Northeast GAS ASSOCIATION

April 28, 2011

State Energy Plan Comments
NYSERDA
17 Columbia Circle
Albany, NY 12203-6399

Comments on Draft Scope of 2013 New York State Energy Plan

Dear New York State Energy Planning Board:

The Northeast Gas Association (NGA) and its New York Planning Committee (NYPLAN) are pleased to provide comments on the Draft Scope of the 2013 New York State Energy Plan.

We at NGA appreciated the opportunity to provide oral comments on the Draft Scope on April 11 at a meeting held at NYSERDA's offices in Albany. We pledge our ongoing cooperation with the Board in the preparation of this Plan update.

Natural gas is clearly linked with the state's future economic competitiveness, energy security and environmental well-being. A balanced energy plan will enhance energy security and reliability, as well as contribute to a stronger economy and environment – and natural gas will be a key component.

Our comments on the Draft Scope follow.

Overview of New York's Energy Systems

We support the development of an integrated overview. It is essential that the starting points of the State Energy Plan update be based on a foundation of accurate historic and current data, as well as current market analysis.

Technology development is a cross-cutting factor we think deserves emphasis. New technologies can transform how we access, produce, deliver and utilize energy. It also can help reduce environmental impacts.

Energy Efficiency

New York continues to be a national leader in efficiency program investments, including natural gas. These investments are significant and valuable, and the focus on efficient delivery and utilization is vital for the State. We note that as the state's energy efficiency efforts become more mature, it is important that energy conservation and efficiency programs continue to produce value by meeting applicable cost-effectiveness standards.

Renewable Resources

Renewable resources will play a key role in New York's energy future. To the extent that intermittent generation sources such as windpower are added to the State's electric grid, natural gas remains a likely back-up fuel, and one that can help to moderate intermittency. This will have implications for natural gas supply and infrastructure capability in the State by placing greater demand on natural gas by the electric power sector, and argues for an appropriate supply-side response on the natural gas side as well.

Meeting the State's Energy Needs and Goals for Electricity

Natural gas is a central fuel input for electric generation in New York and its role will likely grow, on its own terms and as a back-up to intermittent resources. The Draft Scope proposes to look at the impacts of "increasing the development of in-state resources to meet growth in energy needs." Natural gas production in-state New York is likely to grow substantially during the timeframe of this study and should be included as one factor in this assessment.

Enhancing gas/electric coordination should be a key issue. A significant portion of natural gas-fired generators in New York and the Northeast continue to opt for non-firm transportation arrangements. This can cause uncertainty and stress on the natural gas system during coincident peak demand periods. Another issue remains the difference in the timing of commitments for the gas and electric day; efforts are under way on the national level at NAESB to explore means to better synchronize the markets.

Natural gas, because of its advantages in terms of end-use efficiency and lower carbon content, also has the potential to help the State meet its energy needs in such sectors as transportation and home heating. Natural gas is a ready substitute for gasoline and diesel fuel, particularly in the heavy-duty transport sector. In terms of home heating, about half of New York's current home heating needs are supplied by natural gas - which leaves room for further conversions. New York City, for example, is considering environmental regulations to phase out the use of #4 and #6 heating oil, with a likely replacement by natural gas. This will be positive for the City and State, but will require additional infrastructure and supply arrangements on the natural gas system.

Meeting the State's Energy Needs and Goals by Fuel Type: Natural Gas

Of utmost importance in the process of energy planning is the assessment of the current infrastructure and the development of a plan to ensure the integrity and adequacy of infrastructure to address energy and reliability needs in the state. New York and the Northeast have one of the oldest energy delivery networks in the nation. The expansion and upgrade of natural gas utilities' distribution systems is a critical and necessary investment to ensure energy security and reliability, as well as to improving economic development and environmental quality.

Ensuring adequate natural gas supplies by the addition of new infrastructure (as well as enhanced efficiency investments) is essential.

Supply source diversity is also a very important consideration within this context, and the availability of multiple supply and delivery points will contribute to greater economic

competitiveness and energy security. Supply source diversity relies on a secure pipeline network to deliver natural gas from existing and emerging resource basins – including indigenous local production and the Marcellus Shale – to the LDCs' citygate delivery points throughout the State and Northeast region.

The Draft Scope identified the siting of new energy infrastructure as a key issue and we concur. The State's responsibility for balancing multiple interests is centrally important. Delays in siting can lead to higher consumer costs and the loss of supply options that could contribute to the State's ability to achieve its energy, economic and environmental goals. Addressing this topic is a worthy and necessary component of a State Energy Plan.

The exciting transformation of U.S. natural gas markets with new production technology has resulted in just the last few years in lower commodity costs and a stable supply outlook. This offers great promise for conversions of transportation, building and heating to efficient natural gas. The lower carbon content of natural gas is a positive factor. The conversion of additional units within these sectors to natural gas will require, as noted above, additional infrastructure and system costs. The LDCs will continue to work with the state regulatory agency to ensure that the right investments can be made to maintain and grow the system in a reliable and safe and environmentally appropriate manner. State support for cost recovery is important, especially in replacing and upgrading older systems.

Marcellus Shale development within New York State, when authorized, will offer very positive opportunities. New York State has higher energy costs than the national average, and imports much of its energy supplies. The ability to access local supplies of natural gas will help stabilize energy costs, provide local benefits in employment and tax revenue, enhance energy security, and contribute to cleaner air. Environmental safeguards are key and can be achieved and maintained, we firmly believe.

Growing New York's Clean Energy Economy

We encourage the State to include an assessment of the economic development potential of expanded natural gas exploration and development within state borders. While currently the issue of shale drilling is under review in the State, clearly there is great potential to expand in-state production. Local production over the last decade in particular has proven to be positive economically, and, conducted in an environmentally responsible manner, contributes to overall environmental improvements. Further development of natural gas within New York State, conducted in an environmentally responsible manner, offers great opportunities for the State.

Greater energy efficiency investment is also significant as a way to manage energy costs and usage. At the same time, it needs to be considered within an appropriate framework for the distribution utilities that protects the interests of all natural gas system customers.

Transportation Needs and Alternative Transportation Options

We encourage the State to highlight the role of compressed natural gas (CNG) as well as hydrogen fuel cells among the truly viable options for alternative fueled vehicles. CNG vehicles are already an important component of bus fleets in New York City and elsewhere, and have the potential to achieve further market growth, in the heavy-duty vehicle sector in particular. New York State has added several CNG fueling stations in recent years as well as hydrogen

infrastructure. Further growth in this area is anticipated to diversify the State's alternative fueling options.

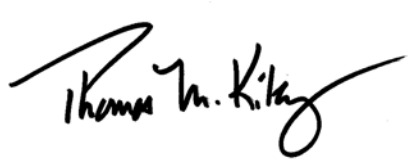
Health Impacts of Energy Use, Environmental Justice, Climate Change

It is clear that environmental and health factors will be major determinants in energy fuel choices and usage patterns. New York State has been a leader in state, regional and national discussions on these issues. Natural gas has a beneficial role to play in this evolving market discussion as the most environmentally positive of fossil fuels.

Finally, the issue of "reliability" is one that we feel should be paramount. Absent assurance of reliable energy systems, the other issues and policy paths are likely to be fundamentally constrained. We encourage the Board to consider the *maintenance of reliability* as central to the State's energy planning process.

The coming decade offers great opportunities for natural gas development and utilization in New York State, and we look forward to working with the Planning Board on its 2013 Energy Plan.

Sincerely,



Thomas M. Kiley
President and CEO