

ELCON Fall Workshop Low-Carbon Electricity – State Climate Change Policies

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Disclaimer

- These Are My Observations
- I Am Not Here Speaking on Behalf of Any Clients

State Energy Policies Add to Consumer Burden

- Public Service Commission (“PSC”) Has Imposed Significant Surcharges that Add to New York Consumers’ Bills
 - PSC and the Department of Environmental Conservation (“DEC”), Acting Through NYSERDA, are About to Add to that Burden
 - This Analysis Does Not Include the Impact of Taxes or Charges for Other Energy Policy Initiatives That May Be Buried in Utility Rates

Current Energy Surcharges Already Are Significant

- Current Systems Benefit Charge (“SBC”) III Funding is \$175 Million Per Year Through June, 2011
 - Estimated Monthly Bill Impacts:
 - 1.8% for residential customers
 - 1.7% for commercial customers
 - 3.6% for industrial customers
 - Cumulative SBC Spending (SBC I, II and III) Will Be \$1.87 Billion as of June, 2011

Current Energy Surcharges Already Are Significant

- Current Renewable Portfolio Standard (“RPS”) Funding is \$67 Million for 2008, Increasing Annually to More than \$164 Million by 2013
- Estimated Monthly Bill Impacts:
 - 1.7% for residential customers
 - 1.8% for commercial customers
 - 2.2% for industrial customers
- Cumulative RPS Spending Projected to be \$742 Million through 2013
 - Note: Renewable Energy Task Force in February, 2008 reported that current spending is not enough

New Policy Initiatives = More Spending

- Projected “Fast Track” Energy Efficiency Portfolio Standard Funding (“EEPS”) is an Incremental \$172 Million Annually through 2011
 - Estimated Monthly Bill Impacts:
 - 1.8% for residential customers
 - 1.7% for commercial customers
 - 3.5% for industrial customers
 - Longer-Term EEPS Funding Expected to Add Another \$160 Million Annually
 - Estimated additional bill impacts slightly less than “Fast-Track” impacts
 - Impacts Analyzed Here Do Not Include Utility Lost Revenues or Incentives

Regional Greenhouse Gas Initiative ("RGGI")

- DEC's RGGI Regulations Were Approved by the New York State Environmental Board on August 11th
- NYSERDA's RGGI Regulations Were Approved by Its Board of Directors on September 15th
- RGGI Impacts will be Absorbed by Generators and Passed on to Consumers
 - Ultimate Consumer Impact Unknown but Likely to Be Very Significant
 - Connecticut set a \$5.00 per ton soft cap if exceeded revenues flow back to consumers

Potential RGGI Impact on Consumers

- Agencies Project Limited RGGI Impacts on Customers' Monthly Bills
 - 0.7% for residential customers
 - 0.9% for commercial customers
 - 1.7% for industrial customers
- Projections are Based on Fuel Prices that do not Reflect Current Markets
 - \$7.00 MMBtu Natural Gas; \$35 Per Barrel Oil
- Agencies Project that RGGI Auction Prices Will Be \$2.00/Ton in 2009 Moving Upward \$5.00/Ton in 2024
- Many Have Voiced a Strong Concern That Projected Auction Prices are Too Low

Alternative RGGI Scenarios

- RGGI Impact – What Ifs?
- Estimated Monthly Bill Impacts:

	<u>At \$7.00/Ton</u>	<u>At \$20.00/Ton</u>
Residential Customers	1.64%	4.69%
Commercial Customers	2.11%	6.02%
Industrial Customers	3.98%	11.38%

- Efforts to Introduce Consumer Safeguards (Auction Cap of \$5.00/Ton; Funding Cap of \$5.00/Ton) Into Auction Protocols Have Been Rejected by the NY Agencies; Adopted in CT

Cumulative Consumer Impacts Are Alarming

- Cumulative Impacts By Customer Class:

	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>
Current Impacts (%)			
SBC	1.80	1.68	3.60
RPS	<u>1.68</u>	<u>1.79</u>	<u>2.20</u>
Sub-Total Current	3.48%	3.47%	5.80%
Projected Impacts (%)			
EEPS – Fast Track	1.77	1.65	3.54
EEPS – Long-Term	1.65	1.54	3.29
RGGI @ \$7.00/ton	<u>1.64</u>	<u>2.11</u>	<u>3.98</u>
Sub-Total Projected	5.06%	5.30%	10.81%
Total Impact w/RGGI @\$7.00/Ton	8.54%	8.77%	16.61%
RGGI @ \$20.00/ton	11.59%	12.68%	24.01%

Open Questions For State Policymakers

- Are Cumulative Consumer Price Impacts Being Properly Evaluated and Considered?
- What is the Impact of these Cumulative Impacts on Economic Development?
 - Job Losses Instead of Job Growth
 - Less Money for Consumers to Spend
- Is the Analysis of State Energy and Environmental Initiatives Properly Balanced Given Current Conditions?

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