

THE SENATE
STATE OF NEW YORK



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March 6, 2014

Federal Energy Regulatory Commission
888 First St., NE
Washington, DC 20426

New York Independent System Operator
10 Krey Boulevard
Rensselaer, NY 12144

Re: Docket No. ER13-1380-000

To whom it may concern:

I write to express my opposition to the new capacity zone being forced upon the people and businesses in my district and to support the filings of the New York State Public Service Commission and New York Power Authority calling for a delay of its May 1, 2014 start date. There are a host of problems associated with this federal requirement but at its heart lies the misdirected punishment of the people of the Hudson Valley for the insatiable energy use of New York City and Long Island.

After failing to thoroughly study the development and implementation of a comprehensive statewide conservation program including ongoing projects and lower cost options, FERC has allowed NYSIO to create a new capacity zone in southeastern New York that would mandate local utility providers to purchase energy resources from producers within a specific geographic region. This development is the latest in a string of buckshot decisions that are driving the ever increasing energy costs in this state.

I call on FERC to reconsider the decision to allow NYSIO to implement a new capacity zone for the following reasons. First and foremost, the new capacity zone has the potential to cost residential, commercial, and industrial customers in the lower Hudson Valley up to \$350 million

in additional electric bills. This is unacceptable and we must not continue to drive families and businesses out of the state due to unbearable costs.

Second, the order for a new capacity zone does not require a commitment from new generation energy producers to come into the area before the zone is created and costs are increased, and provides no direct benefits to the people of the Hudson Valley. Currently, there is no commitment from a generator to build in the new capacity zone. Moreover it is highly unlikely that the new capacity zone will actually succeed as an incentive to get a commitment from a new generator. Without the additional generation being added, the ratepayers would then be paying higher rates for the same existing services that they already receive. As a result, the higher prices are in fact a defacto tax that produces revenue for existing generators who will receive a windfall profit from higher prices.

Third, the new capacity zone does not address the critical need for energy conservation. The justification for the capacity zone comes from transmission bottleneck of 894 megawatts in New York City and Long Island. An effective and sustainable energy conservation plan that saves 1000 megawatts or more will eliminate the need for new energy resources to cover this impending shortage. A 2002 report by Charles Komanoff addresses this issue and shows an example of conservation success through a California case study. In 2001, California experienced rolling blackouts and was facing a critical energy shortage during the upcoming summer months when electricity usage peaks. Through conservation and efficiency efforts, mostly in the actions of individual energy users, the state was able to conserve 10% of its energy. If New York State took similar measures, our savings could be from 1,100 to 2,100 megawatts of generating capacity. With newer, more efficient technologies, New York would certainly be able to eliminate the 894 MW bottleneck through conservation without the need for a new capacity zone.

Finally, this plan does not require that new generators invest in clean renewable energy. Our current energy policies are broken and are focused on the wrong types of energy that are harmful to public health, and our communities, water supply and environment. Even worse these policies are emptying the wallets of Hudson Valley ratepayers. The growing costs of a reliance on non-renewable fuel sources coupled with volatility in the oil and gas market heap a crushing financial burden on homeowners and business owners alike.

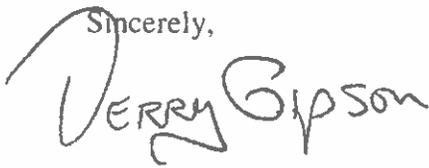
We can no longer avoid the importance of energy consumption. We must also acknowledge the irresponsibility of our continued consumption of non-renewable energy sources that are inevitably more costly. Now is the time to require that any new generation development in New York State focus on conservation and renewable energy sources to avoid the price spikes we are seeing from huge demand and appetite for natural gas.

We need to stop the experiment of an expensive new capacity zone whose effectiveness is highly suspect. Let us step back and slow down a process that will cost hundreds of millions of dollars. Specifically, I request that FERC accept the three year moratorium proposed by the Public Service Commission and New York Power Authority in order to consider the many alternatives that deserve a second look. This delay in the implementation of the new capacity zone will provide the state with time to apply other strategies that are lower cost and are already in

development. This will also provide another opportunity to consider additional information and options to avoid implementing a costly new capacity zone altogether. It will also provide the state time to improve implementation of its already existing programs, such as the Energy Efficiency Portfolio Standard and the State Energy Plan to provide system reliability.

If a new capacity zone is ultimately determined as the only option to maintain grid reliability, we must require a commitment from prospective generators to build new generation before the implementation of the new capacity zone can begin. Finally, the additional generation must be an investment in renewable energy. While the immediate need to address our energy issues is real, it is imperative that we rectify the true causes of our current situation so that we do not continue down the same path of reckless and unmanageable consumption and find ourselves in the same situation in the future.

Sincerely,

A handwritten signature in black ink that reads "TERRY GIPSON". The signature is written in a cursive, slightly slanted style. The first letter of "TERRY" is a large, looped capital "T". The last letter of "GIPSON" is a capital "N" with a small tail.

Senator Terry Gipson