[Please note that this letter was submitted to the Department of Public Service by Renovus Energy Inc based in Ithaca, NY on September 12, 2006. The text is reproduced here as a public resource.]

September 11, 2006

John Reese, Director
Office of Economic Development and Policy Coordination
New York State Department of Public Service
3 Empire State Plaza
Albany, NY 12223

Re: Funding of the Customer-Sited Tier of New York's RPS Program

Dear Mr. Reese,

I am writing with concerns about the proposed allocation of funding for the Customer-Sited Tier of New York's Renewable Portfolio Standard (RPS) Program. As you are aware, the RPS program in New York, unlike that of other states, does not involve mandates on individual utilities to generate or purchase a certain percentage of their electricity from renewable sources. Instead, to reach the 6% non-hydro renewable requirement by 2025, the program encourages the growth of renewable energy technologies through an incentive based procurement mechanism funded by ratepayers. As this is the primary means of supporting renewable technologies in the state, it is important that this incentive program be sufficiently funded and targeted to the technologies that are rapidly growing and most capable of making an immediate, significant, and sustainable contribution to New York's energy supply.

On June 28, 2006, the Public Service Commission issued an order authorizing $45 million in funding for the Customer-Sited Tier of the RPS program through 2009. Of this total, 30.7% will be for solar PV and 10% for small wind. This is equivalent to an average of $4.6 million per year for solar PV and $1.5 million per year for wind. While this allocation provides renewable installers and businesses with some certainty about the availability and timing of some funding for these technologies through 2009, it falls far short of what is needed to support these important technologies.

Already by mid-year 2006, NYSERDA has distributed $3.4 million under the solar PV incentive program, and has received as many PV incentive applications as were submitted in all of 2005. At this rate, it is estimated that almost $7 million in PV incentives could be distributed in 2006 alone. Under the June Commission order, however, PV incentives will be limited to $4.6 million per year through 2009, making it impossible to meet even this year's demand for incentives, much less future demands.

While we understand that NYSERDA and Staff plan to monitor program expenditures through 2009 and to establish a mechanism that will provide for some shifting of funds each year, this is an insufficient redress to the problem that is apparent now. If

unaddressed, the present proposal will create a level of uncertainty related to funding availability that will negatively affect commercial investment in solar PV. In terms of its long-term development, money spent early on to support the expansion of solar power is far more effective than money spent at a later date. The funding limitations proposed by the Commission in their June 2006 order will already restrict solar PV development in New York in 2006, and are thus inconsistent with the intent of the RPS program.

We strongly urge the Commission to take immediate steps to allocate a greater amount of funding for solar PV incentives through 2009. This can either be done by increasing the $45 million allocation to the Customer-Sited Tier of the RPS Program, or by redistributing some of the money allocated to fuel cells and anaerobic digestors in the present funding proposal. PV is one of the most promising renewable energy resources, particularly in light of recent advances in solar cell technology and growing concerns about climate change. Already the installation of PV systems in the state has grown significantly since 2003, as the number of incentive applications for PV clearly demonstrates. The New York solar industry supports local business, brings well-paying jobs, eases peak demand on the transmission and distribution grids, reduces pollution associated with conventional electricity generation, and contributes significantly to making the state a healthier place to live.

The incentives policy is also funded by ratepayers, and should be structured in line with their requests and interests, as evidenced in part by their requests to the Department of Public Service. This program is not a giveaway of ratepayer money, but a policy put in place to balance out the years of federal and state subsidies to conventional fuels and large central generating stations, and also to account for the externalized costs and burdens of these fuels not presently measured in our economic system.

Thanks for your consideration of these concerns. If you have any questions or need further information, please contact

Sincerely,