



July 7, 2008

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

Comments on Draft Scope of 2009 New York State Energy Plan

Dear New York State Energy Planning Board:

The Northeast Gas Association (NGA) and its New York Planning Committee (NYPLAN) appreciate the opportunity to submit comments on the Draft Scope of the 2009 New York State Energy Plan to the New York State Energy Planning Board. NGA provided initial comments in its meeting with the Energy Coordinating Working Group in Albany on May 30, 2008. NGA's NYPLAN, which is comprised of regulatory and planning representatives from the natural gas local distribution companies serving New York State, has previously assisted NYSERDA and other state agencies with state energy planning. The Committee again offers its assistance to the State Energy Planning Board as it implements Governor Paterson's Executive Order No. 2 ("Order No. 2") over the next year.

NGA and NYPLAN support the direction of the Governor's Order No. 2. Natural gas is clearly linked with the state's economic competitiveness and environmental well-being. A balanced energy plan will enhance energy security and reliability, as well as contribute to a stronger economy and environment.

NGA and NYPLAN submit the following comments on the Draft Scope of the New York State Energy Plan. Our comments in this letter will amplify issues already identified in the Draft Scope or suggest additional factors and variables to be considered by the Board and the Energy Coordinating Working Group.

We believe that the Working Group's approach to addressing the elements of Order No. 2 through Technical Assessments and Issue Briefs is well-founded. It is essential that the starting points of the 2009 State Energy Plan be based on a foundation of accurate historical and current data, as well as current market analysis. Developing a good understanding of the status of the current energy market will facilitate the analysis of future scenarios and policy paths and will help ensure the credibility of the analysis to stakeholders and citizens.

Technical Assessments

NGA and NYPLAN agree with those items slated for technical assessment. As we have worked with NYSERDA, Department of Public Service (DPS) staff and other state agencies on energy planning in the

past, we look forward to assisting in the development of the Natural Gas Technical Assessment and gas-related aspects of other technical assessments. One role that NYPLAN has been able to play in the past was to serve as a coordinating body for the LDC data submissions. The New York LDCs submit annual winter resource plans to the State DPS which includes a 5-year forecast. We believe this data will provide a sound starting point for state gas demand and supply data and are willing to coordinate the collection of supplemental data as feasible and appropriate. NYPLAN also is willing to assess and comment on natural gas scenarios and assumptions throughout the planning process on behalf of the New York LDCs.

Issue Briefs

NGA and NYPLAN also support the list of Issue Briefs included in the draft, as they address the significant areas that affect the development of a comprehensive energy plan across all fuels and energy policies for the future. Outlined below are several aspects of some of the Issue Briefs that are of particular importance with relation to natural gas.

Meeting Future Energy Needs

Of utmost importance in the process of energy planning is the assessment of the current infrastructure and the development of a plan to expedite the replacement and expansion 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 replacement, expansion and upgrade of natural gas 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) – via interstate and intrastate natural gas pipelines, as well as liquefied natural gas (LNG) – 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 promising Marcellus Shale – to the LDCs' citygate delivery points throughout the State and Northeast region.

Distributed LNG facilities can provide a cost-effective way to provide natural gas to outlying rural areas of the state and is a supply and reliability option that should be considered.

In terms of gas for power generation, we would note that natural gas is likely to be the preferred fuel for new and upgraded power generation facilities for the immediate and longer-term period encompassing this State Energy Plan. The implementation of the Regional Greenhouse Gas Initiative (RGGI) beginning in 2009 is expected to place further restrictions on fossil fuel use options that would still leave a large role for relatively clean-burning natural gas. Nuclear power has greenhouse gas advantages but the addition of new units in the U.S. appear to be at least a decade away in terms of permitting, financing and construction. 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. All of these permutations will place greater demands on natural gas supply and infrastructure in the State.

Siting New Energy Infrastructure

The Draft Scope identified the siting of new energy infrastructure as a key issue and we concur. Siting is an important and oftentimes highly contentious topic. 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. We also believe it is appropriate that the State examine the issue of "Regional Energy Issues" not only from the perspective of energy trade but also from the perspective of siting. The ability of neighboring states to impede energy projects that serve regional, national and continental markets is an issue of concern. Unilateral state actions to block projects can directly frustrate important energy goals of New York State. Addressing the issue of siting on a broader scale would be beneficial to New York.

Energy Costs and Economic Development

We encourage the State to include in this Issue Brief an assessment of the economic development potential of expanded natural gas exploration and development within state borders. Natural gas production in the State has tripled in the last decade according to the Division of Mineral Resources. There is great potential to expand and diversify New York State's access to new sources of natural gas supplies, including recent Appalachian discoveries (as well as access to Rocky Mountain gas resources). In-state production has proven to be positive economically, and, conducted in an environmentally responsible manner, contributes to environmental improvements.

Greater energy efficiency investment is also significant as a way to manage energy costs and usage. The Issue Brief should ensure that assumptions and recommendations concerning natural gas energy efficiency goals and costs are aligned with the assumptions and recommendations achieved through the New York State Public Service Commission's Energy Efficiency Portfolio Standard.

Transportation Needs and Alternative Transportation Options

We encourage the State to consider the role of compressed natural gas (CNG) as well as hydrogen fuel cells among the potential 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.

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 as a theme and perhaps accorded identification as a topic of its own under "Issue Briefs." 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.

We thank you for the opportunity to offer these comments on the Draft Scope and look forward to working with the Board and the Working Group throughout this process.

Please feel free to call on NYPLAN and NGA at any time to assist in this important initiative.

NGA/NYPLAN Comments on Draft Scope of Work
New York State Energy Plan
July 7, 2008
Page 4

Sincerely,

A handwritten signature in black ink that reads "Thomas M. Kiley". The signature is fluid and cursive, with a large initial 'T' and a long, sweeping underline.

Thomas M. Kiley
President and CEO

TMK/mlg

cc: NY LDC Executive Committee
NYPLAN