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DATE: February 8, 2022

TO: The Hon. Michelle L. Phillips, Secretary,  
New York State Public Service Commission

FROM: Anne Reynolds, Alliance for Clean Energy New York

RE: **Comments on Cost Sharing and Recovery Agreement, Case 20-E-0197**

In response to the *Notice Soliciting Comments* issued January 18, 2022 in the above-reference proceeding, the Alliance for Clean Energy New York (“ACE NY”) respectfully submits these brief Comments on the Cost Sharing and Recovery Agreement and Cost Allocation Mechanism (“CSRA Filing”) filed by New York utilities on January 7, 2022.

ACE NY is a member-based organization with a mission of promoting the use of clean, renewable electricity technologies and energy efficiency in New York State to increase energy diversity and security, boost economic development, improve public health, and reduce air pollution. Our diverse membership includes companies engaged in the full range of clean energy technologies as well as consultants, academic and financial institutions, and not-for-profit organizations interested in our mission.

In these Comments, we (1) generally agree with the proposed cost allocation methodology, (2) highlight the need for cost containment, and (3) highlight the need for timely progress on transmission upgrades.

**1. We agree with the Proposed Cost Allocation Approach**

ACE NY generally agrees with the thrust of the CSRA proposal to collect revenue requirements (RR) associated with utility “local transmission” projects tied to accomplishing CLCPA goals from all customers in the State. This allocation proposal satisfies the ‘beneficiaries pay,’ approach that the Federal Energy Regulatory Commission (“FERC’) has used for cost recovery of transmission projects. As the primary benefits of the projects are tied to carbon reduction goals that inure to all customers in the State (and beyond), it is appropriate to allocate the costs on a load ratio share to all customers.

This cost allocation approach will allow utilities to consider, propose, and construct transmission projects that they otherwise would not undertake with the concern of allocating the revenue requirements of the transmission projects to customers only in their footprint while the benefits of the projects inure to a broader swath of customers. The proposal allows for statewide socialization of costs using established NYISO tariffs, thus removing the barrier, and should help promote more transmission projects in the State, to the benefit of all.

ACE NY notes that this approach is also consistent with how Clean Energy Standard costs, including costs associated with Renewable Energy Credits (RECs), Offshore Wind Renewable Energy Credits (ORECs), and Zero Emissions Credits (ZECs, which benefit nuclear generators in New York) are allocated, i.e., other clean energy projects that benefit all customers are currently recovered from all customers in the State.

Using the New York Public Service Commission ("Commission) approved capital structure and cost of capital for RR determination is reasonable and is recommended as it conforms to the current approach for RR determination for utility local transmission projects.

## **2. Cost Containment is Important**

On page 9 of the CSRA Filing, the utilities' state, "Each Transmission Owner's formula rate submittals shall reflect the Approved Transmission Project's actual costs and shall be updated consistent with formula rate protocols. If requested by the NYPSC, each Transmission Owner shall file with the NYPSC biannual status reports reflecting the costs incurred for Approved Transmission Projects relative to their cost estimates at the time of the Approved Transmission Project's approval." Thus, the utilities' proposal seems to imply the ultimate rate base that will be used will be based on actual costs, not the estimated costs at the time of PSC's project approval. While the actual costs will likely be different from estimated costs at the time of project approval, the Commission should ensure that it does not give a blank check on potential cost overruns. The PSC should put in rate mechanisms with cost containment to ensure there is discipline in capital spending. We understand that there can be increasing costs due to inflation or due to an increase in raw material costs, and these should be considered in any cost containment proposal. We do not have a specific proposal at this time, but this topic of cost containment has been extensively discussed during the public policy transmission project cost recovery deliberations.

## **3. Timely Progress is Important**

On page 7 of the CSRA Filing, the utilities' state, "Further, each Transmission Owner's decision to proceed with any Approved Transmission Project shall be subject to its receipt of certain approvals, including an order from the NYPSC accepting, adopting, or approving (for Transmission Owners other than LIPA) a just and reasonable return on equity and capital structure applied to Approved Transmission Projects and an order(s) from FERC accepting, adopting, or approving rates consistent with the NYPSC order(s), as necessary to implement the cost allocation and recovery

intended under this Agreement.” Thus, the utilities indicate that they would not initiate Phase 2 local transmission projects until they get approval from the PSC and the FERC. While we appreciate the utilities’ need for certainty in cost recovery, we are also concerned about the potential delays this process may engender. Perhaps the Commission could consider preapproval of certain defined utility development costs with capped budget levels to ensure continued progress of projects. Rapid expansion of transmission is vitally necessary to facilitate deliverability of renewable projects that are essential to meeting CLCPA goals. The PSC should take steps to administer a speedy process; yet one that gives stakeholders a forum to comment on utility proposals. We note that there are no current statutory deadlines for Commission approval of such utility filings outside of normal utility rate cases. Without a speedy process, there is a likelihood of unintended or unwarranted delays.

Finally, we note that some transmission upgrades included in the Phase 2 proposed plans are redundant to upgrades proposed as mitigation solutions in the NYISO Class Year (CY21) draft study results. This evidences that these specific Phase 2 upgrades are tied directly to accomplishing CLCPA goals, specifically by alleviating renewables constrained pockets. The primary benefits of carbon reduction goals inure to all customers in the State (and beyond); therefore, it would be most appropriate and aligned with FERC’s ‘Beneficiaries pay’ approach that costs for any Phase 2 upgrades, which are redundant to NYISO mitigation solutions, are allocated to customers.

Sincerely,

A handwritten signature in black ink that reads "Anne Reynolds". The signature is written in a cursive, flowing style.

Anne Reynolds  
Executive Director  
Alliance for Clean Energy New York, Inc.