

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on February 19, 2003

COMMISSIONERS PRESENT:

William M. Flynn, Chairman  
Thomas J. Dunleavy  
James D. Bennett  
Leonard A. Weiss  
Neal N. Galvin

CASE 03-E-0188 - Proceeding on Motion of the Commission  
Regarding a Retail Renewable Portfolio  
Standard.

ORDER INSTITUTING PROCEEDING

(Issued and Effective February 19, 2003)

BY THE COMMISSION:

INTRODUCTION

We are increasingly concerned with the effects on our climate of fossil-fired generation and the security implications of importing much of the fuel needed to supply our electricity needs. Further, inasmuch as there is a finite supply of natural gas and other fossil fuels, over-dependence on such will leave the State vulnerable to price spikes and possible supply disruptions.

After a decade of relatively stable natural gas and oil prices, high volatility in prices has become a feature of the market in the past several years. This Commission has taken a number of steps to address wholesale market price volatility, by working with the utilities, fellow state agencies, and other market participants to design and implement new programs, such as those for peak load reduction, energy efficiency, and green

marketing. While these programs have been effective, renewable resources represent a significant potential energy reserve, which (if properly developed) could lower air emissions and increase system reliability. Only about 17% of the electricity currently used in New York State is provided by renewable resources. This figure reflects a disturbing decline from 25% of four decades ago. A return to the 25% figure would be in the public interest.

The 2002 State Energy Plan required the New York State Energy Research and Development Authority to examine and report on the feasibility of establishing a renewable portfolio standard. Staff has received NYSERDA's preliminary report. The report finds that an RPS can be implemented in a manner that is consistent with the wholesale and retail marketplace in New York and that an RPS has the potential to improve energy security and help diversify the state's electricity generation mix. The report also states the expectation that an RPS would spur increased economic development opportunities in the renewables industry, including the attraction of renewable technology manufacturers and installers. Accordingly, we will institute a proceeding pursuant to, among other things, Public Service Law §§ 5(2) and 66(2) to develop and implement a renewable portfolio standard for electric energy retailed in New York State. The matters examined in the proceeding should include new opportunities in renewables technologies as alternatives to fossil-fired generation.

We intend to expedite this proceeding and direct the Office of Hearings and Alternative Dispute Resolution to establish a suitable procedure and schedule. The proceeding should also examine appropriate methodologies for assessing benefits and costs and how to balance that analysis with other factors.

### Process

Recognizing that the policies at issue affect a broad range of industry, competitor, and consumer advocate interests, the Administrative Law Judge should facilitate a collaborative process with the goal of developing a draft policy statement. We expect this proceeding to follow a process roughly similar to that in Case 94-E-0952 (Competitive Opportunities)<sup>1</sup> and encourage NYSERDA, LIPA and NYPA to participate.

The Administrative Law Judge should submit periodic progress reports.

### Threshold Issues

With the goal of identifying and overcoming obstacles to achieving the above-stated goal, we ask the ALJ to seek comments on, among other things, the following threshold issues:

1. The types of resources that should be considered as "renewable" for the purposes of a renewable portfolio standard.
2. The appropriateness of including renewable resource energy procured from outside the State, such as hydropower from Canada or wind energy from New England.
3. The retail suppliers that should be required to sell energy from renewable resources.
4. The impact, if any, on the ability of energy services companies' (ESCOs) abilities to compete with utilities if they are required to procure renewable resources beyond what their customers request, given the relative sizes of the loads supplied by utilities and ESCOs currently, and how such impacts might be overcome.

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<sup>1</sup> Case No. 94-E-0952, See Opinion No. 96-12 (issued May 20, 1996).

5. The best methods for retail suppliers to procure renewable resources (e.g., construction and ownership versus purchases).
6. Methodologies for the recovery of costs by regulated utilities.
7. Individual retail suppliers' targets, if appropriate.
8. The potential impact on reliability and system operations due to the addition of renewable resources, especially those resources that operate only intermittently (e.g., windmills and photovoltaics), and what, if anything, must be done to ensure that reliability is maintained.
9. The appropriate means to monitor progress toward meeting the goal and to ensure results, including possible rewards and disincentives.
10. The appropriateness of a "renewable attributes trading" system, and the components of any such system that might be developed.
11. The impact, if any, on the Commission's Environmental Disclosure Label Program, and any modifications that might be needed and appropriate for that program.
12. The practicality of installing new renewable facilities in the high load areas of the State. If the targeted renewables are built upstate, the impact, if any, such construction might have on the addition of new resources in the load centers where they are most needed, and the appropriate means to ensure that additional generation and transmission resources will be built where they are most needed.
13. The impact, if any, the renewable portfolio standard would have on existing green marketing programs in the State, and what the State might do to support developers and green power marketers during the process of developing rules to implement the standard.

14. Changes needed, if any, by the Public Service Commission and NYSERDA in the SBC-funded renewable energy program to coordinate with the new target.

The Commission orders:

1. A proceeding is instituted under the guidance of the Office of Hearings and Alternative Dispute Resolution to, among other things, facilitate the formulation of a policy statement on retail renewable portfolio standards in New York State.

2. The Administrative Law Judge shall periodically report to the Chairman on the scope and progress of the parties' efforts, as well as the process that is being used. The first such report shall be provided by May 2, 2003.

3. This proceeding is continued.

By the Commission,

(SIGNED)

JANET HAND DEIXLER  
Secretary