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Kevin Lanahan
Director of Government Relations
Consolidated Edison Company of New York, Inc.
4 Irving Place
New York NY 10003
www.ConEd.com

MEMORANDUM IN OPPOSITION

A.9149-A (Englebright)

This bill would establish a solar energy development subsidy program paid for by energy customers. While we support Governor Cuomo's NY-SUN Initiative, which will use $432 million of existing Renewable Portfolio Standard funds to expand customer-sited solar electric generating systems in New York over the next four years***, we cannot support enacting an additional and hidden "solar tax" paid for by our customers to do so.***

Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc. (the "Companies") are subsidiaries of Consolidated Edison, Inc., one of the nation's largest investor-owned energy companies, providing electric, gas and steam service to 3.3 million customers in New York City, Westchester County, Orange County, and Rockland County. In aggregate, the Companies employ almost 15,000 employees and pay more than $2.3 billion annually in state and local taxes.

While the Companies support the objectives of this bill – expanding solar generation – **we are constrained to *oppose* this bill because it will result in drastically higher utility bills for New York State utility consumers.**

The Companies believe that **the best course of action is for New York State to support and stimulate solar energy development through the state's existing renewable portfolio standard** ("RPS").

Customers of investor-owned utilities in New York will pay nearly $3 billion to purchase renewable energy between 2012 and 2024 under the State's existing RPS program. New York State should not ask them to pay again in order to subsidize the solar industry.

New York's electric customers have some of the highest retail rates in the U.S. Mandating a program of this nature and increasing those costs, especially at a time of high unemployment, is simply not sound public policy.

Long Term, High Cost Solar Energy Contracts Are Not Good for Customers

Solar is already the most expensive form of renewable energy in the market and it is intermittent. This bill will make solar energy more expensive in NYS.

Because of the bill's long-term purchase requirements, costs will be hard to control. By mandating a specific volume of solar, the bill eliminates flexibility to adjust for fluctuation in pricing. The bill mandates a very rapid increase in solar purchasing in later years - 400 MW in first three years and *1600 MW* in the next six – which will expose customers to high costs if solar energy prices do not fall substantially between now and 2021.

Reduced flexibility eliminates the ability of regulators to control the overall cost of the state's renewable energy program and optimize the investment of scarce capital to achieve a clean energy future in the most cost effective manner.

Furthermore, focusing on technology carve-outs reduces the competitive pressure between renewable energy technologies. Today, wind is the most successful renewable technology because it is the cheapest; however, solar is working hard to reduce its costs. Technology carve-outs eliminate that competition, which will result in the cost of renewable energy not falling as quickly as potentially possible and raising the cost of renewable energy programs for the state.

This mandate may also crowd out more cost effective means of reducing the environmental impact of electricity – e.g., energy efficiency, repowering of old plants, investment in transmission to transport less expensive on-shore wind energy.

The high costs are further exacerbated by the bill's prevailing wage requirements. Wage mandates will significantly increase the costs associated with purchasing solar.

The long term costs of imposing a solar energy purchasing mandate on utilities is simply too high. Imposing a hidden "solar tax" on energy customers – one that benefits a single industry – does not make sense.

This Bill is Duplicative of Programs Currently Administered and Will Cause Confusion

This bill is duplicative of current programs authorized by the PSC and administered by NYSERDA and will create confusion in the marketplace. It also duplicates existing programs administered by LIPA, and penalizes NYPA customers by requiring them to fund solar power twice – once by paying for a new NYPA solar program and once by paying for their distribution company's solar program. Such confusion could drive away companies which would otherwise consider investing in NYS renewable energy.

New York State has made a significant financial commitment to renewable energy sources through the RPS. This financial commitment has been borne by utility customers, who pay into the RPS fund each month through a surcharge on their utility bills.

This would also be duplicative of NYSERDA activities. It funds nearly $28 million/year of solar projects in the customer-sited tier and $30 million/year of larger renewable projects in the Hudson Valley and downstate regions.

Requiring utilities to purchase solar could make such programs moot and question whether the existing programs will continue and could through the market into disarray.

Furthermore, NYSERDA is currently the sole purchaser of renewable energy in NYS, giving it the buying power and leverage to get the best prices possible. New York would go from having a single buyer of solar energy to requiring each of the utilities to purchase solar power, resulting in duplicative, costly activities at each utility to accomplish this. This would be particularly hard on smaller utilities, where the fixed costs of establishing a solar procurement function within the utility would be spread over a smaller customer base.

Let the Recent Expansions of State Renewable Energy Programs Work

The renewable energy programs that already exist in New York State provide sufficient subsidies to encourage solar energy development. A recent NYSERDA study praised New York State as having the most successful renewable energy program in the Northeast.

In 2010 the State increased its renewable energy goal, and increased the amount to be collected from electric utility customers to achieve that goal, from $741 million to about $3 billion. In addition, net metering laws were recently amended to expand solar energy development.

As part of the Governor's NY-SUN Initiative, the Public Service Commission ("PSC") recently approved NYSERDA's request to double funding for customer-sited solar electric systems to $432 million over the next four years. This will increase financial incentives for large, commercial-sized PV projects and expand incentive programs for small-to-medium residential and commercial systems.

Net metering has been expanded in recent years, increasing the size of projects eligible for net metering to 2MW, increasing the number of eligible technologies, and allowing for transferring net metering credits between properties owned by the same customer.

These aspects of the State's renewable energy strategy should be given the time to make an impact before locking customers into long-term, non-cost effective contracts.

Solar Mandates Will Cost Low Income Customers the Most

Solar mandates are the utility customer version of a regressive tax, because the people who benefit most from it are those who can afford to purchase their own solar PV systems. This will largely be customers on the higher end of the income scale.

Low income customers, most of whom will not be able to buy or lease a solar installation, will end up paying more for their electricity.

Rather than burden low income customers in this manner, solar PV programs should be implemented so as to ensure that the costs and benefits are shared by all customers.

More Solar Subsidies Are Not the Answer

The Companies support economically sustainable, transparent and predictable market options to encourage greater deployment of solar technology in New York.

A statewide effort streamlining application and permitting processes to eliminate bureaucratic roadblocks to solar installation is the most effective step to bringing more solar to the State—not additional and costly subsidies.

Enacting a solar mandate will lead to higher utility bills. The better solution to supporting solar energy development in New York is to work within the existing RPS structure, which has been designed to be compatible with the competitive energy markets and will not increase the already high rates that New York's energy customers must bear.

For the reasons stated above, the Companies urge that no favorable action be taken on this bill.