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TOWN OF RAMAPO

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Christopher P. St. Lawrence
SUPERVISOR

March 11, 2013

Jacyln A. Brillling, Secretary
State of New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Dear Secretary Brillling:

The following is my response for The Town of Ramapo to the questions identified at the January 9, 2013 Technical Conference regarding the Expansion of Natural Gas Service.

The Town of Ramapo appreciates the opportunity to intervene in this proceeding (12-G—0297). As a component of Governor Andrew Cuomo's "Energy Highway" initiative the expansion of gas services is vital for economic development issues for our local communities and the overall economic health of the State of New York.

I am especially pleased to see the leadership role that our Public Service Commission is playing in the process of energy expansion.

Sincerely,

Christopher P. St. Lawrence
Supervisor

cc: Governor Andrew Cuomo

Town of Ramapo Response to Public Service Commission examination
of Policies Regarding Natural Gas Expansion
(Case 12-G-0297)

Barriers to Extension and Expansion of Natural
Gas Facilities

Q1. Please explain your understanding (and for utilities, your implementation) of Commission regulations and the Natural Gas Expansion Policy including your views on whether they encourage or deter expansion of the natural gas delivery system in New York State. Do you feel that the Commission regulations and Policy should be modified and if so, how?

Response. When the 1989 Policy Statement was adopted it may have been sensible at that time. But now the policy requiring a 5-year time frame to achieve the overall system rate of return is too restrictive and imposes an economic burden on the state, its residents and businesses. The time frame should be 10 years and that would make it consistent with the line extension policies for water and electric.

At the Technical Conference, there was discussion regarding piece-meal environmental approval of new franchises. This makes no sense and imposes another obstacle to the expansion of natural gas service. On that point, the Town of Ramapo is committed to streamlining the environmental review and permitting process. The Town is appointing one individual as a contact that will coordinate all Town permitting requirements. Ramapo will, in effect, be a one-stop permitting shop.

Q2. Regarding the Commission's regulations of the natural

gas delivery system and the system itself, do you believe that the interests of utility shareholders, ratepayers, and the State as a whole are aligned? Please explain.

Response. The Commission generally does a very good job balancing the interests of the shareholders vs. the ratepayers. The Town of Ramapo has participated in a fair number of rate cases and that balancing has been seen directly. However, here it is in the economic interests of the State to encourage shareholders to loosen their investment constraints and remove the 5-year limitation as discussed above. It should be a minimum of 10 years with certain projects allowed a longer time frame on a case by case basis. The significant economic and environmental benefits of having natural gas displace oil support such policies.

Q3. Are there provisions of current policies or regulations that appropriately incentivize the expansion of the natural gas delivery system in New York State?

Are these sufficient? If not, please suggest alternatives.

Response. Again, the Town of Ramapo thinks that it is time to encourage, not discourage the expansion of natural gas service in New York. That could be accomplished by allowing gas utilities to use accelerated depreciation, higher returns and surcharges where appropriate.

Where existing gas companies are unwilling to exercise a gas franchise or where no company has a franchise, the Commission should look into encouraging the formation of customer owned cooperative gas businesses to facilitate that investment as was done with

the formation of electric cooperatives in the 1940s to serve communities that were beyond the return on investment criteria imposed by shareholders and rating agencies.

Q4. Identify current barriers inhibiting conversion to natural gas usage from other heating fuels - other than the cost of replacing heating equipment. Please explain how the barrier inhibits conversion and provide suggestions for reducing or eliminating the barrier - including the cost of replacing heating equipment.

Response. From a customer perspective, capital costs are the primary barrier. The Town of Ramapo would recommend an expansion of the on-bill eligibility for such conversions along with aggressive marketing efforts to ensure people are aware of the fact that they can convert, save money and not have to come up with the high upfront capital cost. The Town of Ramapo is willing to make its communications capabilities available to Orange and Rockland for such purposes.

Q5. Please identify the outreach and education efforts currently employed by the utility for the purposes of gauging interest in natural gas service and/or soliciting new customers in areas where interest in the possibility of obtaining service has been expressed. Are the efforts sufficient? How can they be improved? Would expanded or improved outreach and education programs increase conversion to natural gas by customers who reside within the 100 foot zone of existing utility infrastructure (and, accordingly would not pay for the extension)?

How can the utility identify, communicate and engage with such customers? When an individual customer requests service, please describe the utility's efforts to communicate with or solicit other customers in the neighborhood/area.

Response. This question is really directed at the utilities participating in this proceeding. However, from the Town of Ramapo's perspective, there is not enough outreach to potential gas customers. Also the 100-foot rule should be relaxed and extended to 200 feet or more depending on the circumstances. For example, a large house set back from the road that has a high-energy usage, could probably easily justify a longer line extension contribution, especially when one considers the benefits to the environment.

Q6. Please identify the typical flow of communication and information between the utility and a customer requesting service that would require extension of a gas main sufficient to require a surcharge. Please provide any examples of written communication.

Response. This question is aimed directly at the utilities.

Q7. What issues should be given consideration prior to expansion of the natural gas delivery system? Should such considerations include protections for a group or groups of customers? If so, what should be and what types of protections should be considered?

Response. All customers should be protected from reckless overexpansion of the gas system. However,

given the economic and environmental benefits of an expanded natural gas system, the presumption should be in support of expansion allowing the utilities a longer time horizon to bring the expansion up to system wide average returns.

Q8. Are there existing utility specific pilot programs focused on new approaches to line extensions or new franchise expansions of the natural gas delivery system? If so, please describe the pilot program. If not, could such a pilot program be beneficial and, how would it be designed?

Response. The Town is not aware of any pilot programs involving new approaches for line extensions or new franchise extensions. However, the Town would be interested in setting up a pilot program to have 18 low-income homes it owns converted to natural gas from propane on Torne Valley Road.

Rate and Ratepayer Considerations

Q9. The Commission's regulations (§230.2[f]) provide that "each corporation may, in its tariff schedules, extend such obligation [to provide certain main and service line extensions without cost to the customer], to the extent the provision of additional facilities without charge is cost-justified." Identify whether the utility ever provides residential customers with more than 100 feet of gas main or service line without surcharge. Please explain why and under what circumstances or, if never, why not. Is the utility aware of any geographic areas in its service territory where potential cost justified extensions of greater than 100 feet are currently un-

served? If

not, has the utility ever attempted to ascertain or develop such information? What should be the appropriate length of main and/or service provided without surcharge?

Please explain.

Response. The Town of Ramapo is not aware of any exceptions to the 100-foot rule.

Q10. Does the utility provide programs that could assist low income customers or those on a fixed income to overcome the barriers to conversion to natural gas?

Response. The Town of Ramapo is not aware of any such programs. Low and fixed income customers would likely obtain disproportionately greater benefits if they had access to natural gas service. So such programs should be considered and encouraged.

Q11. Are there potential funding mechanisms for expansion of the natural gas delivery system other than through utility rates or direct customer payments (surcharges, CIACs or other)?

Response. Yes. In-state gas producers may be a good source of funds to enable them to grow their market, avoid interstate pipeline and associated compressor charges. Customers in cooperatives would be another source of funds. Major appliance manufacturers could be another source of funding or they could be encouraged to provide deep discounts on new highly efficient gas appliances.

Also the Commission should consider allowing the utilities to accrue a higher Allowance for Funds Used

During Construction for long-term expansion projects coupled with immediate conversion to cash returns as customers are hooked up. The concept here is similar to the long-term main replacement programs developed for water utilities, particularly United Water. Finally, the Section 18-a assessment, only one-sixth of which is used to support Commission operations as originally intended, should be restructured to provide additional support to the Commission to replace the raft of retirees over the last several years. Such funding is justified since it will benefit the entire state both economically and environmentally.

Q12. Are existing natural gas efficiency programs adequate and optimal to serve the expansion of customers within 100 feet of existing utility infrastructure? If not, what changes, including possibly the level of funding, could be made to improve the existing efficiency programs?

Would efficiency programs targeted to conversion customers result in increased energy savings, and if so, how?

Response. The ability of a customer to use on-bill financing would materially assist in the conversion process. The Town of Ramapo would also encourage significant incentive payments for more efficient boilers and furnaces.

Q13. Do Revenue Decoupling Mechanisms (RDMs) impact expansion of the natural gas delivery system?

Response.

Yes. The Town of Ramapo is of the opinion that RDM's have an adverse impact on expansion since there is no added incentive for the utility to take on the extra work and risk. There is only downside consequences in the system wide rate of return is not met and no upside potential since the RDM socializes the benefit and does not distinguish between lost revenues from efficiency improvements or increased revenue from new customers or colder than normal weather. In other words the RDM takes away the incentive, or at least dampens it, to add customers. When the revenue increases, the utility does not see a benefit.

Economic Development

Q14. Does the utility have any information or estimates concerning the existence of commercial or industrial customers who may add and/or retain jobs if they could switch their process or heating fuel to natural gas?

If so, how many jobs might be added or retained? Are there specific industries in the State that would benefit from an expanded natural gas delivery system? Please describe.

Response. The Town of Ramapo hopes that the utility marketing departments are ferreting out such opportunities. Because of the oil/gas differential all industries, businesses and residents benefit when gas displaces oil.

Q15. Are there specific industries in the State that would benefit from expanded natural gas delivery system? Please describe.

Response. All industries, businesses, and residents benefit from an expanded natural gas delivery system. The more energy intensive the industry, the greater is the benefit.

Public/Private Partnerships

Q16. Are there potential partnerships between various entities involved in the energy and heating markets in New York State that could facilitate expansion of the natural gas delivery system? If so, please provide examples and whether your organization would be willing to take part in such a partnership. Who would be best suited for encouraging and developing such partnerships? What role should the public sector play?

Response. The Town of Ramapo would be eager to partner with O&R to facilitate expansion of its natural gas delivery system as the Town discussed in response to Questions 4 and 9.

Q17. Are there programs currently administered by utilities or federal, state or local agencies that assist customers with heating fuel conversions? Are there roles that other agencies, such as the New York State Energy Research and Development Authority (NYSERDA), should play in expansion of the natural gas delivery system? Should the Energy Efficiency Portfolio Standard (EEPS) programs be expanded or modified to encourage conversions to natural gas before end-of-life replacements?

Response. The Town of Ramapo believes the single most

important facilitator of encouraging and assisting customers to convert to natural gas is the Commission by providing financial incentives to gas utilities and allowing the expansion of on-bill financing for conversions. Certainly, NYSERDA can be very helpful in the process and should consider new programs that will provide meaningful educational and financial assistance.

Q18. Are there opportunities to coordinate natural gas delivery system expansion projects with other available resources, such as economic development, energy efficiency, or environmental protection? Please provide specific examples, if possible.

Response. The expansion of the natural gas system in itself promotes economic development and environmental protection. Energy efficiency can be enhanced by targeted incentives at the time of conversion to ensure the most efficient equipment and appliances are installed.

Environmental Impact

Q19. Are there changes that could be made to the environmental impact review process involved in granting or expanding gas franchise areas that could improve or streamline the process?

Response. The installation of natural gas distribution facilities constitutes a minimal and temporary environmental impact. Serious consideration should be given to eliminating environmental review in all existing rights-of-way, except where proximate to sensitive areas such as water bodies used for drinking water, endangered species habitat, historic districts,

etc.

Q20. Please identify, if any, areas of the State where provision of natural gas delivery service is unrealistic because of environmental constraints, construction permitting requirements or other factors and explain why service to such areas is believed to be unrealistic. Are there any areas of the State that require special consideration regarding expansion of the natural gas system?

Response. From a practical perspective very low-density areas such as the Adirondack Park may not make economic sense. Hilly and rocky areas are also more challenging candidates, but the extra costs could be rapped into a surcharge and perhaps potential customer would be willing to pay such surcharges until the extra costs are recovered. Areas of environmental concern such as endangered species habitat, historic areas where excavation could have adverse consequences, etc.

Planning

Q21. Please explain your utility's natural gas delivery system expansion planning process including any large-scale and or long-term plans that are in place or are being considered.

Response. This is a question for the utilities, but the Town of Ramapo encourages O&R to make sure that all of the Towns residents and business have access to natural gas.