



March 11, 2013

VIA EMAIL: secretary@dps.ny.gov

Acting Secretary Cohen
New York State Public Service Commission
3 Empire State Plaza
Albany, NY 12223-1350

Re: CASE 12-G-0297

Proceeding on Motion of the Commission to Examine Policies Regarding the Expansion of Natural Gas Service

The Pace Energy and Climate Center¹ (“Pace”) appreciates this opportunity to comment in the above captioned Proceeding on the Motion of the Commission to Examine Policies Regarding the Expansion of Natural Gas Service.

Pace acknowledges the potential benefits that expanding natural gas service would deliver to New York consumers and the State’s economy as a whole. In addition, we generally support natural gas as an alternative to fuel oil, kerosene, and propane because of the resulting reduction in emissions of CO₂, NO_x, SO₂ and PM. However, these environmental benefits hinge on two chief factors: 1) how tight the gas distribution system is that is delivering the fuel; and 2) how efficient the end use equipment is that ultimately burns that fuel.²

It is also important to note that, while natural gas is certainly cleaner than other fossil fuels, it is neither renewable nor emissions free. Though there may be *incremental* environmental gains realized in the near-term through increased gas conversions, we urge the Commission to carefully consider the longer-term implications of locking customers in to a long-lived fossil fuel heating infrastructure system that could preclude/delay the transition to renewable, zero emissions alternatives in the future. Balancing these two considerations is challenging but must be tackled.

If the Commission is to go forward with the expansion of natural gas service, the following are some guiding principles Pace believes should be adhered to.

¹ Pace is a non-profit organization with a twenty-five year track record of addressing environmental interests in the production and use of energy. Within this focus, we promote energy efficiency, renewable energy and clean distributed generation technologies—options that are cost effective means to reduce the negative climate, air, water, land and public health impacts from current patterns of electricity production and consumption. Using research, education, and negotiation, we work with individuals, institutions and governments involved in energy decision making. We participate in regulatory proceedings, engage policymakers, and work with a diverse community of business, labor and environmental stakeholders to support the advancement of clean energy technologies.

² In order to fully quantify the life cycle emissions of natural gas it would be necessary to consider upstream emissions from gas extraction, but those are outside the scope of this Case and thus not discussed in these comments.

Require Minimum Achievable Leakage Rates On Any Expansion Infrastructure. Natural gas leakage is a significant source of fugitive emissions of methane, a greenhouse gas that is over twenty times more potent than CO₂.^{3,4} A 2010 analyses conducted by the Conservation Law Foundation in Massachusetts estimated that more gas was lost through that state's distribution system (about 1,725 million cubic feet) than was saved via their gas efficiency programs. As a result, about 4% of Massachusetts' greenhouse gas emissions are attributable to leakage from its gas delivery infrastructure.⁵

In addition to contributing to climate change, inefficient gas distribution infrastructure increases the cost of delivered gas to customers (who pay for the lost gas) and, can also result in dangerous explosions. As a direct result of Commission oversight and regulatory actions, leakage rates for New York gas utilities have fallen over the past decade. However, with gas leakage accounting for 5.68 MMtCO₂e in 2008 (or 2.24% of statewide GHGs), more can and should be done.⁶ Building on the Commission's good work to date, any recommendations for expansion that may result from this proceeding present a significant opportunity to make even greater progress on this front. Pace urges the Commission to further investigate the best measures for reducing gas leakage before natural gas service is expanded, and mandate both regulatory constructs and technical design requirements as a precondition to any expansion approvals.⁷

Maximize End Use Efficiency By Leveraging Existing State Incentives. Pace also highlights the opportunity that expanding natural gas service presents for increased deployment of high efficiency systems. We agree with the following observations provided in the Order:

Under current price conditions, the typical homeowner who converts from No. 2 oil to natural gas could save about \$1,300 per year, although it could be more if they convert to a high efficiency furnace or boiler. Assuming approximate installation costs for a new high efficiency heating system of between \$3,000 to \$5,000, a homeowner's payback period could be less than four years. . .

*Moreover, the vast majority of expansion proposals do not seek to leverage other potential assets including public-private partnerships, economic development and energy efficiency resources to manage or improve the economics and/or other potential benefits of an expansion project.*⁸

In order to address those issues, Pace recommends that the Commission—as a precondition to any expansion of natural gas service—require utilities to demonstrate that they have taken all practicable steps (in close collaboration with NYSERDA, NYPA and/or LIPA incentive programs) to ensure that as many new customers as possible install high efficiency systems supported by EEPS and/or other state and federal incentives. Maximizing the end use efficiency of conversions will result in: greater economic

³ “Methane accounts for 10% of the total U.S. GHG inventory, and it has been rising steadily. Fugitive emissions from the Oil & Gas industry make up 3.8% of the total methane emissions, and of that, almost 11%, or 72 billion cubic feet, come from the distribution system.” Conservation Law Foundation— *Into Thin Air* (2012).
http://action.clf.org/site/Survey?ACTION_REQUIRED=URI_ACTION_USER_REQUESTS&SURVEY_ID=3480

⁴ See <http://epa.gov/climatechange/ghgemissions/gases/ch4.html>

⁵ *Supra* at note 1.

⁶ NYS Climate Action Council— *Climate Action Plan Interim Report*, Table 3-1 (2010).
http://www.dec.ny.gov/docs/administration_pdf/irchap3.pdf

⁷ These measures could include limiting cost recovery for lost gas and strengthening monitoring and reporting requirements, as well as gathering the latest industry best practices/technical feasibility information and applying these in New York.

⁸ NYS PSC—*Order Instituting Proceeding to Examine Expansion of Natural Gas*, November 30, 2012.
<http://www3.dps.ny.gov/W/PSCWeb.nsf/All/A91E503FD17D8DFB85257ADB0076D14C?OpenDocument>

savings and the associated macroeconomic benefits, greater environmental benefits, and an increased likelihood that the state will achieve its EEPS gas goals.⁹ Furthermore, the Commission should consider increasing the funding for gas efficiency in order to ensure there are sufficient dollars to support the larger universe of customers.

Ensure Maximum Access to CHP. Another potential benefit from expanded service would be an increase in the number of customers that could install high efficiency combined heat and power (CHP) systems. Recognizing the marked efficiency and system benefits provided by clean distributed generation, the Commission recently approved \$20 million in annual CHP incentives through 2016.¹⁰ As with the EEPS incentives, utilities should work closely with NYSERDA/LIPA/NYSERDA and any newly accessed commercial, industrial, institutional and multifamily gas customers to identify and facilitate the installation of CHP systems where feasible.

We appreciate this opportunity to comment, and look forward to working with the Commission to ensure any potential expansion of natural gas service minimizes leakage rates and maximizes end use efficiency and the deployment of clean, distributed generation.

Respectfully submitted,

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⁹ Based on EEPS Scorecards, the combined NYSERDA/IOU gas programs only achieved 65% of their annual savings target for 2012.

¹⁰ See NYS PSC—CASE 07-M-0548 - *Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard*. CASE 10-M-0457 - *In the Matter of the System Benefits Charge IV*, at 42-3.
<http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={15F1F208-370F-4AF5-A110-2062012A1F4F}>