

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission to
Implement a Large Scale Renewable Program
and a Clean Energy Standard

Case 15-E-0302

**PETITION REGARDING UNSPENT RES ADMINISTRATION 2017 FUNDING AND
PROPOSED 2018 CLEAN ENERGY STANDARD ADMINISTRATION COSTS**

Introduction

The New York State Energy Research and Development Authority (NYSERDA) files this petition seeking identification and quantification of the funds to be used to cover NYSERDA's costs and fees needed to administer Tier 1 of the Renewable Energy Standard (RES) for Compliance Year 2018, and to propose the administrative adder for Compliance Year 2018-2019 of the Zero-Emissions Credit Requirements (ZECR) program (collectively, the Year Two Administrative Funds).

Background

In establishing the RES and ZECR Programs, which comprise the Clean Energy Standard (CES), the Commission adopted the State Energy Plan goal that 50% of New York's electricity is to be generated by renewable sources by 2030 as part of a strategy to reduce statewide greenhouse gas (GHG) emissions by 40% by 2030.¹ The CES Order created the principal structure through which the State will channel its supply-side efforts to achieve the GHG goal. In furtherance of that strategy, the Commission directed a two-part initiative to increase the State's renewable energy supply and to impose obligations on load-serving entities (LSEs) to financially support the preservation of existing at-risk nuclear zero-emissions attributes to serve their retail customers.

Under Tier 1 of the RES, the CES Order requires each LSE to serve their retail customers by procuring qualifying Tier-1 renewable energy credits (RECs) in a defined and increasing percentage of the total load served by the LSE. LSEs are permitted to meet their RES obligations

¹ Case 15-E-0302; Proceeding to Implement a Large-Scale Renewable Program and a Clean Energy Standard, "Order Adopting a Clean Energy Standard," issued and effective August 1, 2016 (CES Order).

by purchasing RECs from NYSERDA, from other sellers, or by making Alternative Compliance Payments (ACPs) to NYSERDA. The Order establishes the RES compliance period as January 1 to December 31 of each year, beginning in 2017.

Under the ZECR Program, the CES Order requires each LSE that serves end-use customers in New York to purchase from NYSERDA the percentage of ZECs purchased by NYSERDA from qualifying generators during each compliance year that represents the portion of the electric energy load served by the LSE in relation to the total electric energy load served by all such LSEs during that compliance year. The CES Order established the ZECR compliance period as April 1 to March 31 of each year, beginning in 2017. The ZECR purchase obligation is divided into six two-year tranches, the last ending on March 31, 2029.

The Commission designated NYSERDA as the administrator of both the RES and ZECR programs. In August of 2016, NYSERDA filed a Petition seeking the identification and quantification of the funds to be used to cover its costs for year one. The Commission approved NYSERDA's Petition, with modifications, on November 17, 2016.² The November Order approved the use of existing unspent System Benefits Charge (SBC), Energy Efficiency Portfolio Standard (EEPS), and Renewable Portfolio Standard (RPS) funds to cover administrative costs for both the RES and ZECR programs, and established a reduced ZEC adder charge (Year One Administrative Funds).

Administration/Administrative Adder

As directed by the November Order, NYSERDA has filed quarterly itemized reports on costs associated with the administration and the development of the RES and ZECR programs. As is illustrated by Table 1, NYSERDA is projecting an unspent balance from the SBC, EEPS and RPS-funded portion of the Year One Administrative Funds. NYSERDA proposes to use these unspent funds toward anticipated Year Two costs (Table 2), consistent with the approach authorized by the Commission in the November Order. As was the case for Year One, given the relatively small number of RECs likely to be available for Year Two, and to reduce additional collection charges, NYSERDA requests approval to use additional existing unspent System Benefits Charge (SBC), Energy Efficiency Portfolio Standard (EEPS), and Renewable Portfolio Standard (RPS) funds to cover anticipated remaining Year Two CES administrative costs that exceed the unspent balances.

In future compliance years, where NYSERDA anticipates having a larger quantity of RECs available for sale, and/or if unspent funds are no longer available or are insufficient to cover costs, NYSERDA may propose a REC adder mechanism. NYSERDA will provide an end of

² Id.: "Order Approving Administrative Cost Recovery, Standardized Agreements and Backstop Principles," issued and effective November 17, 2016 (November Order).

year report demonstrating actual expenses at the end of 2017; projected costs and unspent balances may differ slightly from those included in Table 1. NYSERDA's available funding for Year Two costs will be adjusted accordingly.³

NYSERDA's administrative budgets typically include those direct and indirect costs for NYSERDA staff direct and indirect salaries, fringe benefits, and other direct program operating costs and allocated general and administrative expenses. Year One costs included initial start-up categories identified as "Non-recurring" and "Capital" for program and system development.

As noted in the tables below, the proposed budget for Year Two is about \$186,000 less than the projected costs for Year One, and almost \$2.5 million less than the approved Year One budget. The proposed increase in RES and decrease in ZECR Salary and Overhead costs reflects NYSERDA's experience in administering the programs, and a more educated estimation of the anticipated staff and time necessary to perform all necessary functions. For RES, the more administratively complicated of the two programs, Compliance Year Two will require an increase in staff time to actively manage contracts resulting from the 2016 and 2017 RES solicitations. In addition, as proposed in the Phase 2 Implementation Plan, RES Compliance Year Two may require the administration of quarterly sales, and will require staff time to reconcile Year One LSE compliance obligations for both RECs and ZECs.

Year Two categories include "RES/ZECR Technical Support" and "RES System Development." RES/ZECR Technical Support includes costs associated with the on-going program consultant support and implementation for the REC/ZEC programs; development and issuances of procurements and technical evaluation panels for proposal submission received by NYSERDA to procure Tier 1 eligible resources. RES System Development includes costs for anticipated revisions to NYGATS resulting from the Phase 2 Implementation plan, filed by NYSERDA on May 12, 2017 (not yet approved by the Commission).

NYSERDA will allocate a proportionate share of the annual New York State Cost Recovery Fee (CRF) to the CES program. The CRF is a fee assessed to NYSERDA and other public authorities by New York State for an allocable share of state governmental costs attributable to the provision of services to public benefit corporations pursuant to Section 2975 of the Public Authorities Law. For the past three fiscal years, the CRF assessment has averaged about 1.89% of NYSERDA's annual expenses. NYSERDA has assumed a rate of 0.9 % for determining the amounts of CRF costs allocable to the RES and ZECR programs. NYSERDA proposes utilizing unspent SBC/EEPS/RPS funds to cover CRF expenses allocated to the RES and ZECR programs.

³ Note: any unspent funds collected through the ZEC adder will be credited to LSEs through the annual reconciliation process.

For the ZECR program, NYSERDA also proposes to use unspent SBC/EEPS/RPS funds to offset the ZECR Technical Support portions of the anticipated ZECR expenses, while ZECR Salaries and Overhead will be funded through the ZEC adder. NYSERDA calculates the ZEC adder as \$0.0167 per ZEC (\$461,000 divided by 27,618,000, the maximum number of ZECs to be purchased and sold, for the period of April 1, 2018 through March 31, 2019).⁴

As directed in the November 16, 2016 Order, NYSERDA has kept a detailed account of all costs in administering the CES program and any unspent administrative funds shall be used for future ratepayer benefit. Any funds collected through the ZEC adder will, if unspent, be returned to the LSEs who purchased ZEC's, in a proportionate amount.

Table 1. Projected Unspent Funds - RES and ZECR Yr.1			
Program Salary, Overhead and Cost Recovery Fee Expenses	Approved Budget	Projected Expenses	Projected unspent Funds
RES Salary and Overhead	\$1,420,000	\$1,307,000	\$113,000
RES NYS Cost Recovery Fee Expenses	\$59,000	\$59,000	\$0
ZECR Salary and Overhead ¹	\$1,640,000	\$525,000	\$1,115,000
ZECR NYS Cost Recovery Fee Expenses	\$4,360,000	\$4,360,000	\$0
Non-recurring ²	\$600,000	\$600,000	\$0
Capital ³	\$3,320,000	\$2,356,000	\$964,000
Total	\$11,399,000	\$9,207,000	\$2,192,000
¹ Any unspent ZEC salary and overhead funds collected from the Year One administrative adder will be credited to LSEs through the annual reconciliation and settlement process			
² Any unspent to be used in Year 2 for RES/ZECR Technical Support			
³ Any unspent to be used for Year 2 for RES System Development Cost			

⁴ A reduction of \$0.0427 compared to the \$0.0594 Year One ZEC adder.

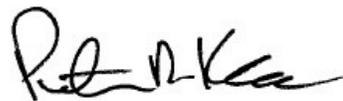
Table 2. Recommended Budgets - RES and ZECR Yr.2				
Clean Energy Standard - REC and ZEC Administrative Costs	NYSERDA's Proposed Yr 2 Costs	Funded from Projected Unspent (Yr. 1) Funds	Funded through ZEC Administrative Adder	Additional to be funded through uncommitted SBC/EEPS/RPS Funds
RES Salaries and Overhead	\$1,822,000	\$113,000	\$0	\$1,709,000
RES NYS Cost Recovery Expense ¹	\$53,000	\$0	\$0	\$53,000
ZECR Salaries and overhead	\$461,000	\$0	\$461,000	\$0
ZECR NYS Cost Recovery Expense ¹	\$4,460,000	\$0	\$0	\$4,460,000
RES/ZECR Technical Support	\$1,875,000	\$964,000	\$0	\$911,001
RES System Development	\$350,000	\$0	\$0	\$350,000
Total	\$9,021,000	\$1,077,000	\$461,000	\$7,483,000
¹ Cost Recovery amounts are estimates only. If actual cost allocations exceed the amounts requested and subsequently approved, NYSERDA will request for approval for the use of any additional unspent funds.				

Conclusion

NYSERDA respectfully requests that the Commission approve the proposed CES Year Two costs, the reallocation of the unspent SBS/EEPS/RPS Year One program funds into Year Two, the use of additional unspent SBS/EEPS/RPS funds in Year Two as detailed herein, and the ZEC adder, as proposed.

Dated: November 1, 2017

Respectfully submitted,



Peter Keane
Deputy General Counsel
NYSERDA
17 Columbia Circle
Albany, New York 12203-6399
518.862.1090, extension 3366
pete.keane@nyserda.ny.gov