

New York State Rural Electric Cooperative Association

2009 New York State Energy Plan ENERGY COORDINATING WORKING GROUP Interim Report March 31, 2009

Governor David A. Paterson Leadership On Energy Planning

NYSRECA commends Governor Paterson for his leadership on energy issues and on Executive Order No. 2, issued April 9, 2008, that creates the State Energy Planning Board charged with developing a State Energy Plan. NYSRECA appreciates the invitation to participate in the development of the Plan and this opportunity to comment on the Energy Coordinating Working Group Interim report issued March 31, 2009.

NYPA Preference Power Hydro Contracts

The importance of NYPA hydro contracts to the efficacy of New York's rural electric cooperatives cannot be overstated. These long-term power agreements between NYPA and the rural electric cooperatives result in the delivery of low-cost power to the state's most economically-challenged areas.

The interim report raises concerns for rural electric cooperatives in New York by calling for an evaluation of the current allocations of Niagara power. As stated in the interim report:

The basic business model under which NYPA operates today, for both its sales to municipal utilities and rural cooperatives and economic development programs, was established by State law more than 75 years ago. Although there have been numerous State and federal legislative actions directed towards NYPA since that time, none have dislodged the basic premise that power generated by NYPA facilities may only be sold to certain eligible entities specified in legislation and, further, that the power sold to those eligible entities has, in most cases, been directly tied to the output of a particular facility. For example, certain customers within a 30-mile radius of the Niagara facility qualify for an allocation of Niagara hydropower that has, for decades, been priced at approximately 1.07 cents per kilowatt-hour.

The current NYPA contracts with rural electric cooperatives expire 2025. The renewal of these power agreements at favorable rates is essential to the mission of rural electric cooperatives. Also, the availability of the cooperatives to purchase power supply from NYPA in the day-ahead market is critical to meeting incremental power needs at reasonable cost and price certainty.

The Interim Report further casts doubt about the future by suggesting:

NYPA owns and operates a portfolio of electric generation resources for the benefit of New York State. Yet, the legislative requirements under which NYPA must operate places strict limits on the way in which the State may use that portfolio to support its economic development agenda. NYPA is also an experienced, proven developer of significant electric system infrastructure in the State. The challenges to more fully realizing these dual benefits of NYPA are not insignificant. They will likely be addressed in the 2009 Energy Plan. Other matters related to the interaction of New York's energy sector and the economic competitiveness of the State will be more fully developed in the Energy Plan and, particularly, in the Energy Costs and Economic Development Issue Briefs.

NYPA Responsiveness To Rural Electric Cooperative Partners

As a partner of rural electric cooperatives, NYPA's working relationship and responsiveness to the cooperatives is crucial. Much of what rural electric cooperatives do is dependent in some way on the cooperation of NYPA. In order to better service their members, rural electric cooperatives need clear and timely responses to questions and assistance regarding many aspects of our operations. These include: billing and fee structure methodologies; supply interruptions; development of renewables; self-regulation; incremental power contracts, etc.

The Governor should nominate and the Senate confirm NYPA Trustees that are aware of the rural electric cooperatives' role in delivering low cost and reliable power to rural areas of the state and who will work to enhance this important energy service partnership.

NYISO Reform

Electric Cooperatives, as electric distribution utilities, are impacted in a number of ways by NYISO administration of the grid and its related capacity payments and transmission congestion charges. Some of our cooperatives, as small generators, also participate in the market clearing price auction as conducted by the NYISO.

NYSRECA member cooperatives' experience with the NYISO is mixed. While we do believe the market clearing price auction has certain benefits in the way of incentives for efficiencies and the development of renewables, it does not provide incentives for transmission development to help reduce congestion costs and keep rates low. Also, the NYISO is less than transparent when it comes to revealing the basis for its costs and charges, a significant portion of our members' electric bills.

NYSRECA supports the promotion of transparency with respect to NYISO administrative and congestion charges. Greater state oversight is needed to detect and identify those who attempt to purposely manipulate or "game" the energy markets and a mechanism is needed to secure refunds to customers in cases where there is found to be fraud or overpayments.

The NYISO should be directed to exempt landfill gas facilities and other small renewable generation from imbalancing penalties that have a significant negative impact on the economics of these renewable projects, and allow all renewable energy projects regardless of their size to settle in fractional MWs without the requirement for making-up "shortfall" in the real time market.

Electric Cooperatives As Renewable Energy Development Partners

NYSRECA believes it is vital for the State of New York to have a comprehensive long-range energy policy and strategies to increase energy supply and reduce energy demand. Renewable energy and energy efficiency promise to provide a means to quickly begin the transition away from the State's dependence on fossil fuels.

NYSRECA member cooperatives are particularly well positioned to support and expand the state's efforts on energy conservation and clean and renewable energy development. In addition to their expertise in energy markets, professional management of electric distribution systems and objectives of serving their membership on a non-profit basis, cooperatives have demonstrated innovative and creative approaches to successful development of energy efficiency and renewable projects.

For example, the New York cooperatives were some of the first in the U.S. to successfully deploy AMI/AMR and automated Load Control Programs (peak shaving) over six years ago, well before investor-owned utilities considered such systems. Further, the New York cooperatives have developed strong and successful partnerships with leading public, private and academic institutions in research, development and deployment of innovation technologies and approaches to energy conservation and renewables. Among such organizations are NYSERDA, NYPA, the U.S. Department of Energy, the U.S. Environmental Protection Agency, Sandia National Laboratories, EPRI, CIATI, SUNY, CUNY, RPI, Carnegie Mellon and others.

Promote Energy Conservation And Development of Renewables

NYSRECA has long sought the ability for rural electric cooperatives and their members to access NYSERDA grants to enhance our energy conservation and development of renewable energy generation technologies efforts. NYSRECA believes that, as non-profit, member-owned cooperatives, cooperative members, many of whom are keenly interested in implementing residential renewable projects, should also be directly eligible for these programs. New York should maximize the advantages of this renewable energy development expertise, available federal financial aid programs and willing private investment by seeking to partner and/or assist the State's rural electric cooperatives with a variety of energy conservation and renewable energy development projects.

Not only should rural electric cooperatives be included in NYSERDA administered energy-related programs for the benefit of all state residents, but they need also to be encouraged to maximize opportunities available through NYPA supported energy programs as well.

Renewable Energy Credits (RECs) And Carbon Credits

In 2009, the Governor called for 45 percent of the State's electricity needs to be met through improved energy efficiency and clean renewable energy by the year 2015, the "45 by 15" plan. New York State is developing multiple strategies to achieve its "15 by 15" goal which will allow energy efficiency to satisfy a significant portion of the State's electricity resource requirements over the planning horizon. Among these strategies are programs to increase participation rates among residential and small commercial customers, which will also help to lower electricity bills for participating utility customers. The 2004 Renewable Portfolio Standard set a goal such that

25 percent of electricity delivered to New York consumers by 2013 would be generated by renewable resources. The Governor calls for increasing this goal to 30 percent by the year 2015.

The Energy Plan needs to reconcile these goals with each other, as well as integrating them with the goals of the Regional Greenhouse Gas Initiative (RGGI) and the developing federal Climate Change legislation, and their relation to the REC and carbon credit markets. It is vital, however, that policymakers are aware what impacts these markets will have on the cost of electricity to New York consumers. NYSRECA urges the Energy Plan to focus on how all these strategies together can result in monetizing environmental attributes from energy conservation and renewable projects in order to provide necessary economic incentives to support the development and ownership of such projects and to decrease the overall environmental “footprint” of new electric generation in the state, region and nation.

NYSRECA Stimulus Funding Requests

New York rural electric cooperatives are state and national leaders in efforts to create energy efficiencies and smart grid technology implementation. All four NY cooperatives are 100% AMI, way ahead of the investor-owned utility industry in the utilization of this technology in conservation and peak load shaving. NYSRECA believes that the American Recovery and Reinvestment Act provides a great opportunity to access federal funding for several initiatives that could help the state meet its aggressive energy goals and benefit rural electric cooperatives and their members. That is why NYSRECA has been very aggressive in working with our federal and state representatives in urging funding be directed to the cooperatives for these purposes. NYSRECA members have submitted a comprehensive list of energy conservation, renewable energy and electric distribution infrastructure funding requests under the stimulus that deserve consideration and approval for their energy efficiency and job creating potential. NYSRECA continues to urge our federal and state representatives to help navigate the review process and to support and approve the rural electric cooperatives’ requests for funding. These important initiatives will help achieve the national and state goals of energy conservation and promoting economic development and job creating opportunities in parts of rural New York that are in desperate need of lower-cost energy and public works projects.

Transportation Sector Electrification

The active involvement, with appropriate incentives, by the electric utility sector is needed to address the reduction of the state’s transportation sector dependency on fossil fuel. This should include special consideration of greater reliance on electricity for transportation. NYSRECA members are involved in the development of battery and other energy storage technologies whose success will go a long way to creating opportunities for electrification. These and other efforts can be enhanced with proper incentives, and the Energy Plan should look to RGGI and the federal Climate Change legislation to devise an allowance program that rewards the electric utility sector for investment as well as developing energy efficiency standards.

State Authority Over Local Renewable Energy Project Siting And Development

The propensity for local rejection of renewable projects will remain a barrier to siting renewable power projects unless the state demonstrate greater leadership and commitment to communication, education and incentives for communities to accept and support such

developments. The Energy Plan needs to develop strategies for more control at the state level for implementing the programs and goals contemplated in the Interim report.

State Energy Planning Process

The Energy Plan needs to continue to insure NYSRECA members' full participation as stakeholders in state energy planning efforts and energy policy legislation.