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Comments

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*Carol E. Murphy  
Executive Director*

*Hand Delivered*

August 27, 2007

Honorable Jaclyn A. Brillling  
Secretary  
State of New York  
Public Service Commission  
Three Empire State Plaza, 19th Floor  
Albany, New York 12223-1350

Re: Case Number 07-E-0437

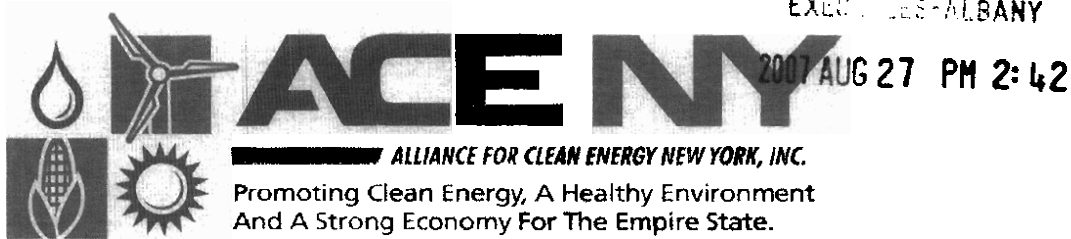
Dear Secretary Brillling,

I have enclosed for filing the original and five hard copies of the reply comments of the Alliance for Clean Energy New York in Case 07-E-0437. We also will serve all active parties to this case.

Sincerely,

Valerie Strauss  
Deputy Director

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State of New York  
Public Service Commission

Case 07-E-0437

*Petition to Expand the Ceiling on the Photovoltaic Net Metering Load for Central Hudson Gas and Electric Corporation from 1.2 MW to 3.0 MW*

### REPLY COMMENTS OF THE ALLIANCE FOR CLEAN ENERGY NEW YORK (ACE NY)

The Alliance for Clean Energy New York (ACE NY) is a unique blend of energy industry and environmental interests working together to promote clean energy, energy efficiency, a healthy environment and a strong economy for New York State. Our diverse membership includes renewable energy and energy efficiency companies, environmental and economic development organizations, academic institutions, and consultants to the energy sector. ACE NY supports net metering for clean, on-site power generation using renewable resources.

As ACE NY indicated in comments on this issue in June, we strongly support an increase in the amount of on-site renewable energy able to receive net metering within the Central Hudson utility service territory, as requested in a petition to the Public Service Commission (Commission) by the New York Solar Energy Industries Association and Sustainable Hudson Valley (submitted on April 5, 2007 and noticed in the State register on May 1, 2007). In its initial Order in this proceeding issued on June

*Alliance for Clean Energy New York*

21, 2007, the Commission continued the proceeding to determine if the utility would experience “significant financial losses.” (Commission Order at p.7) Clearly this is not the case. Central Hudson’s most recent filing does not show significant losses and does not justify recovering any losses whatsoever from ratepayers and, therefore, has done nothing to alter our position.

Central Hudson claims the requested increase is unfair to the utility (i.e., its shareholders) since it will result in a financial impact on the utility. First, any financial impact will be quite small in comparison to total revenues or profits. In fact, Central Hudson reported outstanding earnings in its most recent quarterly financial report. Central Hudson reported earnings of 32 cents during the second quarter of 2007, as compared to 25 cents during the same period in 2006, which is an increase of 28 percent (see [http://www.cenhud.com/about\\_us/news/nr\\_july30\\_07.html](http://www.cenhud.com/about_us/news/nr_july30_07.html)). Central Hudson’s peak load is approximately 1300 MW and the petition requests an increase in the cap to a mere 3 MW. In addition, these on-site systems will not produce at rated nameplate capacity and the power these systems generate will be used almost entirely on-site.

Given the energy produced is used primarily on-site, these systems are similar to the installation of energy efficiency measures. Central Hudson’s argument that it should be fully compensated for revenues that are lost due to the non-use of energy by ratepayers, it appears, would apply equally to homeowners that renovate their homes to be well insulated and incorporate highly efficient appliances and lighting – or to those that use a clothesline rather than a clothes dryer. Our position is that it makes little sense for public policy to require payments to the utility for power never even obtained from the grid. To support this irrational contention, Central Hudson does raise the issue of the

Commission's recent decision to implement revenue decoupling mechanisms in rate-making proceedings. The intent of revenue decoupling is to ensure that the utilities do not have an incentive to prevent implementation of energy-conserving measures (i.e., it removes a *disincentive*). Contrary to Central Hudson's belief, it does not mean that rates will be set to ensure utilities make just as much as they would have absent implementation of efficiency measures. Indeed, if that were so, consumers would never see any downward impact in their bills from adoption of efficiency measures. ACE NY does not believe that the Commission's intent in implementing decoupling is to merely reduce energy consumption without also providing economic benefits to ratepayers. Therefore, neither should ratepayers be expected to make the utility "whole" after installation of on-site clean power systems.

Net metering is a simple, easily administered method of encouraging customer investment in renewable energy technologies. Without net metering, the financial attractiveness of investing in on-site clean power generation is severely reduced. In addition, without net metering owners of these systems would at times be providing power for free to Central Hudson, who would in turn sell it to others. The utility would be increasing its profits at the expense of the consumers with on-site systems.

Furthermore, Central Hudson fails to acknowledge in its filing that distributed clean power generation within its territory provides benefits to the grid. Solar power, for example, has its highest output coincident with peak electricity on hot summer days when prices are highest and the grid is most stressed. The New York Independent System Operator has noted that the lower Hudson Valley has transmission constraints that are the result of voltage support problems (see *NYISO Power Trends 2007*, p. 15). The addition

of on-site generation can help alleviate this situation and reduce the need to make additional investment in new voltage support systems.

Increased use of on-site renewable power is in keeping with State energy policy as evidenced by NYSERDA programs in support of photovoltaics and customer-sited wind energy, the customer-sited tier of the Renewable Portfolio Standard (RPS), and more recent statements by legislators and the Governor on the need for more clean power generation and actions to reduce stress on the grid. The Commission also has expressed support for increasing the use of distributed generation (see, for example, cases 02-E-1282 and 03-E-1088).

There are no sound arguments to denying the full petition request. Public Service Law authorizes the Commission to increase the ceiling on the total megawatts eligible for net metering from cumulative installations if the Commission determines that additional net metering is in the public interest. The installation of photovoltaic systems is contributing to the generation of electricity from clean, renewable, distributed sources. Net metering assists customers by providing stable-priced clean power, supports economic development by supporting local businesses, and reduces stress on the grid at times of peak demand without contributing to the erosion of air quality. This is clearly in the public interest.

ACE NY urges the Commission to expeditiously raise the cap on the amount of on-site generation eligible for net metering within Central Hudson's territory to ensure that consumers will continue to be interested investing in these systems. Continued increases in the use of clean power generation benefits the public at large, helps consumers lower their electric bills and merits PSC support.

Respectfully submitted on August 27, 2007,

Carol E. Murphy  
Executive Director