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Gavin J. Donohue, *President &
Chief Executive Officer*

April 1, 2011

Hon. Jon Wellinghoff
Chairman
Federal Energy Regulatory Commission
888 First Avenue, NE
Washington, DC 20426

Re: Docket No. ER11-2224-000

Dear Chairman Wellinghoff:

In a letter dated March 25, 2011, New York City Mayor Michael Bloomberg requested the Federal Energy Regulatory Commission ("Commission") to "reconsider" your commitment to a functioning New York electricity market expressed in the Commission's January 28, 2011 Demand Curve Order. I also understand that members of the congressional delegation for the state of New York may be sending or already have sent you similar letter(s). The Independent Power Producers of New York, Inc. ("IPPNY") requests that the Commission consider the following points in regards to these matters.

The Mayor's letter contains glaring misrepresentations of New York City's capacity market, the costs incurred by the companies participating in those markets, and the potential consumer impacts of the updated Demand Curves.

It is a widely known fact that the cost to own and operate a business within the New York City metropolitan area is significant. Despite the recent economic downturn, the costs of construction, materials, labor and, most significantly, property taxes have continued to escalate. The NYISO hired 3rd party independent experts who submitted testimony in this rate case highlighting these cost increases. Real life examples of generating plants that recently have been built in the New York City area demonstrate these real cost increases.

The Mayor's letter, however, ignores these facts and, instead, seems to make the perplexing and erroneous claims that generating companies are not subject to substantial and legitimate costs. In reality, generating companies in New York City pay on the order of \$100 million annually in property taxes, a fact that should be well known to City officials. It is irresponsible to suggest that the market in which generating companies derive their revenues should be suppressed artificially in a manner that denies the ability to cover property taxes and other costs.

Lastly, the consumer rate impact of all this has similarly been misrepresented in an attempt to conduct this utility rate case in the court-of-public-opinion, rather than in the forum where it belongs.

Again, the facts tell another story – an auction held this week for generating capacity was just conducted by the NYISO for this coming summer and the price for capacity was settled at \$13.54 per kilowatt-month for May through October, 2011. This amount is an increase over the same period last year of about 4%, which settled on average at \$13.00 per kilowatt-month.

Furthermore, while vital to the continued reliable operation of the energy providers, capacity prices are a fraction of the bill that ratepayers receive monthly¹, and there is no indication that there will be a significant change in those prices. Given this fact, it is at best unclear how the Mayor arrived at what appears to be a grossly overstated and baseless claim of a \$500 million increase in electric bills. The notion that a potential increase in the Demand Curves translates into substantial ratepayer impacts simply does not hold up to scrutiny.

We implore the Commission to stand by the fundamental purpose of this process and to maintain its determinations on the key parameters for the Demand Curves that it made in the January 28 order.

Sincerely,

/s/ Gavin J. Donohue
Gavin J. Donohue
President & CEO

CC: Hon. Charles Schumer
Hon. Philip D. Moeller, Commissioner
Hon. Marc Spitzer, Commissioner
Hon. John R. Norris, Commissioner
Hon. Cheryl A. LaFleur, Commissioner
Hon. Michael R. Bloomberg, Mayor
Hon. George Maziarz
Hon. Kevin Cahill
Chairman Garry Brown
NYISO President Steve Whitley

¹ In fact, an examination of recent electric bills illustrates that prices paid by consumers in New York City are driven dramatically more by delivery rates, taxes, fees and surcharges than by wholesale energy and capacity costs.
http://www.dps.state.ny.us/typical_bills/util_elec_res_bills_Jan_2011.pdf