



May 15, 2009

Via electronic transmission and U.S. Mail

Paul A. DeCotis
Deputy Secretary for Energy
Chairman, New York State Energy Planning Board
State Capitol
Albany, New York 12224

Re: New York State Energy Planning Board - Working Group Interim Report

Dear Mr. DeCotis:

I am pleased to provide to the New York State Energy Planning Board (SEPB) the comments of New York City on the Working Group Interim Report issued on March 31, 2009.

As you know, the City of New York is vitally concerned with the many important issues now being evaluated by the SEPB. No area of the State is more critically affected by energy planning and development concerns than the City, particularly given the electrical system constraints under which it currently operates. For this reason, the City is appreciative of the ongoing work of the SEPB and its Chairman in advancing energy planning and development in New York.

The specific observations of the City in response to the Interim Report are as follows:

1. The Interim Report needs to more fully recognize that the current focus of energy infrastructure planning is unduly weighted solely toward traditional reliability concerns, and does not adequately take into account key elements that will affect the achievability of such important initiatives as Governor Paterson's 45 x 15 plan, and the parallel efforts now underway by New York City. These concerns include such vital matters as a markedly increased role for efficiency and demand response, a reduction in hazardous air emissions and greenhouse gases, and a sharp increase in the use of renewable power in all regions of the State, including New York City. While the Interim Report addresses these topics, what will be needed is an open and inclusive public planning process to ensure that we give full consideration to them.

In addition, the Interim Report fails to address a widespread concern that the pace of efficiency and renewables program development and implementation has not matched the force of the State's public commitments to its energy goals. Thus, for example, more

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than two years after the Public Service Commission initiated an Energy Efficiency Portfolio Standard proceeding to realize a bold gubernatorial vision for the State, comprehensive action is still awaited. The State's utilities in September of 2008 proposed a number of innovative energy efficiency programs in response to a Commission invitation. These have yet to be acted upon, and in fact are not subject to a public comment deadline until the end of this month. This pace raises legitimate concerns that a traditional, protracted DPS administrative proceeding is not an appropriate mechanism for designing and implementing programs needed to reach our efficiency goals by 2015. Moreover, while the budget for energy efficiency measures has effectively been doubled in the last year, the projected costs to fully attain our 2015 goals have been estimated by Department of Public Service staff to require a far greater financial commitment.

In short, the establishment of aggressive goals is laudable, and the City fully supports them. However, implementation of the means to reach those goals is even more important, and requires development of strict and clear accountability standards to ensure that timely and effective measures are put into place.

In a similar vein, a Commission Notice in the State Register last October suggested a need to explore creation of a separate Renewable Portfolio Standard (RPS) tier for the high-cost areas of the State, such as New York City. Given the gross disparities in RPS funding that the City has suffered from since the program's initiation, such a mid-course correction would be appropriate, and the City welcomed this action by the Commission. Responsive comments were filed by numerous parties, including New York City, in November of 2008. Some six months later, no perceptible action has been taken on this important matter that the Commission itself initiated.

The City recognizes that the Commission has many matters before it, and that its attention is necessarily divided among a number of complex issues. However, the platform provided by the SEPB is the logical forum to address the fact that while New York State has clearly been a national leader in the establishment of such bold energy goals as 45 x 15, the vision embodied in those goals cannot be achieved without timely and comprehensive actions to effectuate them. Particularly where we have a fixed target – 2015, the loss of vital time in the interim period due to program delays will only heighten the challenge in reaching our stated goals in the period of little more than five years that remains before that target date.

Accordingly, the City believes that the SEPB Draft Report must set out not only an overarching vision for energy planning, but a credible means of achieving that vision, and doing so rapidly. This will mean the creation of new structures and procedures, the creation of true fast-track programs, and regular reporting thereon to ensure accountability. However, the inexorable demands of the calendar will leave us little choice. The alternative to such an approach is to see mounting lost opportunities that

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cannot be recaptured before the deadline that the State has established for itself.

2. It is critical that the SEPB and its Working Group conduct all Energy Plan modeling work in an open and fully transparent manner. All assumptions, projections, and estimates that feed into the various models employed by the SEPB should be made public, as should the specific methodologies employed in the models. These forms of disclosure should take place no later than the issuance of the Draft State Energy Plan, and ideally should precede the July 15 due date established for the Draft.

Such an approach will improve the final product of any models ultimately used by the SEPB. By way of illustration, the City and its Economic Development Corporation recently conducted an extensive independent study of transmission planning alternatives to serve New York City over the next several years. This study, while funded solely by City entities, was consciously conducted in a widely inclusive manner. The City extended invitations to participate in the study development to the relevant investor owned utilities, the New York Independent System Operator, the New York Power Authority and the PJM Interconnection, as well as other key stakeholders. The perspectives provided by these entities proved to be invaluable to the City and its consultant, and the final product was improved by the insights offered by these parties.

A similar openness in the development of energy planning models and options would serve the SEPB well, and strengthen the force of any conclusions reached. The City urges that the widest form of disclosure be permitted to test and verify all inputs and methodologies used in the SEPB modeling process.

3. The discussion of offshore wind power appears to be incomplete. While reference is made in the Interim Report to a recent initiative undertaken by Con Edison and the Long Island Power Authority to examine offshore wind potential, the important role of the City is addressed only tangentially. The City should not be viewed as a mere stakeholder or electricity customer in such an effort. Rather, the City should be considered as a full partner – one that has extensive experience in power procurement and financing, has independent bonding authority, and access to other forms of economic incentives that may become relevant in the development of offshore wind resources. The City also has a longstanding contractual arrangement with NYPA for the provision of energy. These and other comparative advantages enjoyed by the City deserve far more extensive treatment than that provided in the Interim Report.

4. While statewide energy planning is the ultimate goal of the Board, the State is not monolithic, and should not be treated as such in energy planning. Various regions have sharply different needs, and confront specific challenges – sometimes pressing ones – that may not be encountered in other areas. Such issues cannot be effectively viewed through a lens that considers only the State as a whole. While there are numerous energy

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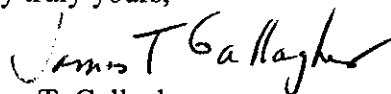
issues that are of interest to all New Yorkers, effective planning will need to disaggregate a number of distinct regional concerns, and treat them separately.

For this reason, the City strongly urges that the forthcoming State Energy Plan address specific, identifiable regional issues in a manner that will permit them to be addressed expeditiously. Thus, the needs of the City as New York's most critical and constrained energy market deserve special attention by the SEPB. This can best be accomplished by the creation of segmented portions of the Energy Plan that recognize and address discrete regional issues.

One innovative approach would be to evaluate the possibility of expanding the ability of the City, the utilities, and the New York Power Authority, where appropriate, to drive needed regional power market improvements. This might be done, for example, by contracting for or building energy resources that best meet recognized public policy objectives, or by providing financing for strategic projects that would benefit both the region and the State. The State Energy Plan should explore the use of possible regulatory or legislative actions and mechanisms to facilitate such an expanded role for key stakeholders, with provision for cost recovery where appropriate, in those instances where market mechanisms have proven to be inadequate. Such an approach might not be warranted for use in certain areas of the State, but it may be ideally suited to a region such as New York City that faces a number of energy and public policy challenges.

I appreciate the Board's consideration of the views of New York City in this matter.

Very truly yours,



James T. Gallagher
Senior Vice President – Energy Policy

cc: Tom Congdon, Executive Director (via e-mail)
Members, New York City Energy Planning Board (via e-mail)