May 30, 2014

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

Comments on Draft 2014 New York State Energy Plan

Dear New York State Energy Planning Board:

The Northeast Gas Association¹ (NGA) is pleased to provide comments on the Draft 2014 New York State Energy Plan.

We applaud the work of the Planning Board and all the many participants in the preparation of the 2014 Draft Plan. It provides an important and thoughtful foundation and guidance for New York State’s energy future.

Natural gas is clearly linked with the state’s future economic competitiveness, energy security and environmental well-being. A balanced energy plan will enhance energy security and reliability, as well as contribute to a stronger economy and environment – and natural gas will be a key component.

Our comments on the Draft Plan follow.

**Gas’s Role in “Clean, Reliable and Affordable” Energy for New York**

The Plan outlines new strategies to achieve “objectives of providing clean, reliable, and affordable power; creating jobs; and producing the other economic and environmental benefits that flow from a clean energy economy.” NGA supports this strategy and notes that natural gas is an essential component of the Plan’s multi-layered vision.

Natural gas is providing reliable energy that can continue to yield lower air emissions in the power generation, transportation and home heating sectors. The rise in domestic U.S. natural gas production offers the opportunity for lower energy prices, making energy more affordable for all New Yorkers. Increasing access to natural gas for all New Yorkers will increase the economic competitiveness of towns, businesses and residences throughout the State.

¹ NGA is a regional trade association that focuses on education and training, technology research and development, operations, planning, and increasing public awareness of natural gas in the Northeast U.S. NGA represents natural gas distribution companies, transmission companies, liquefied natural gas importers and associate member companies. Its member companies provide natural gas service to 10 million customers in 8 states (CT, ME, MA, NH, NJ, NY, RI, VT).
Gas Energy Efficiency

New York continues to be a national leader in efficiency program investments, including natural gas. These investments are significant and valuable, and the focus on efficient delivery and utilization of efficiency programs in the Plan is important for the State. Further investments in cost-effective energy conservation and efficiency programs should continue to produce real value for the State.

Renewable Resources and the Inter-Relation with Natural Gas

Renewable resources will play a key role in New York’s energy future as articulated in the Draft Plan. 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, and one that can help to moderate intermittency and provide needed and reliable system balancing. This will have implications for natural gas supply and infrastructure capability in the State by placing greater demand on natural gas by the electric power sector, and argues for an appropriate supply-side response on the natural gas side as well.

Updating and Modernizing Natural Gas Distribution Systems

Initiative 06 of the Plan calls for updating and modernizing “electricity and natural gas systems to replace aging infrastructure and ensure service quality and reliability with a more integrated and distributed energy network.”

New York State does have older infrastructure systems compared to the national average, and updating the natural gas distribution system is an appropriate and necessary action item. There is growing interest at both the regulatory and utility levels in implementing accelerated infrastructure replacement programs, to empower the utility with the capability to replace and upgrade older system components on a broader and faster scope. Such investments enhance system safety as well as reduce associated leaks and emissions. A year ago, in June 2013, President Obama, in announcing his Administration’s Climate Action Plan, said that "investments to build and upgrade gas pipelines will not only put more Americans to work, but also reduce emissions and enhance economic productivity." The Draft Plan’s emphasis on system modernization is well-placed.

Expanding Natural Gas Access for the Home Heating Sector

Initiative 09 of the Plan calls for “expanding access to natural gas in the near term while pursuing strategies to reduce natural gas leakage.”

This initiative in part is related to reducing reliance on petroleum products for heating buildings. Increasing access to natural gas is a great opportunity for New York residents and businesses to lower heating and energy costs and to lower emissions. The New York State Public Service Commission has a proceeding underway to examine policies in the state regarding the expansion of natural gas service. Increasing access to natural gas distribution systems will offer consumers the option to choose an energy source that is less costly and cleaner than heating oil. As the Plan notes, “consumers may enjoy significant savings in household fuel savings by using natural gas which in turn could benefit the State’s economy to the extent that households redeploy those savings. In addition, New York’s location, relatively close to these new sources...
of supply, could provide the State a competitive advantage in attracting and retaining employers concerned about costs of, and access to, a reliable source of energy” [Draft Plan, page 127].

Reducing natural gas leakage is an important imperative for the State and for its natural gas utilities. As noted above, a key part of the equation is replacing older, “leak-prone” system components such as cast iron and bare steel. The trend is positive in this regard. In April 2014, the U.S. Environmental Protection Agency (EPA) released the inventory of its latest annual data estimates on U.S. anthropogenic greenhouse gas emission trends from 1990 through 2012. It notes that methane emissions related to the natural gas system have decreased by 17% since 1990. The decrease in distribution system emissions over this time period is due, says EPA, “to a decrease in cast iron and unprotected steel pipelines.” As the Plan suggests, progress needs to continue on this front.

NGA believes that the growth of natural gas in New York State will continue to bring benefits beyond just the near term and provide reliable, cost-effective and environmentally positive results for decades to come.

**Natural Gas & Power Generation**

Natural gas is a central fuel input for electric generation in New York and its role will likely grow, on its own terms and as a back-up to renewable resources such as wind and solar. The Draft Plan observes that demand for natural gas in electricity generation is expected to grow nationally. In April 2014, NY ISO reported that there are more than 5,000 megawatts of proposed new gas-fired plants in its interconnection queue. This is positive news for the economy and the environment. As the NY ISO reported in its “Power Trends 2013”, from 2000 through 2012, New York state power plant emissions rates for carbon dioxide (CO2) declined by 37 percent, nitrogen oxides (NOx) were down by 80 percent and sulfur dioxide (SO2) dropped by 94 percent. Natural gas has been essential in helping the power grid achieve these air emissions reductions. Ensuring that the State has adequate pipeline capacity - and dual-fuel capability where market appropriate - to meet power generation needs, is critically important.

Going forward, enhancing gas/electric system coordination should be a major focus. An issue remains the difference in the timing of commitments for the gas and electric day; efforts are under way on the national level at NAESB to explore means to better synchronize the markets. Ensuring the reliability of both systems will strengthen the state’s economy and ensure reliability.

**Alternative Transportation Fueling Options**

Initiative 12 of the Plan calls for increasing “transportation alternatives and vehicle diversity to harness the benefits of decreased dependence on oil.”

The Draft Plan notes the potential of compressed natural gas (CNG), liquefied natural gas (LNG), as well as hydrogen fuel cells among the truly viable 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, in the heavy-duty vehicle sector in particular. New York State has added several CNG fueling stations in recent years as well as hydrogen infrastructure. Further growth in this area is anticipated to diversify the State’s alternative fueling options. LNG is also an option of growing interest for heavy-duty trucks as well as other transport modes, including rail.
Price Opportunities & Minimizing Energy Costs

Improving the energy cost situation for New Yorkers is a key goal, and natural gas can assist in a significant way in multiple sectors. For example, the Plan recommends decreasing the “number of customers relying on oil or propane for heat”; increasing natural gas system access can help make home heating more affordable for more New Yorkers.

U.S. production increases have resulted in a far different price paradigm for natural gas and one more favorable to end-users than competing fuels. As the Plan notes on page 124: “Projected prices [for natural gas] reflect continued industry success in tapping the nation’s extensive shale gas resource. With its nearness to the Marcellus Shale basin, New York should participate in prices lower than those experienced from 2000 through 2010 and more similar to those of the last few years.”

As noted above, the increased availability of natural gas in the State would enable more consumers to switch from alternate fuels to natural gas and thus achieve costs savings (as well as lower emissions).

Increasing Pipeline Capacity

With rising demand for natural gas and the opportunity for access to Marcellus Shale supplies, there is a need, recognized in the Plan, for increased pipeline capacity to ensure reliable delivery of the product to New York consumers. Additional interstate pipeline capacity will help to ensure delivery of the product, system reliability, and price stability.

Shale Potential for New York

In NGA’s view, further development of natural gas within New York State, including shale resources, conducted in an environmentally responsible manner, offers great opportunities for the State.

The Plan notes that “New York has a well-established regulatory program to oversee oil and gas drilling administered by the Department of Environmental Conservation (DEC). There are regulations governing the well permitting, drilling operations, and well site restoration when drilling is completed. The DEC and the NYS Department of Health are reviewing horizontal drilling and hydraulic fracturing in the context of a Supplemental Generic Environmental Impact Statement” [page 84].

Once the State’s review is complete, NGA anticipates real opportunities for New York’s economy with shale development, within the State’s environmental regulatory regime.

Environmental Justice

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.
As one example, New York City’s successful implementation of PlaNYC is phasing out the use of #4 and #6 oil in city buildings over coming years and converting the systems to cleaner fuels, such as natural gas. In September 2013, the Mayor’s Office announced that the city’s air was the cleanest in 50 years – and noted that “the expansion of the regional natural gas supply and local gas distribution infrastructure” had saved money and lowered emissions. This in turn contributes to environmental justice and improved health for city residents.

**Conclusion**

NGA appreciates the opportunity to provide comments to the Planning Board regarding the Draft 2014 Energy Plan. New York State can achieve a cleaner, more reliable, and more cost-effective energy future for all New Yorkers, and the Draft Plan offers good guidance to that end.

Sincerely,

Thomas M. Kiley
President & CEO