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Hon. Kathleen H. Burgess, Secretary to the Commission

New York State Public Service Commission

Empire State Plaza, Agency Building 3

Albany, NY 12223-1350

VIA EMAIL: secretary@dps.ny.gov

Re: Comments on the PSC's ORDER FURTHER EXPANDING SCOPE OF PROCEEDING COMMENTS issued February 24, 2016 in Case 15-E-0302: Reforming the Energy Vision, Clean Energy Standard

Otego Microgrid Ratepayers hereby submits the following comments. We agree with the Order's stated objective: keeping financially ailing nuclear generating stations operational with ratepayer funding, in support of our objectives set in the Clean Energy Standard. We cannot agree on Staff's proposed methodology. We do not foresee Staff's methodology as benefiting the ratepaying public as much as it benefits Excelon and Entergy investors and executives.

The crux of our skepticism over Staff's plan is anchored in our expectation that the plan's open-ended design may result in an outcome that includes our very aged nuclear fleet continuing to "meet our needs" well into the second half of this century. This would not be an environmentally laudable accomplishment—to get some modest bit of climate security, we would have accepted a much more substantial nuclear risk.

Rather than establish a subsidy that might effectively morph into a corporate entitlement, and rather than attempt to solve a market-based problem with an anti-competitive non-market-based solution, we suggest Staff develop a fixed-period, fixed-cost, one-time deal with Excelon and Entergy; any renewal of the agreement must be subject to public referendum. While this short-term fix plays out, develop longer term solutions.

The evolution of our energy system can be viewed as a series of price disruptions. Coal replaced wood. Gas displaced coal. The renewables industries have their sights set on becoming the next titans of energy. At the moment, the gas industry has over-produced and the resulting cheap energy prices are hurting the renewables industries as well as the nuclear industry. We suggest Staff develop a solution to the broader problem of price competition between various energy resources, and simultaneously improve our ability to convert environmental policy language into incrementally-adjustable concrete policy. Some form of price on carbon would create a level playing field among non-emitting technologies; Staff's planned subsidy would impede, not aid renewables' efforts to gain market share.

The phenomenon of pricing disruption will repeat itself with fossil-fueled generating facilities (coal today, gas in a few years) as substantial progress is made towards shifting to renewables; as renewables take on more generating responsibility, spot market prices, particularly on those especially lucrative sunny summer afternoons, will on average be less lucrative for fossil-fueled demand response generators, and they will attempt to make up their cash flow shortfall by producing even more electricity. The electric supply glut will put downward pressure on electric pricing and impede investment in renewables; fairly pricing carbon emissions could aid our renewable energy transition by removing otherwise "cheap" carbon-emitting energy from the markets.

The surplus generation situation will be further exacerbated by any substantial progress in energy storage deployment—renewable energy retrieved from storage will eventually displace much of the "intermittency response" generating capacity that gas-fired plants are currently anticipated to provide.

The extraordinarily low current price of natural gas is depressing energy consumers' investments in renewables; many consumers lack the financial flexibility or ability to pass up the "least cost" option that gas currently offers.

When combined, these expectations frame the Order in a broader perspective: price competition from gas is impacting more than just the nuclear industry, and we should anticipate that as we transition to more renewables, there will be more disruptions to "business as usual."

The Order to expedite provision of direct financial support to the State's existing nuclear power plants is therefore, in our opinion, inadequate in the following respects:

1) The solution is too narrow in scope, and should be broadened to deal with the additional problems previously outlined.

2) The design of the proposed solution (development of a Zero Emissions Credits program), while familiar in many respects to participants in the current Renewable Energy Credits program, is ill-suited because:

a) It addresses only support of nuclear and does nothing to address the root cause of the problem, as identified by the Commission: cheap gas

b) Its administration requires large investments and ongoing commitments to oversight, compliance, and book-keeping, siphoning off resources that might be better invested elsewhere; the proposed solution is another level of complication in an already complex system, and a simpler solution might be better

c) It lacks a reliable mechanism for its discontinuation; it will likely continue for several decades, discouraging further investments in renewables and storage technologies

d) Counter to the REV's guiding principles, the proposed solution picks winners and losers—it is not a market driven solution, but relies instead on a steady process of tinkering and readjustment. Such a "tweak-as-you-go" plan does not inspire confidence that the State's pursuit of the CES's environmental goals will push back forcefully against the unavoidable realization that direct prices for energy will certainly rise as the currently externalized costs of fossil fuels become internalized in our fair, competitive energy markets.

Rather than the Order's proposed ZEC program, we suggest that the Commission instruct Staff to explore an alternative method for guiding the State's energy future towards the CES goals. We suggest that the Staff devise a plan to directly enhance the price of natural gas and other fossil fuels, with the proceeds of such enhancement to be used to encourage more investments in renewable energy, energy storage, and energy infrastructure improvements. The level of enhancement can be adjusted over time to guide us towards the CES goals, while allowing market forces to drive system efficiency.

We thank the Commission for this opportunity to comment.

Sincerely,

Stuart Anderson

Stuart Anderson for Otego Microgrid Ratepayers