

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on March 15, 2018

COMMISSIONERS PRESENT:

John B. Rhodes, Chair
Gregg C. Sayre
Diane X. Burman
James S. Alesi

CASE 15-E-0302 - Proceeding on Motion of the Commission to
Implement a Large-Scale Renewable Program and a
Clean Energy Standard.

ORDER APPROVING ADMINISTRATION BUDGET
FOR 2018 CLEAN ENERGY STANDARD

(Issued and Effective March 16, 2018)

BY THE COMMISSION:

INTRODUCTION

In its August 1, 2016 Order in the above captioned proceeding, the Commission designated the New York State Energy Research and Development Authority (NYSERDA) as the administrator of both the Renewable Energy Standard (RES) and the Zero-Emissions Credit (ZEC) programs.¹ On November 1, 2017, NYSERDA petitioned for approval of the Clean Energy Standard

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 August 1, 2016) (CES Framework Order).

(CES) administrative budget for the Tier 1 of the RES and the ZEC programs, for the 2018 compliance year.²

By this Order, the Commission approves NYSERDA's proposed 2018 compliance period program budgets. Further, as detailed below, the Commission authorizes reallocation of previously approved, but unspent, funds from the 2017 compliance period and the further reallocation of funds from uncommitted System Benefits Charge (SBC), Energy Efficiency Portfolio Standard (EEPS), and/or Renewable Portfolio Standard (RPS) funds to pay for 2018 administrative costs. All the unspent 2017 compliance funds will be reallocated rather than returned to load serving entities (LSEs) during the annual reconciliation process as proposed by NYSERDA. Because the reallocated funds are sufficient for the approved budget, there is no need to collect additional funds for 2018. Therefore, the Commission denies NYSERDA's request for a ZEC administrative adder for the 2018 compliance period.

BACKGROUND

The RES program requires each New York LSE to serve their retail customers by procuring qualifying Tier 1 renewable energy credits (RECs), produced by new renewable resources, in a defined and increasing percentage of the total load served by the LSE. LSEs are permitted to meet their RES obligations by purchasing RECs from NYSERDA, from other sellers, or by making Alternative Compliance Payments (ACPs) to NYSERDA. The RES compliance period is January 1 to December 31 of each year.

² The RES and the ZEC programs are on different program cycles. The 2018 RES compliance period is January 1 to December 31, 2018 and the 2018 ZEC compliance period is April 1, 2018 to March 31, 2019 (collectively and separately, "the 2018 compliance period").

Under the ZEC program, each LSE is required to purchase from NYSERDA the percentage of ZECs that represents the proportionate share 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 period. The ZEC compliance period is April 1 to March 31 of each year.

On November 17, 2016, the Commission approved the RES and ZEC programs administrative budgets and funds for the 2017 compliance period.³ The Commission approved the use of existing uncommitted SBC, EEPS, and/or RPS funds, to cover administrative costs related to both the RES and ZEC programs. These funds were reallocated to cover the RES Program salary and overhead expenses, non-recurring expenses for both programs, one-time RES and ZEC system development costs, and RES and ZEC Cost Recovery Fee (CFR) allocations.⁴ In addition, the Commission established a ZEC adder charge to cover ZEC program salary and overhead expenses. Finally, the Commission directed any unspent administrative funds to be used for future ratepayer benefit.

NYSERDA'S PETITION

NYSERDA's November 1, 2017 petition, requests approval of program budgets and the use of uncommitted SBC, EEPS, and/or RPS funds to cover costs and fees needed to administer the RES

³ Case 15-E-0302, supra, Order Approving Administrative Cost Recovery, Standardized Agreements and Backstop Principles (issued November 17, 2016).

⁴ The Cost Recovery Fee is a fee assessed on 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. The Director of the Budget is responsible for determining the amount owed by each public benefit corporation. NYSERDA allocates the CFR as an overhead cost across NYSERDA's program activities in proportion to its total annual expenses.

and ZEC programs for the 2018 compliance period. Additionally, NYSERDA requested approval of an administrative adder for the 2018 compliance period of the ZEC program. Table 1 below, submitted as part of NYSERDA's petition, illustrates the authorized 2017 compliance period budgets, projected expenses, and projected unspent funds.

As illustrated by Table 2 below, NYSERDA proposes to use most of the unspent funds toward 2018 compliance period costs. In addition, NYSERDA proposes to credit LSEs that portion of the unspent 2017 compliance period funds, relating to ZEC Salary and Overhead costs, approximately \$1,115,000, (see Table 1) through the annual reconciliation process. NYSERDA also proposes funding the 2018 ZEC Salary and Overhead costs (\$461,000) through a ZEC administrative adder, equaling a charge of approximately \$0.0167 per ZEC purchased from NYSERDA (\$461,000 divided by 27,618,000 ZECs - the maximum number of ZECs to be purchased by NYSERDA for the period of April 1, 2018 through March 31, 2019).⁵

Table 1
2017 RES and ZEC Compliance Period

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
ZEC Salary and Overhead	\$1,640,000	\$525,000	\$1,115,000
ZEC NYS Cost Recovery Fee Expenses	\$4,360,000	\$4,360,000	\$0
Non-recurring	\$600,000	\$600,000	\$0
Capital	\$3,320,000	\$2,356,000	\$964,000
Total	\$11,399,000	\$9,207,000	\$2,192,000

⁵ The ZEC adder for the 2017 compliance period (April 1, 2017 through March 31, 2018) was \$.0594 per ZEC.

Table 2
NYSERDA Proposed 2018 REC and ZEC Compliance Period Costs

	Proposed 2018 REC and ZEC Costs	Funded from Projected Unspent Funds	Funded through ZEC Adder	Additional Uncommitted SBC/EEPS/RPS Funds
RES Salaries and Overhead	\$1,822,000	\$113,000	\$0	\$1,709,000
RES NYS Cost Recovery Fee ¹	\$53,000	\$0	\$0	\$53,000
ZEC Salaries and Overhead	\$461,000	\$0	\$461,000	\$0
ZEC NYS Cost Recovery Fee ¹	\$4,460,000	\$0	\$0	\$4,460,000
RES/ZEC Technical Support	\$1,875,000	\$964,000	\$0	\$911,000
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.

NYSERDA projects total administrative costs of RES and ZEC for 2018 compliance period to be \$9,021,000; approximately \$2,378,000 less than the approved budget for the 2017 compliance period. The 2018 compliance period expense categories include RES Salary and Overhead, RES (CRF) expense, RES/ZEC Technical Support, and RES System Development costs. The RES/ZEC Technical Support includes, costs associated with on-going program consultant support, implementation of the RES/ZEC programs, and the development and issuance of procurements, including technical evaluation panels for proposals for the Tier 1 procurement process. The RES System Development includes costs for anticipated revisions to the New York Generation Attribute Tracking System (NYGATS), resulting from the Phase 2 Implementation Plan.⁶

⁶ Case 15-E-0302, supra, Order Approving Phase 2 Implementation Plan (issued November 17, 2017).

February 13, 2018 Update

On February 13, 2018, NYSERDA filed its Clean Energy Standard Administrative Quarterly Report for Q4 2017. This report provided final expense figures for the RES program, and it contained revised expense figures, through the first three quarters of the 2017 compliance period, for the ZEC program.⁷ NYSERDA's filing did not impact the proposed 2018 compliance period budgets. Table 3 shows updated program expenses, based on the February 13, 2018 NYSERDA filing of the Q4 2017 Report, and it provides projected unspent balances. This Order will incorporate these updated financial results.

Table 3
Updated 2017 RES and ZEC Compliance Period

Program Salary, Overhead and Cost Recovery Fee Expenses	Approved Budget	Program Expenses and Encumbrances	Projected Unspent Funds
RES Salary and Overhead	\$1,420,000	\$1,220,027	\$199,973
RES NYS Cost Recovery Fee Expenses	\$59,000	\$24,954	\$34,046
ZEC Salary and Overhead	\$1,640,000	\$522,164	\$1,117,836
ZEC NYS Cost Recovery Fee Expenses	\$4,360,000	\$5,203,989	(\$843,989)
Non-recurring	\$600,000	\$600,000	\$0
Capital	\$3,320,000	\$1,911,525	\$1,408,475
Total	\$11,399,000	\$9,482,659	\$1,916,341

Program Expenses for the ZEC Salary and Overhead, and ZEC NYS Cost Recovery Fees are forecasted through March 31, 2018.

NOTICE OF PROPOSED RULEMAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking regarding NYSERDA's petition was published in the State Register on December 13, 2017, [15-E-0302SP31]. The time for submission of comments

⁷ Subsequent to the filing of the Q4 2017 Administrative Expense Report, NYSERDA provided updated encumbrances to cover its forecast for ZEC costs for the final quarter of the 2017 compliance period, ending March 31, 2018.

pursuant to the Notice expired on February 12, 2018. No comments were submitted.

DISCUSSION AND CONCLUSION

The Commission approves NYSERDA's proposed 2018 compliance period RES and ZEC program budgets. Overall, the requested 2018 budget is lower than the projected costs for the 2017 compliance period. The 2018 Salary and Overhead expense related to the RES program are expected to increase to reflect the additional staff needed to administer the contract commitments that result from the 2017, and subsequent, CES solicitations. This increase is not unexpected or unreasonable, given the increasing size and complexity of the program, as procurement and allocation of RECs expands.

The Commission finds NYSERDA's proposal to reallocate authorized, but unspent 2017 compliance period funds toward the 2018 compliance period costs to be reasonable. Further, the Commission authorizes NYSERDA to use additional uncommitted SBC, EEPS, and/or RPS funds to meet the remaining 2018 RES compliance costs.

However, the Commission does not approve NYSERDA's proposal to refund \$1,117,836 of unspent 2017 compliance period funds relating to ZEC Salary and Overhead costs to LSEs through the annual reconciliation process. The Commission finds that it will be administratively more efficient to use the unspent 2017 compliance period funds to cover ZEC costs related to Salary and Overhead (\$461,000), and eliminate the ZEC administrative adder for the 2018 compliance period. The remaining \$656,836 of uncommitted 2017 ZEC funds will be used to mitigate a portion of the underfunded 2017 CRF expenses associated with the ZEC program. The remaining \$187,153 of unfunded 2017 ZEC CRF

expenses should be funded through the reallocation of uncommitted SBC, EEPS, and/or RPS funds.

It is anticipated that there will likely be a variance between the final actual ZEC program costs at the end of the 2017 compliance period, as of March 31, 2018 and the updated program expenses shown in Table 3. The Commission directs NYSERDA to true-up any variance between the actual ZEC 2017 compliance period expenses and the updated expenses as part of the ZEC reconciliation, expected to occur in September 2018.

The approved budgets and allocations are contained in Table 4 below.

**Table 4
Approved 2018 REC and ZEC Compliance Period Costs**

	NYSERDA's Unfunded 2017 Compliance Period Budgets	NYSERDA's Approved 2018 Compliance Period Budgets	Funded from Projected Unspent 2017 Funds	Additional Uncommitted SBC/EEPS/RPS Funds
RES Salaries and Overhead		\$1,822,000	\$199,973	\$1,622,027
RES NYS Cost Recovery Fee ¹		\$53,000	\$34,046	\$18,954
ZEC Salaries and Overhead		\$461,000	\$461,000	\$0
ZEC NYS Cost Recovery Fee ¹	\$843,989	\$4,460,000	\$656,836	\$4,647,153
RES/ZEC Technical Support		\$1,875,000	\$1,408,475	\$466,525
RES System Development		\$350,000	\$0	\$350,000
Total	\$843,989	\$9,021,000	\$2,760,330	\$7,104,659

1. 2018 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.

The Commission orders:

1. The New York State Energy Research and Development Authority (NYSERDA) is authorized to expend up to \$4,100,000 for Salary and Overhead, New York State Cost Recovery Fee (CRF), Renewable Energy Standard (RES)/Zero-Emission Credit (ZEC) Technical Support and RES System Development for the RES program expenses through December 31, 2018.

2. NYSERDA is authorized to expend up to \$4,921,000 for Salary and Overhead, and CRF for the Zero-Emission Credit (ZEC) program expenses through March 31, 2019.

3. NYSERDA is authorized to repurpose up to \$2,760,330 of previously authorized, but unspent System Benefits Charge (SBC), Energy Efficiency Portfolio Standard (EEPS), and/or Renewable Portfolio Standard (RPS) funds from 2017 compliance period.

4. NYSERDA is further authorized to repurpose up to \$7,104,659 of additional uncommitted SBC, EEPS, and/or RPS funds for the 2018 compliance period RES and ZEC program administrative costs.

5. NYSERDA shall reconcile any variance between the actual 2017 ZEC compliance period expenses and the forecasted 2017 ZEC compliance period expenses as part of the ZEC reconciliation.

6. NYSERDA shall continue to file quarterly reports containing itemized expenses associated with administration of the RES and ZEC programs.

7. In the Secretary's sole discretion, the deadlines set forth in this order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least one day prior to the affected deadline.

8. This proceeding is continued.

By the Commission,

(SIGNED)

KATHLEEN H. BURGESS
Secretary