



May 5, 2009

Mr. Paul A. DeCotis
Deputy Secretary for Energy
Chairman, Energy Planning Board
Executive Chamber, 2nd Fl.
State Capitol
Albany, NY 12224

Dear Mr. DeCotis:

On behalf of the Atlantic Sea Island Group, LLC (ASIG), I am pleased to submit comments on the 2009 New York State Energy Plan Interim report of March 31, 2009.

We hope in the development of the Final Energy Plan that you take into consideration the benefits that a properly situated LNG terminal in close proximity to customers in the NYC metropolitan region can provide in meeting the future annual, seasonal and peak requirements of New York State's gas and electric customers.

ASIG looks forward to providing continued input into the development of the New York State Energy Plan. We also welcome the opportunity to present additional information during the public hearing process later this year.

Sincerely,

Howard Bovers
Chairman, Atlantic Sea Island Group

Cc: Thomas C. Congdon
Assistant Secretary for Energy
Office of the Governor
Executive Director
New York State Energy Planning Board



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**COMMENTS OF ATLANTIC SEA ISLAND GROUP ON THE NYS 2009 ENERGY PLAN
INTERIM REPORT**

On behalf of Atlantic Sea Island Group, LLC (ASIG) we welcome the opportunity to comment on the 2009 New York State Energy Plan Interim Report of March 31, 2009 (Interim Report). We have read the report with great interest and commend the Governor and the Energy Coordinating Working Group for the thoughtful approach taken to address to the future energy needs of New York State. It is our objective to highlight the benefits that a properly situated LNG terminal in close proximity to customers in the NYC metropolitan region can provide in meeting the future annual, seasonal and peak requirements of New York State's gas and electric customers. It is recognized by many energy experts and environmental groups that natural gas will play an important role as a bridge to a new energy economy. Not only does natural gas produce less emission than other fossil fuels but it also supports the expansion of gas fired distributed generation. Building a gas supply portfolio that is served from numerous sources, including LNG, is the best solution to meeting New York State's future natural gas needs from both a supply security and pricing perspective.

PROJECT DESCRIPTION

ASIG proposes to construct, own and operate a liquefied natural gas ("LNG") receiving, storage and regasification facility named "Safe Harbor Energy" that will be capable of delivering up to 2 billion cubic feet of a new and reliable supply of clean burning, cost-effective, and globally sourced natural gas to the New York metropolitan region. In summary, the Safe Harbor Energy Facility will consist of three components: (1) an island to be constructed in federal waters on the Outer Continental Shelf ("OCS"), approximately 13.5 miles south of the city of Long Beach, New York, on Long Island and 23 miles southeast of the New York Harbor entrance; (2) an LNG receiving, storage and regasification facility; and (3) a sub-sea pipeline that will interconnect off-shore with an existing undersea pipeline. Initial deliveries are expected to commence about 2015 at a level of approximately 1 Bcf per day with expansion capability of up to 2 Bcf per day. An important feature of the facility is that it will have four 180,000 cubic meter tanks that will store approximately 15 Bcf of gas that will be able to meet peak daily and winter needs. While ASIG is a terminal company, an essential part of the project is to have LNG suppliers dedicate supplies on a long-term basis for delivery to our terminal.

REGULATORY UPDATE

ASIG's application was determined complete by the U.S. Coast Guard (USCG) and Maritime Administration (MARAD) on August 15, 2007. Currently the application is in the Draft Environmental Impact Statement (DEIS) phase. In addition, USCG and MARAD have held public scoping meetings in New Jersey, Long Beach, New York and the Rockaway's, New York. Long Beach, New York is the closest city to the project at 13.5 miles. Once the USCG completes the DEIS, additional public meetings will be held prior

to the release of the Final Environmental Impact Statement and the Record of Decision (ROD). If the ROD determines the Safe Harbor Energy project complies with all Federal, State and Local regulations, a license will be issued to Atlantic Sea Island Group to construct and operate a liquefied natural gas terminal.

COMMENTS

ASIG applauds the joint effort between New York State's natural gas and electric systems to assess the adequacy of the natural gas delivery system to meet winter peak requirements by modeling the total gas requirements of the electric generation, residential, commercial and industrial gas utility customers together and compare them to available pipeline delivery capacity at peak periods. We also agree with the preliminary conclusion that under certain policy scenarios, it may be that the capacity of the natural gas delivery system in New York will need to be expanded over the planning horizon, whether to meet the demands of the electricity or buildings sectors. Upon developing its recommendations in the Final Energy Plan ASIG believes that the role a properly situated LNG plant could play in meeting these important supply and capacity needs should be recognized as one potential part of the solution to meeting the State's future energy requirements. We believe construction of a plant close to the market area in the NYC metropolitan area can provide the following gas supply benefits:

1. An important new source of reliable competitively priced gas that will stabilize and lower prices in New York State from all supply sources. By promoting gas competition in downstate New York, not only would the supplies from ASIG be competitively priced but these incremental supplies would also lower prices across all deliveries into New York State. A good example of competition lowering prices occurred when the Iroquois pipeline was completed and

introduced incremental supplies from Western Canada into the Northeast. In a sense, the construction of an offshore LNG terminal the size of the ASIG project would make the New York metropolitan area a new supply hub. Building pipeline infra structure alone without maximizing access to new sources of supply would not be an optimal solution.

2. Because the project proposed by ASIG will have approximately 15 Bcf of storage, it will be able to provide service shaped to meet demand during periods when customer requirements are at their highest - the winter season and design day needle peaks. This is particularly important since many dual fuel customers, such as apartment houses who depend on oil as a back up on peak days, are expressing a desire to switch to straight gas. In addition, we believe that the presence of such a large amount of gas storage will help offset any deficiencies in liquid fuel oil storage the currently exist and make it difficult to deliver to dual fuel customers during peak periods. These liquid fuel storage deficiencies are discussed in the Interim Report.
3. It will be able meet the increased needs of new and existing electric generation downstate. As noted in the report between 2001 and 2007, approximately 5,000 megawatts of new natural gas fired combined cycle and combustion turbine capacity was built and, in 2007, about 31 percent of electricity generated in New York was fueled by natural gas. Moreover, because of its close proximity to Long Island the ASIG project will be able to uniquely support the Long Island Power Authority's efforts to potentially add additional gas fired generation as well to retire and repower older, less efficient power plants and replace them with new power plants with lower emissions of SO₂, NO_x and CO₂. While ASIG supports the initiatives to expand energy efficiency and pursue renewal energy it believes

that in the interim, until these alternate forms of producing electricity are fully realized, natural gas will continue to play an important role in meeting both future demand for electricity as well as for repowering existing electric plants. Natural gas is clearly the cleanest choice among all fossil fuels. For instance, compared to air emissions from coal –fired generation natural gas produces half as much carbon dioxide, less than a third as much nitrogen oxides and one per cent as much sulfur oxides. It is also more suitable for supporting distributed generation, which should be part of a more efficient energy future.

4. The location of an LNG import/storage facility close to the market area will avoid the construction of expensive long haul pipeline facilities necessary to bring in gas from far away production areas (Gulf of Mexico, Western Canada) thereby reducing costs to New York consumers. Since New York State is at the end of many inter state pipelines back feeding these pipelines will create a more optimal and lower costs solution for bringing new supplies to market. Moreover, it will avoid the need to build through densely populated areas, which is both expensive and disruptive.
5. While LNG would play an important role in New York State's supply future, we envision it would be one piece of a balanced approach providing New York State with a more diversified and secure gas supply portfolio. ASIG believes the development of all new sources of gas should be encouraged while taking into account environmental and economic considerations associated with bringing these supplies to market.
6. It is important to note that industry forecasts show that importing LNG will not make the United States as dependent on imported gas as it is on imported oil. While approximately 60% of total oil demand in the United States is met by

imports, LNG's current share in U.S. gas consumption is approximately 2.8%.

The U.S. Department of Energy's projections forecast it to increase to about 16% of U.S. natural gas consumption by 2030. Furthermore, world natural gas resources are more abundant and more evenly distributed throughout the world than are oil supplies. This will allow the United States to ensure a more secure and diversified natural gas supply.

7. LNG is a clean alternative that is getting even more environmentally friendly.

Already plans on are the way to further reduce emissions from tankers to extremely low levels and there is even potential to use biogas to fuel liquefaction plants overseas. For instance, recently, BP Shipping launched its fleet of LNG vessels that utilize groundbreaking propulsion technology and structural designs to increase the ships' fuel efficiency and reduce their greenhouse gas emissions. Instead of the conventional single steam turbines, the new engines contain a dual-fuel diesel-electric, which is comprised of four diesel generators and two electric motors, geared to one propeller. The diesel engines can run on "boil off" gases either from the LNG cargo tanks, or on conventional diesel fuel.

ASIG looks forward to providing continued input into the development of the New York State Energy Plan. We also welcome the opportunity to present additional information during the public hearing process later this year.

Sincerely,

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