

September 25, 2017

VIA ELECTRONIC FILING

Hon. Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 17-G-0432 – Petition of New York State Electric & Gas Corporation for Authorization to Construct a Natural Gas Compressor Pilot Project in Tompkins County, NY (I.D. No. PSC-32-17-00009-P)

Dear Secretary Burgess:

Multiple Intervenors, an unincorporated association of approximately 60 large industrial, commercial and institutional energy consumers with manufacturing and other facilities located throughout New York State, including the New York State Electric & Gas Corporation (“NYSEG”) service territory, hereby submits these Comments to the New York State Public Service Commission (“Commission”) in general support of the July 19, 2017 petition filed by NYSEG in the above-referenced proceeding (hereinafter, the “Petition”). Multiple Intervenors’ Comments are submitted in response to the Notice Soliciting Comments issued herein by the Commission on September 8, 2017, as well as the notice published in the August 9, 2017 edition of the *New York State Register* (I.D. No. PSC-32-17-00009-P).

In its Petition, NYSEG seeks authorization from the Commission to: (a) construct a natural gas compressor pilot project in Tompkins County, New York (the “Project”); (b) include the capital costs associated with the Project in its capital rate base as an addition to gas plant; (c) defer incremental operating and maintenance (“O&M”) costs associated with the Project; and (d) upon approval of the Project, to issue a request for proposals (“RFP”) for one or more Non-Pipe Alternatives (“NPA”), which “will seek proposals to address not only the pressure/reliability issues present in the area, but also address the pending demands for additional gas in the area, as well as to allow for additional future growth in gas utilization in the area.” (Petition at 1.)

Multiple Intervenors generally supports the Petition, based on its understanding of the relevant facts and circumstances. Specifically, the Project, involving the implementation of four compressors, would increase pressures in NYSEG’s gas system in the region during peak periods, thereby addressing an emerging reliability concern. (Petition at 2.) The Project is

estimated to cost a little under \$4 million. (Petition, Appendix at 8.) Although not addressed in the Petition, Multiple Intervenors anticipates that the incremental O&M costs associated with the Project would not be material. In addition to the Project, NYSEG would issue an RFP soliciting proposed NPAs. While the incremental cost of the NPAs to customers, if any, is not known, the purpose of the solicitation is to eliminate, or at least delay materially, the need to construct a pipeline project that, upon information and belief, is estimated to cost approximately \$18 million.

Initially, Multiple Intervenors strongly supports the concept of NPAs.¹ Where a gas utility is confronted with the need for costly infrastructure expansions or upgrades, it should, at a minimum, evaluate potential alternatives thereto. NPAs, if implemented successfully, can produce cost savings to customers, and often result in other benefits (*e.g.*, improved reliability, emissions reductions). Here, implementation of the Project and pursuit of one or more NPAs could result in the elimination, or the delay, of the need to construct a materially more expensive pipeline project.

Importantly, Multiple Intervenors' support for the concept of NPAs should not be construed as advocating that NPAs be implemented in all, or even most, instances. When confronted with the apparent need for a major infrastructure project, it is prudent for gas utilities to at least consider NPAs. The evaluation of one or more potential NPAs does not, however, mean that an NPA should always be implemented in lieu of a traditional infrastructure project. In some circumstances, the infrastructure project may be necessary to maintain reliability. In other cases, even if an NPA potentially could result in lower costs, its successful implementation may be too risky, or uncertain, to warrant expending material customer funds in the hope of only modest and/or speculative savings. Accordingly, for an NPA to be pursued, the evaluation thereof should indicate that the NPA would be demonstrably beneficial to customers. In other words, a benefit/cost ratio for an NPA very close to or only modestly above 1.0 generally should not suffice; rather, greater customer benefits should be anticipated to offset the increased operational uncertainties associated with many (but not necessarily all) types of NPAs.

In evaluating NPAs, the Commission should focus initially and predominantly on the economic benefits and costs to customers. A benefit/cost ratio comfortably above 1.0 – and ideally above 1.25 – should be required before pursuing an NPA that is more speculative in nature than a traditional infrastructure project. Indeed, as the associated risk of a potential NPA increases, so, too, should the expected benefit/cost ratio before its implementation is authorized. In addition to economic benefits and costs, however, the Commission should also consider, if and when appropriate, other factors in evaluating NPAs, such as: (a) the likelihood of success of the NPA in eliminating – or at least materially delaying – the need for the infrastructure project; (b) potential reliability improvements associated with pursuit of the NPA; (c) local support and

¹ Multiple Intervenors previously has expressed support for the concept of Non-Wires Alternatives (“NWAs”) for electric utilities; it construes NPAs as the gas equivalent of electric NWAs.

investment, if any, for one or more NPAs under consideration; and (d) potential environmental benefits (e.g., reduced emissions) associated with pursuit of the NPA.

Applying these criteria to the Project is challenging because, *inter alia*, the Petition does not contain a benefit/cost analysis. Consequently, Multiple Intervenors offers only general support for the Petition, and such support is based on the relevant facts and circumstances as it understands them. That being noted, it does appear in this instance that: (a) the Project will address low pressures on NYSEG's gas system in the region and, therefore, its implementation arguably is justified on reliability grounds alone; (b) at a projected cost of slightly less than \$4 million, the Project is significantly less costly than an otherwise planned pipeline project (at a projected cost of approximately \$18 million) and, therefore, implementation of a NPA at a modest cost has the potential to produce material economic savings to customers through the elimination or delay of the pipeline project; (c) there appears to be strong local support for the Project and a potential NPA; and (d) successful implementation of the NPA potentially could result in carbon emission reductions. Based on these facts and circumstances, approval of the Petition and pursuit of a modestly-priced NPA appears reasonably likely to produce economic and potentially other benefits for customers. If the facts and circumstances attendant hereto are different from Multiple Intervenors' understanding, that could impact Multiple Intervenors' positions with respect to the Petition.

Accordingly, for the reasons set forth herein, Multiple Intervenors generally supports NYSEG's Petition. To the extent additional information bearing upon the benefits and costs to customers of the relief sought herein becomes known, it should be made public. As indicated previously, while Multiple Intervenors views the Project and NYSEG's consideration of one or more NPAs to be favorable, the Petition is somewhat lacking in terms of a substantive benefit/cost analysis and additional information, if and when made available, may lend support for the ultimate decision whether to implement – or, alternatively, forego – the NPAs evaluated in response to the RFP proposed by NYSEG.

Respectfully submitted,

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