit will vary depending on whether the Major Renewable Energy Facility is solar or wind, the nameplate

capacity of the facility, and the number of residential customers within the Host Community.

As the number of Major Renewable Energy Facilities increases in the coming years to meet Statewide renewable generation goals, multiple facilities may be sited within any one Host Community. In the event there are multiple Major Renewable Energy Facilities within a single Host Community, residential utility customers in that Host Community will receive bill credits for each facility. This methodology compensates residential utility customers for the impacts additional facilities may create.

In setting a $/MW fee for the Renewable Owner, developers can determine the cost of the fee as they evaluate potential projects and develop REC bids. Additionally, developers can assess the number of residential electric utility customers in the potential Host Communities for a project. Developers can then provide Host Communities with an estimate of the bill credit for each residential customer.[20] While this number may vary year to year based on new construction and development within a Host Community, in general a residential customer will know the annual compensation that will be received once a project reaches commercial operation. The knowledge of the estimated bill credit may increase social acceptance of the generation facility's location and may increase support of the project during permitting, construction, and operation.

[20] Renewable developers are encouraged to use the Utility Energy Registry available at https://utilityregistry.org/app/index.html#/ to assess the number of residential utility customers in their prospective Host Community(ies).

Reasonableness of Proposed Fee and Benefit Amounts

Staff considered numerous variables while considering the appropriate fee and bill credit amounts. These variables included technology type and capacity factor related to each generation technology, and the number of potential customers that would be impacted by a Major Renewable Energy Facility. Staff also analyzed existing and pending large-scale generation facilities currently under contract and currently under construction. Staff considered the potential impact to the project economics for developers and future REC prices, and how those costs may compare to out-of-state generators. Staff also considered the impact of the Program's fees on all electric ratepayers, who will ultimately pay for the Program. Additionally, Staff sought to ensure that the Program resulted in a meaningful benefit for recipients, while also considering the potential number of program recipients in a facility's Host Community. Further, Staff considered the average $/MW cost of current negotiated community benefit payments, such as PILOTs, and considered how costs of the proposed bill credit Program may impact these and other Host Community benefits. PILOTs, HCAs, and other compensation for Host Communities may be active for various lengths of time, though generally align with the number of years a generating facility operates.

As mentioned earlier,, Staff examined the impact of the $/MW annual fee on the project economics of future Major Renewable Energy Facilities in New York. Table 1 summarizes the analysis using four example projects.

Example Project	Type	NYISO Zone	Nameplate Capacity (MW)	Program Fee ($/MW-Yr)	Annual Fee	Levelized Cost of Electricity (LCOE, $/MWh)		Impact of Fee on LCOE
						Base Case	Program	
1	Solar	B	105	$500	$52,500	$58.68	$58.91	0.40%
2	Solar	F	25	$500	$12,500	$62.32	$62.54	0.36%
3	Wind	A/C	112	$1,000	$112,000	$67.19	$67.41	0.32%
4	Wind	C	175	$1,000	$175,000	$59.26	$59.50	0.40%

Table 1: Potential Impact of Program on Project Economics[21]

The proposed Program fee results in a $0.40/MWh or lower impact on the levelized cost of electricity[22] in the Table 1 examples. This suggests the Program fee will not alter the competitive position between local and out-of-state renewable generators. An analysis of the Program's impact on the portfolio of future Major Renewable Energy Projects in New York is outlined in Appendix B. This analysis projects a net lifetime Program cost of approximately $35 million.

Table 2 uses the same example projects from Table 1 to estimate the potential bill credit that residential electric utility customers in the projects' Host Communities would receive.

Example Project	Type	Nameplate Capacity (MW)	Incentive Level ($/MW-Yr)	Annual Incentive Payment	Utility Service Territory	Customers in the municipality of the project	Annual Bill Credit Per Customer
1	Solar	105	$500	$52,500	RGE	600	$87.50
2	Solar	25	$500	$12,500	National Grid	450	$27.78
3	Wind	112	$1,000	$112,000	NYSEG	700	$82.96
					National Grid	650	
4	Wind	175	$1,000	$175,000	NYSEG	1,200	$145.83

Table 2: Example Bill Credits

[21] A sensitivity of the Cost Analysis can be found in: Case 15-E-0302, supra, White Paper on Clean Energy Standard Procurements to Implement New York's Climate Leadership and Community Protection Act (filed June 18, 2020), Appendix A.

[22] Twenty-year levelized cost of electricity in real 2020 dollars, assuming a 2025 commercial online date.

The examples provided in Table 2 demonstrate that the proposed bill credits will generally vary by project size, with larger Major Renewable Energy Facilities resulting in larger bill credits. Note that the population of the Host Community has an inverse relationship to the size of each residential utility customer's bill credit. The third example project in Table 2 contemplates a municipality that has residential customers served by multiple utilities. In this case, each customer would receive the same bill credit, regardless of which utility provides the customer's electric service.

Utilizing the Utility Energy Registry (UER), Staff identified that the average town[23] within the Joint Utilities' service territories, excluding Con Edison, averaged approximately 680 residential customer accounts. Staff recognizes there may be variations in these estimates, and that for larger projects, there is the potential that the Host Community could include multiple towns.

Program Administration

As Staff's proposal includes a bill credit to residential electric utility customers, the Program will necessarily require the utilities' involvement. The Notice asked whether the Program should also be administered by a third party, such as NYSERDA. Some commenters expressed support for that possibility as the Program's costs will likely impact the REC solicitations that NYSERDA runs. Thus, Renewable Owners will already have a relationship with NYSERDA. However, as the

[23] Staff excluded cities and villages from the calculation. While the Program applies to towns and cities, Staff anticipates that the space required for a Major Renewable Energy Facility would tend not to allow for siting in cities. Additionally, villages are part of towns, and thus need not be separately assessed.

Renewable Owners also require interconnection agreements with the utilities, there is already a direct relationship between those parties as well. Furthermore, the most intensive part of the Program will likely lie with the utilities identifying the beneficiary residential customers and distributing the credits on their bills. Therefore, Staff proposes that the utilities administer the Program.

Staff proposes that the NYSERDA REC contracts include a requirement that Renewable Owners provide proof that the Program fee funds have been transferred each year to the utilities, by December 1 of each year, beginning the year the project is operational. NYSERDA would not release any pending or future REC payments to the Renewable Owner until the proof is provided. This will ensure that Renewable Owners provide the funds for the bill credits to the utilities.

The Renewable Owners would identify the Major Renewable Energy Facility tied to the fee, and the town(s) and/or city(ies) in which the facility is located. The utilities would identify the residential customers in those town(s) and/or city(ies) and disburse the bill credit on the applicable residential utility customers' first electric bill of the following calendar year. Given the short lag between payment of the fees and disbursement of the credits, there would be no need to accrue interest on the funds.

As noted earlier, it is possible that a Major Renewable Energy Facility is sited in one or more towns or cities served by multiple utilities. These could be two or more investor owned utilities or could include municipal electric utilities as well. In such instances, the Renewable Owner and the affected utilities would need to coordinate in advance of December 1 to identify the total number of residential customers owed a bill credit for the particular facility, and the

proportion of those customers served by each utility. The Renewable Owner would then transfer the proportional amount of the annual fee to each utility.

Staff recognizes that administering the Program will not come at zero cost to the utilities. The Joint Utilities have already explained that bill credits will require manual processes. To address these overhead costs, Staff proposes that the utilities be allowed to retain 0.05% of the fees transferred to them by the Renewable Owner. After subtracting this 0.05% retainer, the utilities would calculate the per customer bill credit amount from the remaining funds. Utilities should track the costs associated with administering the Program and the administration retention percentage could be revised, if warranted, in the periodic review proposed below.

Each utility would be required to maintain a record of: Major Renewable Energy Facilities actively providing benefits under the Program in its service territory; monies received from each such facility; the amount of the individual bill credit provided related to each such facility and the number of residential customers who receive the bill credit; and the costs incurred to administer the program. Staff proposes an annual filing to the Commission on or about April 1 of each year detailing this information.

Appendix A – List of Electric Distribution Utilities

List of Electric Distribution Utilities regulated pursuant to Public Service Law §66, who would be required to distribute bill credits under the proposed Host Community Benefit Program, if a Major Renewable Energy Facility is cited in a Host Community the utility serves. Each of the Utilities listed below may require tariff revisions to provide for applying the proposed bill credit on customers' bills.

Major Electric Distribution Utilities:

Central Hudson Gas & Electric Corporation

Consolidate Edison Company of New York, Inc.

New York State Electric & Gas Corporation

Niagara Mohawk Power Corporation d/b/a National Grid

Orange & Rockland Utilities, Inc.

Rochester Gas & Electric Corporation

Small Electric Distribution Utilities:

Fishers Island Electric Corporation

Pennsylvania Electric Company

Municipal Electric Distribution Utilities:

Bath Electric, Gas & Water Systems

City of Jamestown Board of Public Utilities

Penn Yan Municipal Utilities Board Village of Penn Yan

City of Plattsburgh, Plattsburgh Municipal Lighting Department

City of Salamanca, Salamanca Board of Public Utilities

Village of Akron

Village of Andover

Village of Angelica

Village of Arcade

Village of Bergen

Village of Boonville, Municipal Commission of Boonville

Village of Brocton

Village of Castile

Municipal Electric Distribution Utilities (continued):

Village of Churchville
Village of Endicott
Village of Fairport
Village of Frankfort, Frankfort Power & Light
Incorporated Village of Freeport, Freeport Electric
Village of Green Island
Village of Greene
Village of Groton
Village of Hamilton
Village of Holley
Village of Ilion, Ilion Board of Light Commissioners
Village of Little Valley Municipal Electric Department
Village of Mohawk, Mohawk Municipal Commission
Incorporated Village of Philadelphia
Village of Richmondville
Village of Rockville Centre
Village of Rouse Point
Village of Sherburne
Village of Silver Springs
Village of Skaneateles, Skaneateles Electric Light Department
Village of Spencerport
Village of Springville Electric Systems
Village of Solvay
Village of Theresa
Village of Wellsville
Village of Westfield

Appendix B – Cost Analysis

The New York State Energy Research and Development Authority (NYSERDA), working in collaboration with the New York Department of Public Service (DPS), led analysis to assess the deployment, cost and benefit of incremental renewable energy resource under Tier 1 of the Renewable Energy Standard (RES) and the Offshore Wind Standard (OSWS) aimed at meeting the 70 by 30 goal and the goal of 9 GW of offshore wind set out in the Climate Leadership and Community Protection Act (CLCPA). The analysis is summarized in Appendix A of the White Paper on Clean Energy Standard Procurements to Implement New York's Climate Leadership and Community Protection Act (CES White Paper), filed June 18, 2020 in Case 15-E-0302. The CES White Paper describes the input assumptions and methodology. NYSERDA and DPS acknowledge the contribution of Sustainable Energy Advantage, LLC (SEA) for its primary analytical role in the development of the analysis of land-based large-scale Tier 1 resources in the CES White Paper.

DPS and NYSERDA worked with SEA to develop a sensitivity analysis that incorporates the costs associated with the Host Community Benefit Program (Program), using the "Base Case" from the CES White Paper, to measure the incremental impact of the Program on the Tier 1 RES procurements, the project economics of new Major Renewable Energy Facilities, as well as additional Program costs and benefits.

The CES White Paper projected that 1,784 MW of wind projects and 10,025 MW of solar projects deployed between 2025 and 2030[1] would be procured through Tier 1 RES procurements beginning in 2021. The sensitivity analysis of the Program did

[1] Tables 23 and 24 of Appendix A of the CES White Paper.

not alter the expected quantity of resources procured each year, or the mix between wind and solar resources.

Table 1 summarizes the projected weighted average lifetime (20-year) REC prices, reflective of the Index REC procurement structure. In both the Base Case and Program Sensitivity, the projected lifetime REC prices decline between deployment years 2025 and 2030.

Table 1 – Weighted Average Lifetime REC prices of Clearing Resources (Nominal $)

Procurement Year	2021	2022	2023	2024	2025	2026
Deployment Year	2025	2026	2027	2028	2029	2030
Base Case	$13.46	$13.26	$12.52	$9.94	$6.15	$2.93
Program Sensitivity	$13.57	$13.38	$12.96	$10.17	$6.38	$3.15

Table 2 summarizes the REC portfolio cost and benefit metrics for the Base Case and Program Sensitivity. The avoided carbon value and volumes are equal between the Base Case and Program Sensitivity, with a $35 million increase in the net present value of the lifetime RES program costs, a 2.6% increase), and a 0.5% decrease in the lifetime net societal benefits.

Table 2 – Lifetime Tier 1 RES Portfolio Cost and Benefit Metrics (Real 2020$)

	Lifetime Program Cost, 2020 NPV	Lifetime Avoided Carbon Value, 2020 NPV	Avoided Carbon Volume in 2030, Short Tons	Lifetime Net Societal Benefit, 2020 NPV	Lifetime Levelized Bill Impact, %
Base Case	$1.34 billion cost	$9.0 billion benefit	11.8 million	$7.68 billion benefit	0.43%
Program Sensitivity	$1.38 billion cost	$9.0 billion benefit	11.8 million	$7.65 billion benefit	0.44%