



**ENVIRONMENTAL
ADVOCATES OF NEW YORK**

YOUR GOVERNMENT WATCHDOG

State Energy Plan Comments

Environmental Advocates of New York

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Introduction

I would like to begin by recognizing the leadership Governor Paterson has shown by reinstating the state energy planning process through Executive Order No. 2. Furthermore, Environmental Advocates of New York commends Governor Paterson for signing state energy planning legislation last month, thereby ensuring the continuity of the planning process under future administrations.

Environmental Advocates also lauds the hard work of the New York State Energy Research & Development Authority (NYSERDA), the Department of Public Service (DPS), the New York State Department of Environmental Conservation (DEC), members of the State Energy Planning Board and Energy Coordinating Working Group, as well as the staff at other state agencies and authorities who produced the Draft State Energy Plan.

Environmental Advocates' mission is to protect New York's air, land, water and wildlife and the health of all New Yorkers. We monitor state government, evaluate proposed laws, and champion policies and practices that will ensure the responsible stewardship of the environment. We also work to support and strengthen the efforts of New York's environmental community and to make our state a national leader.

A great amount of time and effort have been devoted to the draft plan. For the most part it successfully summarizes New York's energy markets, sources and impacts. However, Environmental Advocates has serious concerns regarding the plan's lack of specific timelines and milestones. While in its closing pages the draft states that such details will be included in the *final* version to be released later this fall, such an approach denies the public an opportunity to comment on these critical components of the plan. **Because without such action items, deliverables and deadlines, the document reads more like an encyclopedia of the State's current energy resources than a strategic roadmap to meet New York's energy needs in the years ahead.**

The following are Environmental Advocates' brief comments on specific aspects of the draft.

Consumer benefits of RPS and EEPS

We endorse the comments of both the Pace Energy and Climate Center and the Alliance for Clean Energy New York regarding the Renewable Portfolio Standard and Energy Efficiency Portfolio Standard. Of particular concern to Environmental Advocates is the fact that the proven downward pressure these programs exert on wholesale energy prices is not being adequately reflected in agency discussions. Aside from the obvious environmental benefits these initiatives generate, there are real economic benefits that they create for all New Yorkers. Failing to fully account for these in analyses and discussions at the PSC and other agencies will result in flawed conclusions insufficient funding/support for them.

We strongly urge the Paterson administration to take a direct and active role to ensure the full economic benefits of these programs are accounted for as the state deliberates the future of such initiatives.

Implementation

The draft plan highlights Governor David Paterson's "45 x 15" energy efficiency and renewable energy platform and rightly so—these targets are among the strongest in the nation. However, unless the pace at which these initiatives are implemented is dramatically increased, New York stands little chance of meeting them. Per modeling by the New York Independent System Operator, only 27 percent of the overall goal will be achieved.

In addition, the Public Service Commission (PSC) has only approved collections and funding for the initial phase of the "15 x 15" target through the end of 2011. While we recognize the importance of learning from the first phase before initiating the second, with so much of New York's energy future dependent on the successful and *timely* implementation of 15 x 15, we strongly urge the PSC to begin proceedings to approve the collections through 2015.

Likewise, the current suite of programs under review by the DPS must be approved at a quicker pace than shown to date. If it takes as long for the subsequent phases of the Energy Efficiency Portfolio Standard (EEPS) to receive funding and approval, New York will never meet the ambitious 15x15 target. While recent weeks have seen a number of announcements approving funds for some utility and NYSERDA initiatives, *these actions come a full 16 months after the initial June 2008 order*. The Governor must lead. Without an Executive branch willing to push projects like this one through at the pace necessary, staff-level infighting and inter-agency disputes will result in a continued logjam.

Environmental Advocates of New York calls on the Governor to take a more authoritative role in the implementation of the EEPS and apply the necessary pressure to the PSC to overcome institutional roadblocks currently jeopardizing the success of the cornerstones of New York State's clean energy agenda.

A similar situation exists with regard to the Renewable Portfolio Standard (RPS). While Governor Paterson announced his intention to increase the RPS from 25 percent in 2013 to

30 percent in 2015, that official resolution has yet to be finalized. **We strongly urge the PSC to finalize this target and order full funding to achieve it without delay, thereby increasing the State's chances of meeting it.** This expansion must also include full funding for the RPS over the long term to provide the marketplace with the regulatory certainty required to invest in New York on the scale necessary. Specifically, the Total Resource Cost analysis conducted by the DPS is failing to fully account for the many co-benefits of certain forms of renewable technologies, particularly distributed generation that can relieve congestion in downstate load pockets.

Looking beyond 2015, New York must be prepared to reassess the findings of the 2008 Optimal Study that generated the megawatt hour targets for all potential cost-effective efficiency. While 15 x 15 seeks to achieve the bulk of that potential, when carbon costs \$25-\$30/ton, the metric of *cost-effective* is inherently altered. The State must adopt a policy—and 15 x 15 is a great start—to achieve all cost-effective energy efficiency that is updated to reflect changing energy prices and technologies.

With regard to the issue of implementation, Executive Order No.111 was issued *eight years ago*. Due to a lack of coordinated reporting and aggressive action on the part of the State, we have failed to meet its efficiency target of reducing energy use 35 percent below 1990 levels by 2010. **State government must lead by example—if New York cannot successfully tighten up its own building stock over an eight-year period, how can the state ask the private sector and New York households to do so?** Environmental benefits of reduced energy demand aside, every day that passes without making these buildings more efficient costs taxpayers real dollars. At a time when New York faces a \$5 billion budget deficit, such a scenario is unacceptable.

Environmental Advocates also urges the Governor to amend Executive Order No. 111 to require state buildings to be carbon neutral within 10 years, through the installation of efficiency measures, on-site renewable installations, or purchases of renewable energy.

Carbon Price Modeling

In its current form, Draft State Energy Plan modeling has some major flaws. However, these flaws can be corrected. The Electricity Assessment Modeling section is missing a third reference case to be consistent with "Starting Point" and "SEP Policy."

There are two main problems that need to be addressed. First, there should be an aggressive energy efficiency program that runs through the planning period—not one that ends on December 31, 2015, as described in the draft plan—leaving the final three years of the plan with no new progress on energy efficiency. Second, in the near future there will almost certainly be a federal cap and trade carbon policy in place and with it a significant price to emit carbon. These factors must be incorporated into all cases.

The final version of the State Energy Plan must include a reference case with: 1) An aggressive efficiency program through at least 2018; and 2) A meaningful federal carbon

price so New York can realistically examine options for transmission and generation. Without these corrections, the plan's modeling fails to paint an accurate picture for informed decisions by policy makers, which in the end should be the core purpose of the energy planning process.

We strongly urge the Board to make these adjustments to the Modeling in order to strengthen the plan and to do so in advance of releasing the final product.

Climate Action Plan

Environmental Advocates strongly supports Executive Order No. 24 establishing a Climate Action Council and Plan for New York. We are particularly pleased that the Draft Energy Plan outlines the specific near- and mid-term targets of a 25 percent reduction from 1990 levels in 2025. We call on the Governor and the Chair of the Climate Action Council, Director of Operations Valerie Grey, to engage stakeholders from the energy and environmental non-governmental communities early and often in a substantive manner throughout the drafting of the Climate Action Plan, convening an advisory panel and prescribing definitive timelines and processes for involvement to ensure the plan is as strong as possible.

Raid on RGGI Auction Revenues: One Step Forward, Two Steps Back

Recent announcements by the Governor have jeopardized the entire Climate Action Planning process, along with the State's broader green economy agenda. Governor Paterson signed the Green Jobs-Green New York legislation on October 13—a great victory for New York's efforts to transition to a carbon-constrained economy. Two days later, the Governor proceeded to sweep almost all of the remaining Regional Greenhouse Gas Initiative (RGGI) auction revenues into the State's general fund—\$90 million. That money represents less than a fraction of one percent of the State's overall \$5 billion deficit, and will do relatively little to improve New York's fiscal standing.

However, the Governor's action ensures the State will not meet its broader energy efficiency and renewable goals—including the Climate Action Plan, which was slated to be funded by these raided resources.

Such actions fly in the face of years of research that led to the implementation of the RGGI, research that concluded that the cost of the program to businesses and households is dependent on how auction revenues are invested. If utilized for energy efficiency and low-carbon energy alternatives, the price impacts of RGGI will be minimal and would result in reductions for ratepayers. Raiding the money for general fund relief will do nothing to alleviate the cost of the program and will result in higher heating and electricity bills for consumers, and higher compliance costs for generators, at a time when New Yorkers can least afford it.

Finally, the precedent-setting nature of the Governor's proposal cannot be overstated. The nation is watching, and how the 10 RGGI states invest auction revenues will either provide

support for a sound federal program or ammunition for the opposition who contend that a cap-and-trade climate program is no more than a government money grab. Until now, New York has been a shining example of the former, but this action sets off a potential domino effect that could result in other budget-challenged Northeast governors following suit. Such a scenario is precisely what critics would love to see and a legacy that Governor Paterson surely does not seek to establish.

We strongly urge the Governor to rethink this flawed proposal and restore the RGGI funds to their rightful purpose—to mitigate the fiscal impact of the program on the New York’s residents through investment in efficiency and renewable energy efforts, and the thousands of green jobs those investments create.

Low-Carbon Fuel Standard

One vital component of the aforementioned Climate Action Plan will be how to reduce emissions from the transportation sector—the fastest growing sector of the state’s greenhouse gas profile. Environmental Advocates is pleased the draft plan calls for advancing this initiative and strongly urges New York move the process beyond the discussion phase and finalize the framework of the program with a regional Memorandum of Understanding by the end of 2009. The agreement must incorporate provisions that ensure the program includes criterion qualifying biofuels as sustainably harvested and that ensure a full lifecycle emissions analysis for qualifying fuels in order to avoid a repeat of the failed corn ethanol mandate at the federal level.

Codes Legislation

We strongly support the draft plan’s recommendation to amend Article 11 of the Energy Law to allow for the adoption of more stringent building codes and to fully fund code enforcement statewide. We look forward to working with the Paterson Administration and the New York State Legislature to pass such legislation in the coming months.

Solar Installations

In order to realize its full market potential, New York must pursue an aggressive solar strategy to achieve 2000 megawatts (MW) of solar photovoltaic (PV) by 2020. A robust solar program will bring numerous benefits to New York residents, including: local grid congestion relief; long-term energy cost reduction and electricity price stabilization; and improved air quality and improved energy security. And since the State’s peak demand correlates well with solar output, an investment in increased solar generation will save all ratepayers money by reducing the most expensive wholesale electricity purchases.

We strongly urge Governor Paterson to accelerate ongoing solar programs at the New York Power Authority (NYPA), Long Island Power Authority (LIPA), NYSERDA and investor-owned utilities in order to achieve the 2000 MW by 2020 goal.

Net Metering

In 2008, Governor Paterson signed into law legislation that many organizations, including Environmental Advocates, assumed would expand net metering in New York. Unfortunately,

the implementation of this statute has run up against significant roadblocks, undermining the intent of the State Legislature and Executive. We are pleased to see that the Draft Plan recognizes this problem and supports a fix for it. We will continue to aggressively pursue net metering legislation to correct this problem and ensure that non-residential customers are permitted to net meter on-site renewable systems sized to meet their annual energy use up to 2 MW.

Power for Jobs/Economic Development Power Programs

The Draft State Energy Plan includes a recommendation to extend NYPA's subsidized power programs, including Power for Jobs, for a longer time period, in addition to expanding the program. We agree that this suite of programs is in dire need of reform. However, before any discussions of expansion and extensions occur, the State must adopt requirements that recipients undergo energy audits and make energy efficiency improvements—preferably with NYPA financing and support. Doing so will not only result in environmental benefits from reduced energy demand, but also in significant economic development benefits to New York State—the less kilowatt hours each recipient needs to operate, the more cheap power is available to other recipients. The one-year extender Power for Jobs legislation signed this year by Governor Paterson was a step in the right direction, but work remains to tighten up these wasteful and inefficient programs.

We look forward to working with the Executive, NYPA and the Legislature to adopt these reforms.

CCS

The draft plan includes a recommendation to enact legislation that addresses carbon capture and sequestration (CCS) technology. What role CCS may or may not play in the future of New York's energy mix is a complex question. However, the question as to whether or not the State needs the Governor's program bill as written—to enable the construction of an unnecessary and prohibitively expensive new coal plant in Jamestown, New York—is simple to answer. New York State does not need this plant. Furthermore, pursuing and incentivizing an unproven technology to expand the burning of coal in a state with no viable coal reserves but hundreds of megawatts of untapped renewable resources makes no sense.

We continue to oppose the Jamestown plant and urge the Governor to follow the lead of the project's primary sponsor Praxair and walk away before additional taxpayer money is squandered on this boondoggle.

Marcellus Shale

Natural gas will inevitably serve as a bridge fuel during our transition to an energy mix dominated by renewable sources of generation and energy efficiency. But being the least dirty of fossil fuels does not make it clean. While emitting roughly half the carbon dioxide on a per kW/hr basis than coal, the volume of gas burned in New York still represents a major portion of our overall greenhouse gas emissions profile.

The draft plan presents a full-scale endorsement of expanded natural gas drilling on both private and state-owned lands. Environmental Advocates believes that until New York State updates the regulations governing such projects to ensure that our natural resources are protected and that industry discloses information regarding toxic hydraulic fracturing chemicals and possible impacts, drilling in the Marcellus Shale formation should not proceed.

Conclusion

Environmental Advocates of New York looks forward to continuing to work with the State Energy Planning Board and agency staff to adopt as strong a plan as possible. We also look forward to supplementing the plan with a Climate Action Plan that will serve as a model for the nation regarding how to achieve the reductions in global warming emissions necessary to avoid the worst impacts of climate change. New York has the expertise to build upon the successes of the Regional Greenhouse Gas Initiative and other state policies—although this success has now been hindered by the Governor’s proposed sweep of RGGI auction revenues.

New York State must muster the political will to lead the State successfully into a carbon-constrained future, and not make hasty, irresponsible policy decisions that will hurt New Yorkers in both the short and long term.

Thank you for this opportunity to comment.

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