

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on April 17, 2001

COMMISSIONERS PRESENT:

Maureen O. Helmer, Chairman

CASE 94-E-0952 - In the Matter of Competitive Opportunities Regarding  
Electric Service

ORDER APPROVING SPENDING PLAN FOR SUPPLEMENTAL SBC FUNDS

(Issued and Effective April 17, 2001)

INTRODUCTION

The Commission, in its January 26, 2001 order in this proceeding (“January Order”)<sup>1</sup> extended the System Benefits Charge (SBC) program of energy-related public benefit offerings through June 30, 2006, and increased the annual level of overall SBC funding from \$78.1 million to \$150 million, beginning with calendar year 2001. The \$150 million funding level includes a separate supplement of approximately \$11.9 million annually.<sup>2</sup> New York State Research and Development Authority (NYSERDA) was requested to make a proposal to the Commission as to how best to utilize the supplemental funds.

THE PROPOSAL

The February 15, 2001 SBC Operating Plan (“SBC Plan”) prepared by NYSERDA included a proposal (page 10) that the supplement be used to fund three SBC initiatives:

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<sup>1</sup> Case No. 94-E-0952, et al., In the Matter of Competitive Opportunities for Electric Service, Order Continuing and Expanding the System Benefits Charge for Public Benefit Programs, issued and effective January 26, 2001.

<sup>2</sup> This supplemental funds consist of \$11,490,909 for each of calendar years 2001 through 2005, and \$5,995,455 for the first half of calendar 2006.

- Improving the viability of distributed power generation (DG) and combined heat and power (CHP) as an economic energy option in New York State (\$56,594,004);
- Environmental monitoring and analysis activities, supporting public decision-making (\$4,567,000); and
- Development of the next generation of efficient end-use and strategic technologies (\$4,289,000).

The first initiative, promoting DG/CHP as a viable generation option, will demonstrate electric generation options (variously-fueled turbines, reciprocating engines, and fuel cells) and is expected to achieve significant peak electric demand reductions. The second initiative is designed to monitor and analyze the environmental impacts—NO<sub>x</sub>, SO<sub>x</sub>, acid rain deposition, ozone depletion, mercury, and fine particulates—associated with larger, central station electric generation and with DG, in order to support public decision-making. The third initiative will demonstrate and evaluate emerging, energy-efficient electro-technologies, such as superconducting transformers and transmission cables, efficient food processing, and advanced cooling, lighting, and heat pump water heating, and will evaluate the operation of strategic technologies fostering the reliability of electric systems.

#### PARTY COMMENTS

Input was received from three interested parties. In relevant part, the first commenting party, E-Cubed Company, L.L.C., together with Joint Supporters (collectively, “E-Cubed”), urges that funding be spent on advancing internet-based solutions promoting market integration—that is, that monies be spent on energy-related communications solutions (such as those involving wireless communication technology) to which all market participants have access, “allowing account aggregation and effective aggregate competition in price responsive load programs,” rather than spending money upon the mere development of web sites managing individual loads. E-Cubed further urges that monies be spent improving, rather than merely mobilizing for use, existing generation technologies; that program evaluation activities be accelerated to assist in refining “start up programs;” and that the Commission consider having the price responsiveness portion of the overall SBC energy efficiency program stand alone as a separate program area.

Vecna Technologies, Inc. (Vecna) mirrors E-Cubed's support for fostering energy-related communications technologies, believing that such technologies allow account aggregation and effective competition of aggregated customers in price responsive load programs. Vecna also urges that funding be provided for a system to give expert information to help low-income aggregators effectively manage their clients' loads."

Natural Resources Defense Council (NRDC) opposes use of the funds for the Dispatchable Emergency Generator Program, due to the potential health and environmental effects of diesel generators. NRDC objects to the use of SBC funds to encourage customers to use on-site diesel generation in any way, and asserts that a decision to provide funding support to customers with diesel generators would have adverse environmental impacts, and thus would require review under the New York State Environmental Quality Review Act (SEQRA). NRDC also asserts that NYSERDA needs to develop a coordinating mechanism for assisting utility electric customers wishing to participate in more than one SBC offering. It notes that under the SBC's present operating structure, such customers have to deal with multiple contractors not interested in, or able to, coordinate with each other to help customers avoid having to cope with duplicative program requirements.

#### DISCUSSION

The proposed use of supplemental funds is approved. The DG/CHP initiative merits enhanced funding: it should provide much needed information about the ability of DG/CHP to help fill the state's need for new capacity. The environmental monitoring project, with its quantification of environmental impacts associated with various generating options, may speed the siting of generating facilities in the future, and help policy-makers develop cost-effective, equitable policies protecting the state's public health and environment. Finally, the efficient end-use/strategic technologies initiative, focusing on efficient electro-technologies, is likely to help ESCOs better compete in the state's electric markets, while its other focus on strategic technologies should contribute to improved system reliability and efficiency. The additional funds also assure that the R&D funding level originally proposed prior to the creation of the \$10 million set-aside in year one will be attained.

While there is merit to E-Cubed's concern that funds should be used to improve, rather than upon merely mobilizing for use, existing technologies, the SBC Plan already presents numerous initiatives to improve upon electric generating and end-use technologies and

procedures, including photovoltaic and fuel cell electric generation at local sites, strategies for lowering commercial electric demand; fuel switching to lower coincident peaks; efficient lighting, appliance, and motor initiatives; and aggregation of low-income utility customers.

None of the proposed dollar allocations of supplemental monies would impact the Dispatchable Emergency Generator Program cited by NRDC. Nothing in the DG/CHP initiative is intended to foster the expanded use of typical diesel-fired generation. Since our decisions in this regard are rate decisions, individuals desiring to install or operate diesel-fired electric generation units do not obtain environmental permission to do so as a result of our approval. Further, within the DG/CHP initiative, the intention is to contrast diesel generation as a "base case," in terms of efficiency, cost-effectiveness, and environmental effects, against the attributes of newer, innovative generating options.

The parties' other suggestions relate to the operating procedures of existing Energy Smart SBC programs. As such, there is no need for major shifts of program funding or the use of the funding at issue, the supplemental monies. Staff has advised us that NYSERDA will discuss these suggestions with the SBC Advisory Group and will advise us if any will be adopted.

PUBLIC NOTICE

Notice of the Commission's potential action was published in the February 14, 2001 New York State Register. Comments were received from the three parties discussed above.

It is ordered:

1. The use of supplemental funds proposed by the New York State Energy Research and Development Authority on page 10 of its February 15, 2001 SBC Operating Plan is approved.
2. This proceeding is continued.

(SIGNED)

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Commissioner