

00-G-0996

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April 30, 2007

Jaclyn A. Brillling, Secretary  
New York State Public Service Commission  
Three Empire State Plaza  
Albany, NY 12223-1350

**SUBJECT: State of New York Public Service Commission  
Case 00-G-0996: In the Matter of Establishment of Criteria  
for Interruptible Gas Service.**

Dear Secretary Brillling:

Please find attached five (5) copies of our comments in the above captioned case.

Respectfully submitted,

*Kevin Rooney*  
Kevin Rooney, CEO

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The Oil Heat Institute of L.I. is a non-profit trade association representing the interests of petroleum marketers throughout the Bi-County region. The Institute's membership, although comprised mainly of retail heating oil companies, nonetheless encompasses major wholesale petroleum suppliers, barging and trucking companies, terminal operators, and distributors of HVAC equipment and services

The Institute is also a Chapter Member of the Empire State Petroleum Association (ESPA) and is pleased to submit these additional comments in support of ESPA's comments filed on behalf of our industry.

Due in large part to its unique geographic, demographic and economic characteristics, Long Island energy consumption of all types far exceeds both state and regional averages.

Insofar as petroleum consumption is concerned, the bi-County region which comprises Long Island consumes almost 35% of the total annual state usage. This amounts to some 4.7 billion gallons a year, which is roughly split as follows:

- 2.53 billion gallons of gasoline, and
- 2.17 billion gallons of distillate product

In light of the above, the need to maintain the integrity and operational efficiency of Long Island's petroleum supply and distribution infrastructure is clearly of paramount importance to all residents and our

local economy. While this complex supply system generally works quite well even in periods of peak demand, it is nonetheless a system which has been severely stressed on a number of occasions over the past few years.

That natural gas supplies are invariably constrained during periods of intense cold weather... resulting in a curtailment of supply to large-volume users operating under the interruptible tariff...at the same time as the petroleum industry is experiencing higher than normal demand, only serves to exacerbate the problem. Such was the concern of both our industry and the NYS Public Service Commission that the PSC, in conjunction with NYSERDA, ordered that a detailed economic and statistical analysis be conducted. The **Final Report of the Petroleum Infrastructure Study** performed by ICF Consulting for NYSERDA was presented to the Commission in September, 2006.

The conclusion section clearly identifies the nature of the problem, particularly insofar as Long Island is concerned:

*"Current storage capacity of distillate at the retail level appears to be adequate other than in severe extremes, such as short periods of intense cold or when there are bottlenecks and constraints in the distribution systems. The data indicates (however) that coverage at the terminals in New York City and particularly on Long Island, can run very low. This, combined with a general decline in petroleum capacity and the growth of natural gas interruptible customers, should raise concerns.*

*The closure of wholesale facilities has brought a disconnect between the point of supply and the point of demand. The data (also) highlights another problem. Inventory at wholesale terminals can fall precipitously low in cold winters, particularly on Long Island. If this trend is combined with an increasing number of natural gas interruptible customers, and possible future closures of terminals then the area is heading towards a major problem in severe winters".*

The Institute shares the concerns of the Empire State Petroleum Association that paper supply contracts are simply not a reliable alternative

to on-site, alternate fuel supplies during periods of intense cold weather when both gas and petroleum supplies are severely constrained.

The Institute enthusiastically and unequivocally supports all off the proposed recommendations included in the ESPA comments, particularly those dealing with:

- Mandatory on-site alternate fuel storage for new customers applying for gas service under the interruptible tariff.
- Increased alternate fuel storage for existing interruptible customers where physically feasible; and
- The expeditious replenishment of alternate fuel supplies consumed during a gas interruption.

By virtue of their ability to access natural gas under the interruptible tariff, large commercial, industrial, governmental and institutional customers enjoy a significant economic savings over those customers purchasing gas on a firm, non-interruptible basis. Under these circumstances, it is certainly not outlandish to expect these customers to make the financial investment necessary to assure that they have adequate on-site alternate fuel storage capacity in the event that their gas supplies are curtailed.

For the above-stated reasons, the Oil Heat Institute of L.I. respectfully requests that the Commission adopt the recommendations contained in the ESPA comments on this matter.

Respectfully submitted,

By: Kevin Rooney  
Chief Executive Officer