



March 11, 2013

Jeffrey C. Cohen, Acting Secretary
NY State Department of Public Service
Three Empire State Plaza
Albany, NY 12223-1350

Comments re: CASE 12-G-0297

Dear Acting Secretary Cohen:

The Northeast Gas Association (NGA) is pleased to provide comments in CASE 12-G-0297, "Proceeding on Motion of the Commission To Examine Policies Regarding the Expansion of Natural Gas Service."

NGA commends the Commission for undertaking this important policy review. As the Commission Order of November 30, 2012 stated, there are numerous "potential benefits to New Yorkers from an expanded and/or more reliable natural gas system," ranging from economic development to improved air quality, lower heating fuel costs for homeowners and businesses, and enhanced reliability.

The increase in natural gas production in the U.S. in recent years, including in the nearby Marcellus Shale, has already produced significant benefits for national, regional and state energy markets, from lower commodity prices to lower wholesale electricity prices. New York State has the opportunity to extend these benefits to the approximately 45% of its citizens who currently do not use natural gas, as well as to businesses and regions of the state that are not able to directly accrue the economic benefits of natural gas service. This proceeding is well-timed and well-designed, to explore issues of great import to the economy and environment of New York.

The local natural gas distribution companies (LDCs), as outlined at the January 9, 2013 Technical Hearing held at the Commission, have ideas and proposals on ways to economically extend service. Different areas of the State will yield slightly different responses, based on local geography, current pipeline route access, and population density, among other factors. Further discussions with the LDCs and other stakeholders in the State through this proceeding are sure to develop promising options for gas service expansion.

NGA has some general comments at this time on different areas of potential opportunity.

Enhanced Reliability

Expanding natural gas service in the state requires not only developments on the distribution system but also on the interstate transmission or pipeline system. Increasing pipeline delivery capability into the State will allow New York to gain access to increased supplies of low-cost natural gas to meet projected demand from new customers in multiple sectors.

As the Commission's Order also notes: "There are areas of the state that are supplied by a single natural gas supply line. Expansion and reinforcement of the system in these areas could provide reliability benefits by creating gas flows from more than one source or direction." We agree that this is an important reliability consideration and opportunity.

Economic Development

The decline in natural gas commodity prices has already resulted in substantial costs savings for consumers and businesses in New York State. Expanding the infrastructure to serve greater areas of New York will enable communities, businesses and homeowners to achieve significant energy market savings. Last year, the wholesale electric power market in New York yielded its lowest prices in a decade, thanks principally to the availability of lower-cost natural gas. Reducing areas of pipeline constraints, especially in the New York City and long Island region, will yield major economic benefits. Natural gas infrastructure developments will also result in local economic investments, as Governor Cuomo's Energy Highway Blueprint noted.

Transportation Sector

New York State has long had an active alternative fuel transportation program through NYSERDA and other agencies. The State has added several compressed natural gas (CNG) fueling stations in recent years as well as hydrogen infrastructure. Increasing access to natural gas will also increase the optionality of natural gas fueling stations. Natural gas is increasingly seen as a cost-effective and reliable option for fleet and heavy-duty vehicles, from garbage trucks to delivery vans and buses. Further growth in this area is anticipated to diversify the State's alternative fueling options and provide a cost-effective alternative to traditional transportation fuels.

LNG vehicles are also emerging as a viable option for heavy-duty trucks, in Connecticut, Massachusetts and Quebec among other areas in the region and the U.S. We encourage New York State to consider the benefits of natural gas transportation options – both CNG and LNG – as part of its review of natural gas growth in this current proceeding.

Companies in New York State involved in the manufacture of natural gas vehicle components would also gain from an expanded in-state market demand.

Expanding Heating Market Fuel Option

Natural gas provides over 50% of the home heating fuel market in the State – and yet there are millions of households in New York not currently utilizing natural gas. Increasing its availability to homes throughout the State that currently are served by other higher-priced fuels will provide an important energy market choice for numerous households. The commodity cost of natural gas is about one-fifth the cost of oil. Enabling homes currently without natural gas service to

access natural gas would result in considerable fuel cost savings. Also, the environmental benefits of natural gas for home heating present advantages over other fossil fuels.

Environmental Benefits

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.

In conclusion, we commend the Commission for undertaking this timely and important policy review of the potential expansion of natural gas in New York State, and pledge our support.

Sincerely,

A handwritten signature in black ink that reads "Thomas M. Kiley". The signature is fluid and cursive, with a large initial 'T' and 'K'.

Thomas M. Kiley
President and CEO

