



October 16, 2009

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

Comments on Final Draft Report of 2009 New York State Energy Plan

Dear New York State Energy Coordinating Working Group (ECWG):

The Northeast Gas Association (NGA) and its New York Planning Committee (NYPLAN) appreciate the opportunity to submit comments on the final draft Report of the 2009 New York State Energy Plan (SEP), released August 2009.

NGA provided initial comments on this process in its meeting with the Energy Coordinating Working Group (ECWG) in Albany on May 30, 2008, and submitted written comments on behalf of NYPLAN in July 2008 (regarding the Scope of Work) and May 2009 (regarding the Interim Report).

NGA is a non-profit trade association of natural gas companies. Our members are the local gas distribution companies that serve the states of New York, Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, Rhode Island and Vermont. Our members also include interstate pipeline companies that transport natural gas into the region; liquefied natural gas (LNG) suppliers; and other industry participants. Collectively, our members serve approximately ten million customers in the Northeast. NGA's NYPLAN Committee is comprised of regulatory and planning representatives from the natural gas local distribution companies serving New York State.

NGA believes the draft SEP provides a balanced and comprehensive overview of the State's many energy challenges and opportunities. NGA agrees with the five-pronged Strategy approach: increased efficiency; development of in-state supplies (natural gas and renewables); investment in energy and transportation infrastructure; promotion of the clean energy economy in the state; and engagement with other governments and entities – state, federal, provincial, etc.

NGA agrees with the SEP's findings on the benefits of environmentally acceptable development of in-state natural gas supplies and the expansion of cost-effective natural gas efficiency programs. NGA believes that increased natural gas availability for New York State can, as the SEP states, "increase the reliability and security of our energy systems, reduce energy costs, and contribute to meeting climate change, public health and environmental objectives" (p. xii).

NGA and NYPLAN are pleased to submit the following further comments on the draft SEP of August 2009.

Value of In-State Natural Gas Production

NGA concurs with the SEP recommendation to "support private interest and investment in drilling in the Marcellus Shale natural gas reserves and natural gas pipeline expansions to improve supply and deliverability of natural gas to markets in New York in an environmentally acceptable manner" (SEP, p. 94). NGA also supports the recommendation that the State "study the potential for new private investment in extracting natural gas in the Marcellus Shale on State-owned lands where it would not be inconsistent with public trust or parkland doctrines..." (SEP, p. 94).

In-state production of natural gas will help New York over the planning period to achieve its multiple goals. As NGA stated in its May 2009 comments on the Interim Report: "Natural gas production has grown strongly in the last decade in New York and neighboring states, and the potential for substantially greater development exists in such areas as the Marcellus Shale resource base, currently being reviewed by the State Department of Environmental Conservation. These developments, managed with the greatest care for the environment, will contribute to a "clean energy" path, and will create jobs, provide local and state tax benefits, air quality improvements, and diversity and security of cost-effective supply."

Value of Expanded Efficiency Programs

NGA concurs with the SEP focus on increasing energy efficiency in all aspects of the energy delivery system. New York's natural gas utilities have been active in promoting efficiency programs to their customers, and are currently participating in enhanced programs through the proceedings of the Public Service Commission. The SEP's analysis of the potential of natural gas efficiency programs is helpful, as is the acknowledgement that "efficiency programs in other energy sectors could affect the overall demand for natural gas" (SEP, p. 26). Natural gas technology advancements will also help in this regard in the timeframe of the SEP. NGA is encouraged by technology R&D work in this area by NYSEARCH and the Gas Technology Institute (GTI), and believes that more efficient technologies and systems will help to strengthen the entire natural gas system.

Need for Future Infrastructure Investments

NGA concurs with the statement in the SEP that "in the case of natural gas, enhanced pipeline delivery capacity is needed in the downstate area to maintain reliability while allowing for conversions or repowering of power plants from oil to natural gas and accommodating growing core demand" (SEP, p. 52).

NGA concurs with the finding in the "Natural Gas Assessment" that "for reliability purposes, adding additional pipeline capacity for downstate peak days needs would be prudent" (p. 31, "Natural Gas Assessment"); and that "incremental pipeline capacity will be needed to meet growing natural gas loads in the New York and Northeast regions" (p. 34, "Natural Gas Assessment"). The natural gas industry is prepared to meet this objective.

NGA concurs with the conclusion in the "Natural Gas Assessment" that "the State should take specific steps to encourage investment in natural gas infrastructure, including LNG facilities, that could supply future downstate requirements consistent with the State's planning objectives..." (p. 41, "Natural Gas Assessment").

One area of the natural gas system that was undervalued in the SEP is in-state natural gas storage. The SEP notes the importance of storage but does not identify additional storage facilities as a goal. New York's natural gas reliability is supported by the existence of gas storage facilities within the State (as well as in neighboring states and other areas). Gas storage can also help moderate commodity price spikes, and the State's storage assets may make it possible to attract new supply sources (such as LNG for injection during the summer months when LNG prices have traditionally been comparatively low). The SEP should consider the benefits of additional storage to the reliability and economics of the natural gas transmission and delivery system.

Need for Delivery System Infrastructure Investments

As noted above, NGA concurs with the statement in the SEP that "in the case of natural gas, enhanced pipeline delivery capacity is needed in the downstate area to maintain reliability while allowing for conversions or repowering of power plants from oil to natural gas and accommodating growing core demand."

There is a recommendation on page 58 regarding the need for the “appropriate replacement and upgrade of aging infrastructure” but it is addressed specifically to the electric transmission and distribution infrastructure.

There should be a similar recommendation regarding the natural gas distribution system. There is support in the SEP for additions to the natural gas transmission system but no specific language on the natural gas distribution system. New York has one of the most extensive 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. NGA suggests adding language supporting the “appropriate replacement and upgrade of infrastructure on the State’s natural gas system.”

Encouraging Conversions to Natural Gas will Provide Valuable Benefits

While the SEP acknowledges that residential and commercial conversions from oil to natural gas for space heating are expected to occur (SEP, p. 25), the State should be more active in encouraging conversions. This action would provide valuable benefits and meet multiple public policy objectives outlined in the SEP, such as reducing GHGs and other emissions, increasing overall energy system efficiency, and reducing reliance on imported oil.

Combustion of natural gas emits 40% less carbon on a per heating unit basis compared to fuel oil, so conversions will reduce the State’s carbon footprint.¹ Moreover, natural gas combustion emits less than one-fourth the NOx, one-twelfth the particulates, and one-thousandth the SOx compared to fuel oils,² so conversions also lower overall pollutant levels, which is particularly critical in non-attainment areas of the State like New York City. Finally, while it is impossible to predict future energy costs, new technology that makes extraction of natural gas from shale economical is substantially increasing domestic reserves, which should help moderate price volatility.

Potential for CNG Transportation to Expand Alternate Fuel Transportation Options

The SEP appropriately supports diversification of transportation system fuels towards a cleaner, more secure energy base. The SEP specifically supports “efforts to expand electrification in the transportation sector” (SEP, p. 96). NGA concurs and believes such action is prudent and holds great potential.

At the same time, NGA believes that the SEP undervalues the future contributions of compressed natural gas (CNG) as an alternate transportation fuel. NGA encourages the State to place greater emphasis on the role of CNG as well as hydrogen fuel cells among the potential options for alternative fueled vehicles. The SEP emphasizes the value of the State’s public transportation system in helping the State achieve very high levels of energy efficiency compared to other states. The Transportation Issues Brief also notes the State’s reliance on imported petroleum to fuel the transportation sector.

CNG is particularly appropriate for use in fleet applications such as buses, as witnessed by the successful application in downstate areas. It is appropriate then that the State encourage further investment in CNG buses, medium- and heavy-duty CNG vehicles, other CNG fleets, and related infrastructure as a core part of its alternate fuel transportation strategy. Such investments will improve the emissions profile of the State’s public transportation system while also reducing the State’s consumption of petroleum products.

¹ United States Energy Information Agency, “1998 Natural Gas Issues and Trends,” p. 58.

² Ibid.



Need for Further Analysis of Natural Gas System Reliability Needs

The SEP notes that “additional studies are needed to fully understand important aspects of the adequacy of the gas delivery system serving the State and to fully capture the interdependence of the natural gas and electric systems” (SEP, p. 61).

NGA concurs and NGA’s NYPLAN Committee is prepared to assist the State in its future analysis.

As NGA stated in our May 2009 comments on the Interim Report:

“In terms of gas for electric generation, we would note that natural gas is likely to be the preferred fuel for new and upgraded generation facilities for the immediate and longer-term period considered by this State Energy Plan. The implementation of the Regional Greenhouse Gas Initiative (RGGI), as well as possible federal legislation to address greenhouse gas emissions, are expected to place further restrictions on fossil fuel use options that would still leave a large role for clean-burning natural gas. As stated above, to the extent that intermittent generation sources such as wind power are added to the State’s electric grid, natural gas remains a likely back-up fuel. The ability of generators to leverage unused gas transmission capacity during the summer via interruptible service provides energy savings to all electric customers, but the ability of the State’s gas infrastructure to serve the needs of both firm heating customers during the winter and interruptible electric generation customers should be evaluated to ensure electric – and natural gas – reliability is maintained (this was a topic reviewed by NYSERDA in a 2002 report).”

NGA thanks you for the opportunity to offer these comments on the SEP and looks forward to working with the ECWG and the Board throughout this process.

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

Sincerely,



Thomas M. Kiley
President and CEO

