NORTH WIND & POWER
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Albany, NY 12203

Mr. Paul DeCotis, Chairman
State Energy Planning Board
c/o SEP Comments
NYSERDA
17 Columbia Circle
Albany, NY 12203-6399

May 20, 2009

Re: Report - 2009 New York State Energy Plan

Dear Mr. DeCotis,

NorthWind and Power LLC is pleased to submit to you and the members of the State Energy Planning Board the enclosed comments on the Interim Report of the 2009 New York State Energy Plan. Although the Report welcomes written comments anytime, we respectfully requests that these comments are considered in the review of the Interim Report.

Sincerely,

Patrick Doyle
President
NorthWind & Power

COMMENTS OF NORTHWIND & POWER LLC
ON THE "REPORT OF THE 2009 NEW YORK STATE ENERGY PLAN"

I. INTRODUCTION

NorthWind and Power LLC (NWP) is a Delaware Limited Liability Corporation headquartered in Albany, New York whose mission is to develop clean renewable locally-produced electricity from wind energy in New York and other Northeast states. NWP is a member of the Alliance for Clean Energy New York (ACENY) and supports ACENY's mission to increase energy diversity and security, boost economic development, improve public health, and reduce air pollution. NWP believes that harvesting New York's wind energy potential to its fullest will be a major factor in meeting these goals.

NWP appreciates the opportunity to make these comments on the Interim Report of the 2009 New York State Energy Plan ("Report"), dated March 31, 2009 and issued for public comment. We wholeheartedly agree that New York must now lay the path for another transformation of transport and energy systems. We believe that the recent volatility in energy prices, which in our opinion partially precipitated the downturn in the economy, makes such a transformation even more pressing. We agree that action must be taken on climate change. New York's choice to meet the five challenges listed in the Report's Executive Summary through the development and build-out of its clean energy industries is the correct one. We believe that the Governor's leadership and commitment, converted to clear, actionable goals through the State Energy Plan, is absolutely essential to ensure New York meets its energy, transport, and economic development needs in a manner that does not rob from future generations.

II. CHALLENGES TO BE ADDRESSED BY THE 2009 ENERGY PLAN

a. **To reliably meet the State's immediate and near-term needs of electricity, natural gas and liquid fuels.**
   i. According to NYISO reports, the State's near-term electricity and fuel needs can generally be met reliably under the current regime. Therefore the immediate needs to be addressed are (a) to take advantage of the numerous "shovel-ready", or almost-shovel-ready projects, in the State (amounting to over five hundred megawatts (500MW) of wind projects alone) using federal stimulus grants and the Retail Renewable Portfolio Standard (RPS) and (b) to put in place policies to give regulatory certainty to a wide range of interested investors so projects can be realized over the next decade. Unfortunately over the past 18 months the mixed signals on the commitment to renewables may slow future progress towards the State's goals.
   ii. The Report states that the State Energy Planning Board will "address the impact of energy production and use on public health, particularly among the State's most vulnerable populations". NWP believes that among the vulnerable populations that need to be considered in this plan are upstate farmers and timber growers and the communities that depend on them. Much renewable energy is rural energy and a strong commitment to on-shore, upstate renewable energy will help to protect these vital constituencies.

b. **To establish a framework for systematic changes to the State's energy and transportation systems so that future requirements can be met sustainably.**
   i. Retail Renewable Portfolio Standard (RPS). This program, without which new clean, renewable electricity generation in New York (and neighboring states) would not have been constructed at the rate and scale it has been, should be one of the primary vehicles used to enable the state to meet its energy, environmental and economic development goals.

not be able to control the pace at which PHEV come to market and are adopted by consumers, the State must act quickly (a) to disburse available RPS funding and (b) to reform its RPS.

III. RENEWABLE RESOURCES

The New York Retail Renewable Portfolio Standard has been successful to the extent that 1,200 MW of new wind generation has been built in New York since 2004. NWP agrees with Report's Findings that "significant potential remains for the development of large-scale wind generation both on-land and off-shore in the coastal waters of New York". The AWS Truewind estimate in 2004 that the State had 101 sites over 50MW in size, or 10,000MW of total wind potential is born out by the fact that the NYISO queue now has well in excess of 8000MW of wind energy requesting interconnection. The Report finds, however, that large additions of new wind resources will make additional demands on the bulk transmission system and on grid operators, that the optimal locations for new on-land and off-shore wind generation will need additional transmission resources to deliver these indigenous resources and that siting of these renewable generation facilities and their infrastructure can be controversial. NWP agrees with these findings and suggests that the 2009 Energy Plan look at encouraging the development of smaller (1MW to 50MW) grid-connected renewable energy projects, as such projects are much less likely to be controversial or to burden local transmission infrastructure.

Although the approach of using NYSERDA for the purposes of central procurement has enabled the construction of a number of wind projects in the state, as noted in the RPS Market Conditions Assessment prepared by Summit Blue for NYSERDA dated February 19th 2009, market growth potential will be limited by "budget limitations and other program design elements".

Summit Blue also cites market barriers beyond the State's control, barriers which include (for now) low prices for natural gas and wholesale electricity. In addition, Summit Blue notes that it has been difficult for small- and medium-sized developers to compete in the market for wind development with large international developers. Unlike the large international developers who, as Summit Blue notes, have operations in many jurisdictions to diversify risk and whose New York projects compete with their other projects in the US and Europe, smaller developers are much more likely to focus a majority of their resources on their New York projects and to bring them to completion using local resources. In addition, such projects are less likely to be "controversial" or to require major transmission upgrades (as they will of necessity be more modest in size). On the other hand, the changes in the American Recovery and Reinvestment Act (ARRA) make the financing of such smaller projects more viable through the use of the Investment Tax Credit or Grant.

Although the RPS central procurement approach has done its job, NWP sees it suffering from the following shortcomings:

- NYSERDA's procurement cycles are uncertain, making development extremely risky compared to other jurisdictions since developers are uncertain whether they will even have the opportunity to bid for a REC contract.
- The amount of MWh to be procured in any year is unknown, sometimes even months after the winning bids have been selected. By 2008 only 75% of the 2004 targets have been met, resulting in distorted price signals and ultimately discouraging investment.
- With only one buyer (NYSERDA) and no secondary market of any size, there is limited market liquidity.
- The criteria for a successful project are not clear - developers don't know at the time they select a site, which can be 3 to 8 years prior to construction, how the DPS/NYSERDA will eventually weigh price, economic development benefits or other criteria (such as the displacement of other generators like natural gas-fired cogeneration projects).

Although some of these concerns could be managed without changing from a central procurement approach, replacing the centralized procurement approach by setting firm targets for each load serving entity would address these issues. NWP recommends the following for the RPS:

1. The State should confirm its commitment to aggressive long term goals. All energy projects, including commercial scale renewable energy projects have a long time horizon for planning, development and construction. The unusually uncertain nature of the New York RPS is problematic for energy development in the state.
2. Continue to allow for long-term contracts, which are even more essential for successful financing during uncertain economic times.
3. Create a spot-market exchange and allow banking and borrowing.
4. Investigate an individual procurement model.

IV. SITING

A significant impediment to the development of clean energy projects in New York is the inconsistency developers face at State agencies and local permitting authorities involved in project permitting and approvals. Increased consistency and coordination among agencies and between agencies and overall state goals is clearly needed. While overall the State has declared goals for clean energy, developers often find roadblocks and uncertain timelines, particularly problematic with the deadlines for committing significant investment sums of money for equipment. Staffs at some agencies are not fully aware of or supportive of the State's commitment to clean energy development. Each agency's individual mandate, whether those are protecting natural resource or consumer interests, do not exist in a vacuum and should be balanced against other policy goals. NWP recommends that the State Energy Plan set forth specific guidelines so agency actions and decisions are consistent with overall state energy goals.

The State Energy Plan should also review how the absence of a State Siting Law will affect the State's ability to meet the five challenges identified.

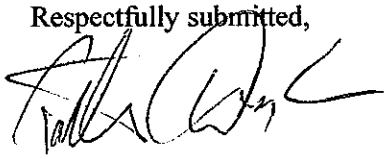
V. CONCLUSION

In conclusion, New York possesses excellent renewable energy resources capable of providing emission-free, domestic power improving our environment and energy security. The increased use of wind and other renewable energy resources reduce demand for fossil fuels and result in lower electricity prices. Transmission constraints will be a significant impediment to the medium term development of clean electricity generation so the Energy Plan should consider small to medium clean, renewable energy projects as a bridge to meeting goals while the transmission system is reformed for the long term .

Almost paramount is that the Energy Plan bring create regulatory certainty so investors can be assured that if they pay the higher upfront construction costs they can rely on stable operating revenues while the State reaps the environmental, economic development and price-suppression benefits.

Thank you for considering our comments on this important public policy endeavor. We look forward to the opportunity to review the State and private sector studies underway and to providing comments on the mid-July draft plan.

Respectfully submitted,



Patrick Doyle
President