



6/28/2022

Response to: The Climate Leadership and Community Protection Act Draft Scoping Plan

Submitted to: The Climate Action Council

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I am writing to express our opinion with the Climate Action Council's draft scoping plan. We understand improvements in sustainability will need to take place to safeguard our environment for a viable future. As an employer, taxpayer, and utility ratepayer, we also must ensure New York remains a competitive place to do business. Consequently, there are components to the existing plan we believe need further review.

While much of the Council's Plan is laudable, there are elements of the proposal that would devastate our economy. As we all aspire to systematically reduce our carbon impact, we must work together to strike a balance over time that will have the desired result of protecting our planet while safeguarding our fragile economy.

For building operations, natural gas has been a cost-effective source of heat especially in the WNY area.

To electrify these buildings, there would be significant cost to re-engineer with more expensive equipment and higher operating costs than existing natural gas hybrid operations. Transitioning to all electric could lead to large increases in operating expenses. Along with other unanticipated impacts to consumers which we will discuss a bit later.

Multi-story buildings that have water source heat pump electric systems rely on a natural gas boiler system in winter for heating the loop. If even possible, these boiler systems will have to be completely re-engineered at an extraordinary cost. Multi-story buildings served by gas boilers would require engineering to determine sizing of the new electric boiler source to perform the function that the gas boiler did. Buildings may not have the capacity for an electrical service upgrade.

Western New York has many single-story slab on grade buildings that may not even have the space capacity in existing units to upgrade to all electrical unit.

Proposed changes would significantly drive-up capital replacement costs and future operating costs giving surrounding states further competitive advantage while reducing New York State's ability to retain and attract businesses and population.

Additionally, most electric transmission lines are located above ground. Western New York is prone to storms that often lead to power outages. Natural gas is below ground and not typically prone to these weather difficulties. We have experienced firsthand the inability of the existing grid to handle current needs. Above ground transmission lines are more prone to damage due to weather than underground gas lines. Major storms that cause power outages over widespread areas especially in below freezing weather will have major implications on building system failures as has recently happened in Texas..

New York state should not be in a position to expect, as other states have experienced, rolling blackouts to manage grid demands. Many of us already experience higher costs including running generators, higher insurance premiums, and other costs associated with protection against these power failures. Proposed changes toward all electric facilities will further exasperate the situation.

The impact of the existing CLCPA on residential properties and restaurants to retrofit appliances that currently require gas to operate would also be incredibly expensive. Banning natural gas, a sustainable, low-carbon fuel, would force many New Yorkers from the primary resource used to heat their homes and other daily activities. Why would we eliminate a resilient underground source of power that offers a reliable delivery system even in bad weather as we so often experience in New York State.

Existing proposed recommendations in the draft scoping plan would add significant cost to businesses. There is no doubt many businesses would leave the state, in addition to reducing the number of companies considering locating to our state. We are actively working with site selectors to recruit clean industrial and advanced manufacturing companies to New York which will not be possible without significant reliable power to run operations. We should not be making it more difficult and more expensive than it already is to do business in New York.

Energy in New York needs to remain reliable and affordable. If the current plan is adopted, New York will spend resources we do not have to electrify every part of our state without being prepared to service electrical capacity that would be needed. In the process, the state would shun a fuel source that is cheap, safe, dependable, plentiful, and low emission.

A significant component to the real estate carbon impact in New York State is the production of and transportation of building materials. We should look to implement responsible sourcing making it a priority to purchase steel, lumber, concrete and finishing materials from companies that use environmentally responsible manufacturing techniques or recycled materials and make it more affordable to produce these materials in New York state. Unfortunately, the overall cost of doing business , in New York State, is extremely high. If New York State was a more affordable state to do business for these manufacturers and suppliers, a large amount of the transportation costs would be reduced.

Uniland Development Company does have on staff professionals certified in both WELL and Green Globes building design, LEED and BOMI and follow BOMA best practices per energy efficiencies. To achieve reduced carbon emissions, Uniland designs and builds structures mindful of green standards that work towards creating net zero energy structures.

We incorporate a number of sustainable design elements that include but are not limited to:

- Retrofitting current building light bulbs to LED and requiring all new fixtures to have LED bulbs.
- Maximizing natural light by implement daylighting strategies where more natural light is used to illuminate space and artificial lighting as a secondary light source or automatically turned off when not needed.
- Changing out inefficient windows for new energy efficient glazing materials.
- Energy efficient heating and air conditioning by incorporating programmable thermostats and defined heating/cooling zones to allow efficient building heating and cooling.
- For energy recovery we install energy recovery ventilators (ERV) in the exhaust fans and ducts in the building. ERV's use the heat from the exhaust to preheat or precool the air being brought into the building.
- We work to use sustainable materials such as glues, stains and paints that are "low VOC" to limit the amount of volatile organic compounds being off gassed into the building.
- Conserve water by replacing existing plumbing fixtures with low flow, water efficient fixtures. New fixtures are required to be just as efficient.
- Enhanced stormwater management by implementing pervious pavement or retention ponds to capture runoff from large parking lots or paved areas and slowly release water back into the ground while decreasing building complex environmental impact.

- We have many examples of adaptive reuse of buildings instead of demolishing and building new.
- We reuse existing materials in renovation projects such as interiors wood doors, insulation, ceiling grid and acoustical ceiling tiles and wood trim. And where they can't be reused on site, repurposing materials. We also reuse thermostats, electrical components, plumbing, HVAC systems where possible to limit landfill deposits.
- In renovation projects where millwork or cabinetry cannot be reused, we are donating materials for reuse in the community.
- Promoting complex wide recycling programs involving glass, cans, bottles, plastics, and paper.
- Promoting sustainable transportation: provide infrastructure for electrical vehicles, locate buildings near public transportation stops and provide bike storage and showers to promote biking to work.
- We incorporate native landscaping by using trees, plants and grasses that are native to the area which greatly reduces the irrigation needs and water consumption demands. Landscaping can also be used as a part of a passive energy strategy by using trees to shade the roof and windows during the hottest part of the days. This reduces solar heat gain inside the building and decreases building cooling demands.

To incentivize production and generation of sustainable resources such as solar, we support New York State allowing for the open market commodity trading of renewable energy certificates for independent power producers.

As the state is looking to increase renewable production and add solar farms to the renewable energy capacity in our region, this is an opportunity, used in other states, to encourage production of more renewables. Additionally, the State could use this as an opportunity to build a fund to cover the cost of the infrastructure which will be required to handle future electricity production and distribution. The fund would be sourced by solar producers who sell their renewable energy certificates on an open market, sparing NYS residents and businesses another burdensome tax.

Together, NYSEERDA and DPS have created a strong policy foundation to support DG solar. The Value of Distributed Energy Resources ("VDER") tariff approved by the Public Service Commission ("PSC or Commission") established a fair compensation structure for large- scale distributed solar projects.

Even with this considerable progress and many projects under contract, NYSEERDA's own analysis shows New York still needs considerably more generation – beyond the current 10 GW solar goal – to reach the CLCPA's 70 by 30 target now memorialized in the New York Clean Energy Standard ("CES").<sup>1</sup> Furthermore, regulators must keep in mind that the 70 by 30 milestone is only one important stop along the way towards the ultimate goal of zero emissions from the electricity sector by 2040 and an 85 percent reduction in greenhouse gas emissions ("GHG") economy-wide by 2050. Considerably more clean energy will be needed to consider reaching that objective.

New York state should put itself in the best position possible to accomplish a zero-emissions electricity grid by building and supporting all of the most promising renewables markets, which has become a thriving industry and has helped create more than 12,000 New York jobs.

In establishing a new solar goal, collectively we caution regulators not to place artificial constraints on distributed energy's potential based on current levels of hosting capacity. Regulators should start their analysis from the goal of bringing enough distributed solar on the system to meet the CLCPA emissions reduction goals and then design, improve and construct a distribution system that can accommodate these levels of increased deployment.

The DPS already has the process of improving and upgrading renewable energy hosting capacity underway in Docket 20-E-0197 as part of implementing the Accelerated Renewable Energy Growth and Community

Benefit Act. We however believe that provided a tradeable and higher renewable energy credit (REC) within or separate from VDER will assist with infrastructure improvements via upgrades required to increase hosting capacity while consistently improving the electric grid's stability.

Furthermore, regulators should identify opportunities to support and encourage utilities to adopt innovative technologies, such as smart inverters, which will also accommodate more renewable generation without the need for certain distribution system upgrades.

### **E-Value or Renewable Energy Credit (REC)**

Collectively, we recommend that the State should increase the E-value and/ or REC based on the New York State Department of Environmental Conservation's ("DEC") damages-based Social Cost of Carbon Guidance ("SCC or SCC Guidance") updated in December 2022 with a 1.5% discount rate. This value would be set as the Alternative Compliance Payment (ACP).

Increasing the E-value to be consistent with DEC's damages-based SCC Guidance is an expedient and justified approach that meets many of the state's policy goals. The DEC Guidance sets updated calculations and discount rates to establish the damages-based value of an avoided ton of carbon dioxide, and DPS already uses a damages-based SCC to determine the current E-value.

Infrastructure improvements are required to meet CLCPA's goals and to promote the State's Electricity Transformation. As such, we recommend a Clean Energy Infrastructure Improvement Fund be created, whereas based on the New York State Department of Environmental Conservation's ("DEC") damages-based Social Cost of Carbon Guidance ("SCC or SCC Guidance") updated in December 2022 with a .5% discount rate would be applied to all REC's registered in NY State during each calendar year and would be allocated towards improvements accordingly. This mechanism would be based on registration of the REC in the NYGATS system and could be billed once annually to the generator owner.

### **Tradeability**

Currently, Any VDER project receiving the value stack is ineligible for Tier 1 solicitations or transferrable RECs but will receive one of two options: A. Default Interconnecting-LSE-Option: Utility (LSE) receives non-transferrable RECs, and customers receive environmental value component in Value Stack ("E") B. Customers may permanently opt into Customer-Retention-Option at time of interconnection. The customers forfeit "E" in the Value Stack but receive non-transferrable RECs (not redeemable for monetary value).

Limiting the tradability of the E-Value limits market conditions to dictate this commodity. We would request that modifications be made, to read, any renewable energy project connected to distribution and sub-transmission lines is eligible for Tier 1 solicitations or transferrable RECs A. Default Interconnecting-LSE-Option with options of 5, 10, 15, 20 and 25 year term: Utility (LSE) receives transferrable RECs, and customers receive environmental value on their electric bill with the chosen option of 5, 10, 15, 20, or 25 year term (at the end of the term the customer would be eligible to receive transferrable RECs (redeemable for monetary value). B. Customers may permanently opt into Customer-Retention-Option at time of interconnection. The customers forfeit "E" on their utility bill but receive transferrable RECs (redeemable for monetary value).

### **Additional Tariff Improvements**

Among the values uniquely attributable to large distribution facilities is the avoidance of capital spending on new infrastructure – both deferring and avoiding upgrades of existing distribution infrastructure or construction of new transmission infrastructure purposely built to relieve congestion and deliver future renewable generation to load. VDER currently compensates large distribution assets for only one of these

values and for only a portion of the useful life of the asset: it should compensate commercial assets for both values for their full 25-year asset life.

### **Extension of DRV**

The DRV is a quantifiable value attributable to the characteristics of the DG asset and is part of the VDER stack. This value is currently fixed for a period of ten years, with a reassessment of the value at year 11 for the remaining years of the asset's useful life (years 11-25).

The current structure of this regulatory review of DRV creates finance risk for any entity developing a project, as financiers assume a zero value for DRV in years 11-25, which is contrary to the intent of DPS/NYSERDA. Instead, the asset's value in avoiding future utility expenditure should be received on an amortized basis over its useful life just as a utility asset's value/contribution to plant is returned to the utility on an amortized basis over its useful life. While it is possible that a DRV could be reduced over time, it is also possible that this value would increase due to additional load on the system and other grid characteristics not heretofore contemplated by utility load forecasts (particularly those as disparate as the MCOS proceeding). In sum, to decrease unintended finance risk that will limit DG deployment, DPS should consider extending a floor DRV for the full life of the asset.

### **Develop an avoided long-run transmission value**

DPS should also account for the avoided transmission infrastructure and capacity costs associated with load reduction through DG. Short-run transmission congestion costs are included within the avoided energy costs through locational based marginal pricing. However, long-run avoided transmission costs have not been included within the current methodology.

New York state should consider more suitable transition plan and options for using a combination of energy sources to achieve a reasonable solution that addresses cost, impact, reliability, and sustainability.

To summarize we are opposed to:

- Increasing utility operating costs by going all electric for commercial and residential properties.
- Increased equipment capital improvements that will raise costs and lead to assets being needlessly replaced before end-of-life cycle.
- Compromising reliability of service to building by replacing underground gas lines with fragile and limited above ground electrical lines.
- Losing both existing and prospective business to adjacent states who do not require these debilitating regulations.

We respectfully ask that you remove the harmful elements of the Draft Scoping Plan so that New York can move toward a sustainable future without energy becoming more expensive and less reliable. Let's work together to create a hybrid energy solution to achieve our mutual goals.

Part of that solution is to legislate renewable energy certificates to be sold on an open market which would lead to the creation of more renewable power production in New York State.

Respectfully submitted,



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