

1 BEFORE THE NEW YORK STATE SENATE  
2 STANDING COMMITTEE ON ENERGY AND TELECOMMUNICATIONS  
-----

3 PUBLIC HEARING

4 TO CONSIDER AND ANALYZE THE LONG-TERM BASE LOAD  
5 ENERGY GENERATION AND TRANSMISSION NEEDS  
6 OF THE STATE OF NEW YORK  
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7 Town of Somerset  
8 Town Hall  
9 8700 Haight Road  
10 Barker, New York 14012

11 September 25, 2012  
12 11:00 a.m. to 3:00 p.m.

13 PRESIDING:

14 Senator George D. Maziarz  
15 Chair

16 SENATE MEMBERS PRESENT:

17 Senator Thomas O'Mara

18 Senator Patty Ritchie

19 ASSEMBLY MEMBERS PRESENT:

20 Assemblywoman Jane Corwin

21 ALSO IN ATTENDANCE:

22 Representative of Senator Catharine Young's Office  
23  
24  
25

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38	Electrical Workers		

1           SENATOR MAZIARZ: Good afternoon, everyone,  
2           and thank you very much for being here.

3           I'm Senator George Maziarz, Chairman of the  
4           Senate Energy and Telecommunications Committee.

5           I want to thank my colleague,  
6           Senator Patty Ritchie from the north country, and  
7           also, Assemblywoman Jane Corwin, who will be  
8           representing, next year, the town of Somerset, and  
9           currently represents parts of Niagara and  
10          Erie County.

11          We are also going to be joined, he's just a  
12          few minutes away, Senator Tom O'Mara, and  
13          Senator Jim Alesi, who are on their way here.

14          We also have a representative from  
15          Senator Cathy Young's Office in attendance here  
16          today. I'm not sure if there are any other members  
17          that are represented here.

18          I know that Senator Kennedy was expected. We  
19          haven't heard back from his office yet.

20          I would just like to open, before I introduce  
21          my colleagues for their opening statements, I would  
22          just like to welcome all of you to the town of  
23          Somerset, the village of Barker.

24          This public hearing concerns the future of  
25          our state's energy generation and transmission

1 systems.

2 The witnesses who came from all over our  
3 state, as well as the assembled spectators, I want  
4 to thank all of you for being here.

5 In particular, I would also like to thank,  
6 and he is also going to be here to testify today,  
7 Dan Engert, the Supervisor of the town of Somerset,  
8 for allowing us to use this space.

9 Today, we sit almost in the shadow,  
10 literally, of the Somerset coal plant. This is the  
11 cleanest coal plant on the east coast, and both the  
12 former and current owners of this facility have  
13 poured tens of millions of dollars into making this  
14 plant environmentally compliant and  
15 state-of-the-art.

16 The same can be said of the NRG-owned coal  
17 plants at Huntley and Dunkirk.

18 New York is the envy of the nation because of  
19 its diverse fuel mix. We've an abundant hydropower,  
20 natural gas, oil, nuclear, coal, and every renewable  
21 energy imaginable. This diversity protects us from  
22 fluctuations of the market, and allows us to shift  
23 to the cheapest sources of energy to fuel our  
24 economy.

25 I strongly believe that maintaining this

1 diversity is vital to our state's energy future,  
2 especially if we are to hold down utility costs,  
3 protect robust reliability, and promote New York  
4 generation jobs.

5           There are some, of course, who disagree with  
6 this approach.

7           They have taken the ideologically inflexible  
8 position that coal is the enemy and should be  
9 eliminated from our energy portfolio. Their  
10 position is not a practical one, it's a political  
11 one.

12           It's sad that some groups, centered mostly  
13 downstate, who have never been to our community,  
14 never seen the plant here at Somerset, never met its  
15 workers, would embark upon a crusade to close this  
16 plant. The closing of this and other coal plants in  
17 Western New York would cause immeasurable harm, not  
18 only to the workers who depend on these jobs, but  
19 also to the towns, cities, and school districts who  
20 depend on the tax revenue to support these vital  
21 services.

22           Even though I do not personally believe that  
23 we should move away from the coal-fired generation,  
24 I can also see the forces arrayed against it, and  
25 understand that we may need a new plant to

1       revitalize and renew our upstate generating  
2       industry. It's clear to me that a solution that can  
3       lead to a future for Somerset, Cayuga, Huntley, and  
4       Dunkirk here in Western New York, Bowline in the  
5       Hudson Valley, Port Jefferson in Long Island, and  
6       dozens of other plants across the state, lies with  
7       the conversion to natural gas.

8               Natural gas prices are at an all-time low and  
9       are projected to stay that way for an extended  
10      period of time. This provides us with a unique  
11      opportunity to take advantage of an abundant  
12      resource to power our energy future.

13              The operators of Huntley, Dunkirk, and  
14      Somerset plants, who you will hear from today, are  
15      committed to our communities. They are willing to  
16      invest hundreds of millions of dollars more in their  
17      facilities to convert them to state-of-the-art  
18      combined-cycle natural gas plants. These will be  
19      the cleanest and most efficient in New York State,  
20      and ensure that generating capacity and jobs remain  
21      in our communities.

22              These companies need a partner in order to  
23      make the investment required. They need a hand up,  
24      not a handout.

25              The Governor's Energy Highway Initiative is a

1 great start and, hopefully, it will provide a road  
2 map to a real statewide solution to modernize and  
3 maintain our power-generating capacity.

4 I believe the elements necessary to provide  
5 these businesses with the assistance and certainty  
6 they need are, as follows:

7 We should allow power producers to access  
8 Excelsior job credits in order to encourage job  
9 creation;

10 We should create a clean-fuel repowering tax  
11 credit equal to at least 12.5 percent of the cost of  
12 construction or repowering costs for any generator  
13 who commits to and completes a project aimed at  
14 meeting the most current environmental standards and  
15 burning cleaner fuel;

16 We should allow projects that meet the  
17 environmental criteria outlined above to access the  
18 State debt financing through the New York Power  
19 Authority to lower construction costs;

20 Every regional economic development council  
21 should adopt as part of its regional strategy, a  
22 plan to maintain and encourage clean power  
23 generation;

24 We should sell inefficient and aging State  
25 generation assets, like the NYPA peaker plants in

1 New York City, and create the New York Clean Energy  
2 Innovation Fund to assist plants further with the  
3 cost of repowering;

4 We need to create a level playing field, and  
5 as such, we must take a critical look at current  
6 environmental exemptions enjoyed by some oil-fired  
7 plants that have negatively impacted the capacity  
8 market for all other upstate generators;

9 We also need to look at why we continue to  
10 apply crippling RGGI charges to our in-state  
11 generators but not imported power, and, of course,  
12 we should not make RGGI worse for our own companies;

13 Any excess revenue that is brought in from  
14 possible gas drilling, Power Authority operations,  
15 NYSERDA collections, or any other energy-related  
16 funds should be dedicated to the repowering and  
17 redevelopment of our energy-generating fleet.

18 The bottom line is, that every citizen of our  
19 state will benefit from a robust energy industry,  
20 and we must do all we can to support it and  
21 encourage it.

22 This industry currently employs over  
23 10,000 New Yorkers, and we need to keep those jobs  
24 here in New York.

25 Before I leave the generation topic, let me

1 say one more thing, clearly, and unequivocally:

2 The Indian Point generating station, which  
3 employs 1,300 people, pays tens of millions of  
4 dollars in property taxes, and has a stellar safety  
5 record, must be a part of our energy future. As a  
6 nuclear plant, it produces no emissions, as well as  
7 2,000 megawatts of reliable and clean energy for  
8 Downstate New York.

9 As a recent report by the Manhattan Institute  
10 clearly showed, closing this plant will rise energy  
11 prices, put thousands of families out of work, and  
12 produce no positive results.

13 Again, let's not allow politics to trump  
14 common sense.

15 Now, let me move on to talk about  
16 transmission.

17 Everyone in the energy industry knows that  
18 our state does not have a generation problem at the  
19 moment. We have a transmission problem. Everyone  
20 acknowledges that this problem has to be addressed,  
21 but on the method, we have reached -- on the method  
22 of addressing that, we've reached a fork in the  
23 road.

24 Some would like to simply run a giant  
25 "extension cord" from Canada down the Hudson River.

1 This project would create no jobs outside of the  
2 downstate region, bypass every generator on the way,  
3 and simply dump government-subsidized power into the  
4 downstate market. This will devastate upstate  
5 generators, eliminate thousands of jobs, and,  
6 according to the chief economist at the PSC, cause  
7 upstate electric rates to increase while city rates  
8 decline.

9 The developers claim the cost will be roughly  
10 \$2 billion, and the ratepayers will not be asked for  
11 a dime.

12 I just don't think this is true.

13 Two years ago, NYPA built a power line across  
14 the Hudson River, from New Jersey into New York, a  
15 distance of only a few miles. The cost, nearly  
16 \$1 billion.

17 Yet we are told that this project, running  
18 under the Hudson River for 300 or so miles, will  
19 cost only 2 billion.

20 Con Edison says that this project will cost  
21 11 billion, not 2 billion.

22 If they are correct, as I believe they are,  
23 who will pick up the other 9 billion? My guess is  
24 that you and I will.

25 This project will also try to use

1 eminent domain to take away New Yorkers' property  
2 and force them from their homes in Stony Point,  
3 New York. This project is being pushed by  
4 Transmission Developers, Inc., and is called the  
5 "Champlain-Hudson Power Express."

6 The plan I and others prefer takes the  
7 opposite course. It would invest billions into our  
8 state's economy, and create more than  
9 30,000 construction and permanent jobs. It would  
10 relieve existing transmission bottlenecks which  
11 strand 1,500 or more megawatts of power upstate.  
12 This project would relieve this congestion, and  
13 allow generating stations upstate, hungry to produce  
14 power, to access customers in a downstate region  
15 hungry to consumers.

16 Just as importantly, this project would allow  
17 us to maintain and expand upstate generation,  
18 creating more jobs and protect our fragile tax base.

19 This project, proposed in the Governor's  
20 "Energy Highway" RFI, called "Transco," is a real  
21 solution to our energy transmission needs, not a  
22 Band-Aid attached to an extension cord.

23 New York needs this project, and I strongly  
24 support it.

25 Some might ask the question: Why not do both

1 projects?

2 The answer to that is simple.

3 First, the economic viability of some of the  
4 Transco upgrades, particularly those that might  
5 impact Western New York, would be fatally damaged by  
6 the installation of the Champlain-Hudson power line.

7 In addition, Hydro-Québec, the State-owned  
8 utility backing CHPE, has 10,000 megawatts of  
9 additional power under development that would need  
10 more customers, and no one has more customers than  
11 Downstate New York.

12 Mark my words, if the PSC approves the  
13 Champlain-Hudson line, it won't be the last line  
14 under the Hudson. The result will be a complete  
15 dependence on Canadian power, devastation of our  
16 power-generating industry, a gigantic loss of jobs  
17 in New York, and higher energy rates for  
18 New Yorkers.

19 No, we can't do both; it's one or the other.

20 And, in that case, we must choose investing  
21 in New York over investing in Canada.

22 That is why I have proposed Senate Bill 7391,  
23 a bill that prohibits projects like CHPE from using  
24 eminent domain. I believe that will effectively  
25 kill the project.

1 Over the last two years, I've been proud to  
2 work with Governor Cuomo to solve some of our  
3 state's biggest energy problems. These include  
4 developing a new Article 10 siting law and creating  
5 a permanent placement for Power for Jobs to recharge  
6 New York programs.

7 Critics said it couldn't be done, but working  
8 together with this governor, we did it. Now we face  
9 transmission and generation challenges that affect  
10 each and every New Yorker.

11 I know that working with Governor Cuomo and  
12 the Assembly, my colleague Assemblyman Kevin Cahill,  
13 the Chair of the Assembly Energy Committee, these  
14 problems can also be solved, and I look forward to  
15 getting started. I am willing to negotiate and  
16 compromise, but only if the resulting policies  
17 protect our in-state generators and the workers who  
18 depend upon them, and strengthen, and not weaken,  
19 our communities.

20 The time for talk is passed, the time for  
21 action is now. And, going into the next legislative  
22 session, this "energy highway," working again, along  
23 with Governor Cuomo, is going to be our top  
24 priority.

25 I do want to thank, and also introduce,

1 Senator Tom O'Mara, who arrived.

2 I said you were going to be 10 minutes late,  
3 and we're right on point. So --

4 SENATOR O'MARA: Perfect.

5 SENATOR MAZIARZ: With that, I would like to  
6 ask my colleague Senator Ritchie to say a few  
7 opening comments.

8 SENATOR RITCHIE: First of all, I would just  
9 like to start off by thanking Senator Maziarz for  
10 holding this important hearing today, and those of  
11 you who are going to testify.

12 This really is an important issue for all of  
13 New York State.

14 I represent an area that has three nuclear  
15 facilities located in it, along with a number of  
16 other generating facilities, including a large steam  
17 plant. So, it is my priority to put as many people  
18 back to work in my district as possible, along with  
19 putting back as many people in the state of New York  
20 back to work.

21 So, I look forward to hearing the testimony  
22 today, and listening to Senator Maziarz, who's done  
23 a lot of work on this issue, to make sure that we're  
24 making the correct choices, we're putting as many  
25 people back to work here, and we're doing what we

1 can to lower energy costs.

2 SENATOR MAZIARZ: Thank you, Senator Ritchie.

3 I now ask, Senator O'Mara.

4 SENATOR O'MARA: Thank you, Chairman.

5 And thank you for speaking for 10 minutes so  
6 that I could get here to get a testimony before it  
7 begins.

8 But, I share Senator Maziarz's concerns about  
9 protecting and promoting the viability of our own  
10 New York State power industry, so that we have our  
11 own local source of energy, and not more reliance,  
12 further reliance, upon out-of-state, and in fact,  
13 out-of-country generation.

14 So, I look forward to your testimony today,  
15 and comments on this very important issue on our  
16 energy sources here in New York State.

17 Thank you.

18 SENATOR MAZIARZ: Thank you very much,  
19 Senator.

20 And now our colleague on the Assembly side of  
21 the aisle, Assemblywoman Jane Corwin.

22 Assemblywoman.

23 ASSEMBLYWOMAN CORWIN: Thank you very much,  
24 Senator, and thank you all for who -- came today to  
25 testify.

1           As you can see, I'm not a senator, and this  
2           is a Senate hearing, so I very much appreciate the  
3           invitation by Senator Maziarz to include me in this  
4           very important meeting and discussion.

5           As he had stated earlier, this part of  
6           Niagara County will soon be becoming part of my  
7           district, but have -- I have been, for the last  
8           four years, representing other parts of  
9           Niagara County.

10          And, I can tell you firsthand, that the jobs  
11          that are created by this power plant here in  
12          Somerset are critical to the economy here in  
13          Niagara County and Western New York. And any kind  
14          of decisions -- policy decisions that are going to  
15          be made regarding energy in New York State, aside  
16          from having a huge impact on the entire New York  
17          economy, certainly has a dramatic impact on what's  
18          happening here in Western New York.

19          I just was at a business meeting this past  
20          week, with business people from around New York  
21          State, and I can tell you the big conversation that  
22          I heard, was discussing energy and energy costs for  
23          businesses.

24          Particularly manufacturers, we've had a big  
25          push to increase manufacturing in New York State,

1 and, certainly, the cost of power is a huge part of  
2 that equation.

3 So, no one understands more than I do how  
4 important it is that we have low-cost power for our  
5 businesses to be able to create these jobs.

6 We also have to make sure that those jobs are  
7 created here in New York State, and certainly,  
8 just -- without having to read the documentation, it  
9 just doesn't make sense to be pulling power in from  
10 Canada, when we've got power plants throughout the  
11 state, with people who have the expertise, the  
12 knowledge, and the ability to be able to provide  
13 that energy at a lower cost to our business owners  
14 and to our ratepayers.

15 So, I look forward to hearing the testimony.

16 I -- certainly, if someone can explain to me  
17 how this Champlain Express makes sense, I -- I'm  
18 willing to hear it, but, right now, I don't see  
19 where there's any common sense in that at all.

20 But, I do look forward to the testimony  
21 today.

22 Thank you.

23 SENATOR MAZIARZ: Thank you very much,  
24 Assemblywoman.

25 I do want to note, the Assemblywoman just

1 recently did tour the Somerset generating station  
2 also. I saw that in the local media.

3 I do want to just acknowledge -- he's going  
4 to be testifying in the third spot, but I do want to  
5 acknowledge, and just thank, I did that in my  
6 opening remarks, but he wasn't here at the time, the  
7 Supervisor of the town of Somerset Dan Engert, who's  
8 arrived.

9 Dan, thank you very much for allowing us to  
10 use your facilities here today.

11 Our first witness is Ray Long from NRG  
12 Energy.

13 Ray, thank you very much.

14 RAYMOND LONG: Thank you, Senator.

15 Senator Maziarz, and members of the  
16 Committee, my name is Raymond Long. I'm the  
17 vice president of government affairs for NRG Energy  
18 here in New York.

19 I would like to begin by thanking  
20 Senator Maziarz and the Committee for your  
21 leadership on energy issues, and for taking the time  
22 to hold this hearing today.

23 As you may know, NRG is an owner and operator  
24 of electric-generation facilities nationally. Our  
25 portfolio includes generation fueled by natural gas,

1 coal, and oil. We own two nuclear reactors in  
2 Texas.

3 Our thermal division owns and operates  
4 combined heat and power facilities that serve  
5 municipalities and businesses throughout the  
6 country. Additionally, NRG is the largest developer  
7 of electricity from solar technologies nationally.

8 We're the partners -- we have partners in  
9 four wind farms.

10 We serve over 1.8 million customers -- retail  
11 customers in Texas and the northeast states,  
12 including New York.

13 And we are investing heavily in  
14 electric-vehicle infrastructure technology through  
15 our eVgo company, which is creating the nation's  
16 first privately funded electric-vehicle charging  
17 system.

18 That will be my own commercial for the whole  
19 company. I'll stick to New York from now on, out.

20 Here in New York, NRG purchased five  
21 electric-generating facilities in 1999, located in  
22 the communities of Dunkirk, Tonawanda, Oswego,  
23 Queens, and Staten Island.

24 We own nearly 4,000 megawatts of installed  
25 capacity in New York, which is enough to power

1 approximately 3.2 million homes.

2           These facilities have provided reliable,  
3 competitive, and clean power to New York customers  
4 for many years. NRG plants have among the highest  
5 availability factors in the industry. The units at  
6 each facility are bid into the New York Independent  
7 System Operator, and provide energy, as well as  
8 reliability services, such as voltage support,  
9 reserves, and load-following capabilities.

10           Moreover, these facilities play a large and  
11 important role in their communities, providing  
12 significant property-tax payments, jobs, and  
13 contributing to local economic activity from goods  
14 and services procured to keep the facilities in  
15 operation.

16           In addition, NRG employees, individually, and  
17 collectively, contribute to the community in many  
18 other ways, large and small, as friends, volunteers,  
19 customers, individual taxpayers, and neighbors.

20           Together, NRG plants in New York pay more  
21 than \$34 million per year in property taxes, and  
22 generate an estimated \$207.8 million of additional  
23 economic benefits from goods, services, and  
24 downstream jobs.

25           And those numbers are annual.

1           In my testimony, I have provided a breakdown  
2 of benefits, per plants, which I'm going to skip  
3 over as part of this testimony -- my verbal  
4 testimony.

5           Over the past few years, NRG has taken steps  
6 to operate its facilities in New York as efficiently  
7 and cost-effectively as possible, to remain  
8 competitive in the changing marketplace, and to  
9 comply with evermore stringent environmental  
10 regulations. We have invested approximately  
11 \$400 million at Dunkirk and Huntley to install  
12 state-of-the-art emission-control equipment.

13           These two facilities comply with  
14 New York State and federal environmental  
15 regulations, and they are among the cleanest coal  
16 facilities in the United States.

17           Second, each of our facilities has cut costs  
18 to ensure that we are as competitive as possible in  
19 the marketplace. This is especially important for  
20 coal facilities, like Huntley and Dunkirk, which,  
21 traditionally, have higher fixed costs, and reducing  
22 those costs as much as possible have made these  
23 facilities more competitive.

24           Finally, NRG has proposed repowering  
25 initiatives at various facilities, to replace the

1 older equipment with more efficient,  
2 cost-competitive, and cleaner technologies.

3 We have submitted the following three  
4 initiatives to the Request for Information issued by  
5 the Governor's Energy Highway Task Force:

6 The first one I'll mention is our Astoria  
7 project in Queens, New York, which would,  
8 essentially, replace the existing plant with  
9 four natural gas combined-cycle units.

10 The second proposal that we made is at our  
11 Huntley facility in Tonawanda, New York. We would,  
12 essentially, run a natural gas line in the facility,  
13 allowing us to be able to co-fire natural gas and  
14 coal, which would provide both economic and  
15 environmental benefits to the facility.

16 And then, finally, at Dunkirk, we've proposed  
17 a natural gas combined-cycle facility there.

18 And under this proposal, NRG would bring a  
19 natural gas line into the existing facility in the  
20 near term. A new natural gas combined-cycle plant  
21 will then be constructed, with an approximate  
22 commercial online date of 2017, at which time the  
23 coal units would be permanently retired.

24 This is the only project proposed in New York  
25 to date that lays the groundwork to phase out an

1 older coal plant and replace it with new  
2 state-of-the-art natural gas facility.

3 The environmental benefits from this proposal  
4 include a 100 percent reduction in mercury emissions  
5 and 99 percent reductions in sulfur di- -- oxides  
6 and nitrogen dioxides.

7 It creates 500 construction jobs and  
8 preserves 27 permanent positions, while preserving  
9 the tax base for the Chautauqua County community.

10 This project has very strong support from the  
11 Western New York community, including the entire  
12 delegation of state, county, and local elected  
13 officials, which is led by Senator Cathy Young.

14 Now, let me say a few things about the  
15 Governor's Energy Highway Task Force.

16 NRG applauds the Governor for taking the  
17 initiatives to spearhead a comprehensive process to  
18 upgrade and modernize New York State's electric  
19 power system. Clearly, this initiative has the  
20 ability to provide consumers in New York with a  
21 variety of benefits, including:

22 Growing the New York economy by investing in  
23 infrastructure that would create jobs and economic  
24 activity;

25 Improving the environment by repowering

1 New York's generation fleet, and meeting growing  
2 energy demand downstate by developing  
3 energy-generation resources.

4 Through a combination of projects, like the  
5 repowering of older generation facilities and  
6 targeted in-state transmission upgrades that will  
7 reduce bottlenecks and allow for the improved flow  
8 of power, New York can achieve the greatest return  
9 for its investment dollars for many years to come.

10 In-state projects, like those proposed by  
11 NRG, will generate:

12 First, excellent, well-paid jobs -- permanent  
13 jobs and construction jobs for New Yorkers;

14 Two, millions of dollars of tax revenues for  
15 host communities;

16 Three, millions of dollars of ongoing  
17 economic activity in the form of payroll, and goods  
18 and services procured to serve these facilities in  
19 New York;

20 Four, huge environmental benefits;

21 And, five, more price-competitive sources of  
22 energy for New Yorkers.

23 Now, the recommendations from the task force  
24 of the next announced step in this process.

25 It is critical for these projects to become a

1 reality, that the task force initiates a process to  
2 competitively award long-term contracts.

3 As we have seen in every major project  
4 developed in New York, and with few exceptions,  
5 everywhere in the United States, long-term contracts  
6 have been the key for developers to secure the  
7 financing necessary to move a project forward.

8 There are several examples of when New York,  
9 with NYPA, Con Ed, and LIPA, has entered into  
10 long-term contracts for generation projects. There  
11 are many ways to structure these agreements; and,  
12 therefore, to manage costs by sharing the risks  
13 between the developer and the contracting entity.

14 But the important thing is, that there's a  
15 financeable contract for the desired project.

16 Let me say a few words about the  
17 Champlain-Hudson Power Express project.

18 This project, backed by  
19 Transmission Developers, Inc., and The Blackstone  
20 Group, is challenged on a number of different  
21 levels.

22 First, the project violates the spirit of the  
23 competitive energy and capacity markets established  
24 in New York. The transmission line has one entry  
25 point in Canada, and one exit point proposed in

1 Queens. This highway, without on-and-off ramps,  
2 leaves no realistic ability for New York generators  
3 to utilize this line; and, therefore, only heavily  
4 subsidized generation from Canada will be able to  
5 access the New York City market.

6 Additionally, the addition of up to  
7 1,000 megawatts of power from Canada will further  
8 threaten the viability of in-state generation.

9 Second, the Blackstone-TDI project will not  
10 create any meaningful jobs for New Yorkers.

11 Although the project would allegedly create some  
12 short-term construction jobs, these are short-term,  
13 and they're insignificant compared to the jobs  
14 created by in-state generation projects that I've  
15 already discussed.

16 And, finally, the Blackstone-TDI project  
17 would likely escalate the timing of the closures of  
18 existing in-state generation facilities by  
19 artificially suppressing wholesale prices below  
20 sustainable levels.

21 As you know, upstate plants are already  
22 economically challenged due to low natural gas  
23 prices, low capacity prices, and higher compliance  
24 costs.

25 The development of Blackstone-TDI would

1 likely contribute to the shutdown or mothballing of  
2 many additional generating units, further hurting  
3 local economies and increasing New York's  
4 unemployment.

5 There's been a lot of interest about the  
6 mothballing process, and what's been going on with  
7 our Dunkirk facility. I would like to make a few  
8 comments about that.

9 On March 13th, NRG filed what is commonly  
10 referred to as a "mothball notice" for the Dunkirk  
11 facility with the New York Public Service  
12 Commission.

13 This notice was the culmination of several  
14 months' work in analyzing the economics of this  
15 facility.

16 The bottom line, was that Dunkirk was losing  
17 a significant amount of money, and that trend is  
18 expected to last for the next few years.

19 The drivers for this poor economic outlook  
20 are low natural gas prices, low wholesale energy and  
21 capacity prices, and the high fixed costs of the  
22 Dunkirk facility, which is similar to all coal  
23 generators.

24 The mothball notice, contrasted with the  
25 retirement notice, does not preclude Dunkirk from

1        returning to service should natural gas prices rise  
2        and energy and capacity prices support bringing the  
3        plant back.

4                The conclusion of NRG's filing with the  
5        Public Service Commission, was that two of the units  
6        at Dunkirk are needed for reliability for a period  
7        of nine months, and one of those two units may be  
8        needed for an additional two years.

9                These reliability agreements may actually  
10       form a bridge from the old Dunkirk units to the new  
11       natural gas combined-cycle facility I discussed  
12       earlier.

13               Under this scenario, the units under the  
14       reliability agreements would keep part of the  
15       Dunkirk facility in operation, providing power,  
16       jobs, and taxes, and other economic activity to the  
17       community in the near term. The new natural gas  
18       combined-cycle facility would be developed after the  
19       award of a long-term contract, potentially through  
20       the Governor's Energy Highway Task Force.

21               The end result would be a facility fully  
22       transitioned from coal to natural gas, while  
23       continuing in operation, continuing to employ  
24       people, and continuing to pay property taxes and to  
25       support the community.

1           To get to the current reliability agreement,  
2           National Grid and NRG entered into an agreement for  
3           Dunkirk Units 1 and 2, for the period of  
4           September 2012 through May 31st of 2013.

5           As of early September, Dunkirk Units 3 and 4  
6           were taken out of the market and are currently being  
7           mothballed.

8           As a result, NRG has been working with  
9           IBEW Local 97 on reducing staff responsibly at  
10          Dunkirk. At this time, there are no layoffs  
11          anticipated.

12          Regarding the PILOT agreement with  
13          Chautauqua County IDA and the taxing jurisdictions,  
14          NRG is currently making payments consistent with the  
15          PILOT agreement. Reductions to the PILOT agreement  
16          are not expected until 2014.

17          We have seen other companies file similar  
18          mothball notices throughout New York for what we  
19          suspect are, essentially, the same reasons.

20          NRG's other coal facility, Huntley Power  
21          Station in Tonawanda, also faces economic --  
22          challenging economic situation, and we continue to  
23          look for ways to improve the competitiveness of both  
24          Huntley and NRG's Oswego oil facility in the  
25          wholesale market.

1           What differentiates Oswego from our coal  
2           plants, is it has lower fixed-cost structure and a  
3           very large capacity value; however, we must continue  
4           to reduce our operating costs there as well in order  
5           to be viable in the long-term.

6           I'm just going to have a few conclusions, and  
7           then I'll sum up.

8           Regarding the energy needs of the state,  
9           including Western New York, Senator Maziarz  
10          championed the development of the law for the  
11          Recharge New York Program and the re-enactment of  
12          the Article 10 power-plant siting law, breaking many  
13          years of gridlock on both issues.

14          Additionally, during the State budget  
15          process, Senator Maziarz, the Committee, and the  
16          Senate colleagues continuously guarded against  
17          increased taxes and fees on the energy industry,  
18          and, importantly, on their impact to Connecticut  
19          consumers.

20          Additionally, the Senator has announced  
21          several bills designed to help address the state's  
22          economy and future energy needs.

23          We need to capitalize on opportunities to  
24          revitalize New York State's economy from the inside  
25          out, and I would like to thank Senator Maziarz and

1 the Committee, once again, for demonstrating this  
2 commitment to the best interests of New York through  
3 this legislation.

4 And, in particular, Senate 7391, which you  
5 already mentioned, would limit the use of eminent  
6 domain only to activities that achieve public-use  
7 benefit or purpose that maximizes benefits to  
8 New York State.

9 This legislation prevents outside entities  
10 from using eminent domain to access our waterways,  
11 land rights-of-way, and ultimately, take unfair  
12 advantage of New York ratepayers.

13 Additionally, the following proposals will  
14 similarly assist with the repowering of New York's  
15 existing generation infrastructure, which will  
16 provide significant local and state jobs and  
17 economic benefits:

18 The Excelsior Jobs Credits program, which  
19 supports generation jobs through allowing power  
20 plants to access the Excelsior job credits;

21 Clean-fuel repowering tax credit, generation  
22 facilities that meet the environmental standards  
23 established in the 2011 Power New York Act would be  
24 eligible to take at least a 12.5 percent tax credit  
25 on necessary improvements;

1           And, finally, low-interest debt financing.  
2           This program allows repowering projects that meet  
3           strict environmental standards to access  
4           low-interest debt financing through the State of  
5           New York.

6           It is important to note that the most cost --  
7           the most effective means to getting power plants in  
8           New York repowered is to issue long-term contracts.

9           Investors and banks currently want to see  
10          revenue streams for these \$400-plus million projects  
11          in energy infrastructure. Tax credits and  
12          low-interest financing go a long way to lowering the  
13          overall costs of these projects and, thus, lessening  
14          the impact to the markets and ratepayers.

15          Long-term contracts ensure that developers  
16          can get financing, which is the key to getting steel  
17          in the ground.

18          And, thank you for the opportunity to speak  
19          here today, and I would be happy to take any  
20          questions.

21                 SENATOR MAZIARZ: Well, thank you very much,  
22          Mr. Long. We appreciate your testimony here  
23          today, and much of it was right on point.

24                 I have just a couple of questions regarding  
25          the two Western New York plants, Huntley and

1 Dunkirk.

2 And I know that if Senator Young were here, I  
3 know Senator Young has worked diligently with the  
4 Governor's Office, with yourself, on the issues  
5 involving -- particularly involving Dunkirk, but of  
6 all upstate generators.

7 But, I just want to clarify what you said.

8 Basically, your application to mothball  
9 Dunkirk is only a transitional direction, let's say,  
10 to transform Dunkirk from a coal-fired plant over to  
11 a natural gas-fire plant.

12 So, it's not about closing Dunkirk and  
13 mothballing it permanently.

14 Is that an accurate assessment?

15 RAYMOND LONG: Let me -- let me put it in my  
16 words, Senator, and see if this makes sense.

17 SENATOR MAZIARZ: Okay.

18 RAYMOND LONG: The decision to mothball  
19 Dunkirk in the proceeding that we went through with  
20 the Commission was based on the economics of the  
21 facility now, and the decision was based solely on  
22 those economics.

23 The decision to mothball, rather than to  
24 retire, was based on our belief that, ultimately,  
25 natural gas prices will rise, or equalize, depending

1 on how you look at it, providing the potential  
2 opportunity to bring those units back.

3 Separately from that, was the proposal that I  
4 mentioned to the -- that we made in the response to  
5 the Governor's Energy Highway Task Force.

6 That proposal involves building a natural gas  
7 line into the existing facility now, and then  
8 building the new natural gas combined-cycle facility  
9 on site.

10 Both of those initiatives are contingent on  
11 having some sort of a financing mechanism, a  
12 long-term contract, to move forward.

13 SENATOR MAZIARZ: Right, right.

14 RAYMOND LONG: So, it -- absent that process  
15 and absent a contract or a path forward, the plant  
16 will stay in mothball, and then, hopefully, come  
17 back when prices equalize.

18 SENATOR MAZIARZ: Thank you.

19 The other question was about Huntley.

20 You know, the perception of Huntley is -- and  
21 I grew up in north Tonawanda, right across the  
22 river. You know, I remember the Huntley plant when  
23 I was a young kid.

24 The perception is that Huntley is an old  
25 plant; and, therefore, that it's not very

1 environmentally efficient, and that NRG may be  
2 looking for a pathway to close Huntley.

3 And that is not the case at all, is it?

4 RAYMOND LONG: No, Senator.

5 You know, we -- when we were going through  
6 this process at Dunkirk, we were, at the same time,  
7 naturally, looking at all of our plants, and how  
8 economically viable they all are.

9 Clearly, both coal plants are financially  
10 distressed right now. Huntley just a little less so  
11 than Dunkirk at this time.

12 So, in our vision, it didn't make sense at  
13 that time to file a mothball notice for Huntley  
14 either.

15 So, no, our intent is not --

16 SENATOR MAZIARZ: Huntley, right now, meets  
17 every environmental, every DEC, standard?

18 RAYMOND LONG: Yes, it does.

19 And to your point, Senator, and as I  
20 mentioned in my testimony, at both of those  
21 facilities, within the last three years, we invested  
22 200 million at Dunkirk, 200 million at Huntley, put  
23 on all the back-end emission controls that were  
24 required.

25 These are among the cleanest plants in the --

1 coal plants in the country right now.

2 If natural gas prices hadn't dipped down,  
3 coal plants would still be more viable.

4 SENATOR MAZIARZ: Thank you.

5 Senator Ritchie?

6 SENATOR RITCHIE: Just a couple of questions.

7 If those two projects aren't pursued, what  
8 will that do to the grid if they're not pursued in  
9 that area?

10 RAYMOND LONG: In other words, if -- at the  
11 Dunkirk project that I mentioned, if we don't pursue  
12 it, it's hard to say what will ultimately happen.

13 As the Senator mentioned, our intent is not  
14 to close either plant.

15 We could have filed retirement notices to do  
16 that, and we chose to file mothball notices instead,  
17 believing that the markets will equalize.

18 Assuming that the markets equalize at some  
19 point in the future, we'll reevaluate and,  
20 potentially, bring those units back at that time.

21 SENATOR RITCHIE: And you mentioned the  
22 Oswego plant.

23 Could you tell me what challenges you have  
24 there?

25 RAYMOND LONG: It's essentially the same

1 thing. You know, it's what we're all dealing with:  
2 Looking at fixed costs of our facilities. Looking  
3 at where capacity markets are at -- wholesale  
4 capacity markets are at.

5 The difference between Oswego -- quite  
6 frankly, the plain difference between Oswego and our  
7 coal units, is it has much lower fixed costs at  
8 those facilities. The economics are just completely  
9 different there than they are at Huntley or Dunkirk.

10 SENATOR RITCHIE: Thank you.

11 RAYMOND LONG: Thank you.

12 SENATOR MAZIARZ: Senator?

13 SENATOR O'MARA: Maybe I missed it, but what  
14 is the -- your projected expense for converting the  
15 Dunkirk facility to natural gas?

16 RAYMOND LONG: Just the natural gas  
17 conversion will be under \$20 million.

18 I don't have an exact figure for you right  
19 now, but we think 20 million is the absolute high  
20 end of what the conversion would cost.

21 SENATOR O'MARA: Okay. And what do you think  
22 the price of gas needs to be to make that viable for  
23 you?

24 RAYMOND LONG: We think that, right now, the  
25 benefits to converting to natural gas are in

1 existence now.

2 With gas prices being as low as they are, it  
3 would provide that -- those units that were  
4 converted the opportunity to co-fire natural gas  
5 with coal, giving it a distinct economic advantage  
6 over where it's at now.

7 So, we think the opportunity is there now,  
8 Senator.

9 SENATOR O'MARA: Now, at your facilities, do  
10 you have a PILOT in place for each facility for the  
11 real-property tax payments?

12 RAYMOND LONG: We do, yes.

13 SENATOR O'MARA: And at Dunkirk, I think you  
14 mentioned that you wouldn't be looking at any PILOT  
15 reductions until 2014?

16 RAYMOND LONG: Yes.

17 SENATOR O'MARA: Now, what would come into  
18 play at that time that might affect your PILOT  
19 payments?

20 RAYMOND LONG: The -- at -- our PILOT at  
21 Dunkirk specifically stipulates that if the -- if  
22 units close at the plant, that the PILOT would be --  
23 the PILOT amount would be reduced on a percentage  
24 basis commensurate with the closures of those units.

25 In 2000 -- 2014 taxable year is the next

1 opportunity we have, under the payment schedule, to  
2 reduce the amount that we pay, based on the  
3 mothballing of the two units that I mentioned.

4 SENATOR O'MARA: All right, and can you tell  
5 us what that change might be?

6 What you're paying now to the communities,  
7 and what you would be paying with the reduction in  
8 2014?

9 RAYMOND LONG: I have the numbers, Senator.  
10 I didn't bring them with me today.

11 I'd be happy to follow up with you, Senator,  
12 and provide those to you.

13 I can tell you that it's -- the two units  
14 that are under agreement with the public -- with the  
15 Public Service Commission now, are less than  
16 50 percent of the output of the facility.

17 So if the -- the rough reductions would be  
18 more than 50 percent.

19 SENATOR O'MARA: Okay.

20 RAYMOND LONG: And I will get you those  
21 numbers.

22 SENATOR O'MARA: And do you know as to where  
23 your PILOT stands in relation to what a 100 percent  
24 taxation would be without that?

25 RAYMOND LONG: I don't know.

1 SENATOR O'MARA: No?

2 RAYMOND LONG: I can get that for you as  
3 well.

4 SENATOR O'MARA: All right.

5 Do you have similar reduction periods for the  
6 other facilities that might come into play like the  
7 Dunkirk scenario?

8 RAYMOND LONG: I don't believe -- I don't  
9 believe that the Huntley PILOT has that same  
10 reduction stipulation in it.

11 I will check on that as well.

12 SENATOR O'MARA: Thank you.

13 Thank you.

14 SENATOR MAZIARZ: Assemblywoman Corwin?

15 SENATOR RITCHIE: I have just a quick  
16 question.

17 You didn't talk too much about RGGI, or the  
18 impact that RGGI's had on your business.

19 Can you just talk a little bit about what  
20 your experience has been, and how that's impacted  
21 your energy costs, and the problems that you're  
22 having?

23 RAYMOND LONG: To be honest with you, I have  
24 not spent a lot of time on RGGI.

25 I can tell you, I know that some of the folks

1 who are coming behind me are planning on speaking  
2 specifically about RGGI.

3 I can provide you with some follow-up  
4 information, where -- what our company's position on  
5 it is. But --

6 SENATOR RITCHIE: All right, that would be  
7 fine. Thank you.

8 RAYMOND LONG: Thank you. I appreciate it.

9 SENATOR MAZIARZ: Thank you very much,  
10 Mr. Long.

11 We appreciate that, and we appreciate the  
12 business that NRG is invested in New York.

13 RAYMOND LONG: Thank you.

14 SENATOR MAZIARZ: Thank you.

15 RAYMOND LONG: Thank you all.

16 SENATOR MAZIARZ: Our next testimony is,  
17 Jerry Goodenough, the plant manager of the Somerset  
18 plant.

19 JERRY GOODENOUGH: Good afternoon, Senator.

20 SENATOR MAZIARZ: Good afternoon, Jerry.

21 JERRY GOODENOUGH: Thank you very much, and I  
22 sincerely appreciate the opportunity to talk to you  
23 about my businesses and about energy policy. I  
24 think you're going to find that I'm passionate about  
25 both.

1           I have written testimony, I've given you a  
2 bio of myself, some facts and information concerning  
3 the businesses.

4           I could echo a lot of the comments that my  
5 colleague Mr. Long made ahead of me, as far as  
6 jobs and economics locally. I think this town knows  
7 the impact of this plant locally.

8           I would like to spend my time today talking,  
9 and echoing some of your opening comments, Senator.  
10 They were spot on as far as what our businesses are  
11 facing currently.

12           The decisions that you and your colleagues  
13 are going to have to make down the road on energy  
14 policy are going to be all about balancing issues;  
15 issues that are emotional to some folks, very hot  
16 topics. In fact, some folks would like to turn  
17 these issues and unbalance the equation and make  
18 everybody focus on just one particular topic.

19           We need to look at local economic issues,  
20 state economic issues. We need to balance the  
21 environment, we need to balance reliability and  
22 performance of the units.

23           I hope today the information that we all are  
24 going to provide to you will help you with these  
25 decisions.

1 I'm going to talk about four or five  
2 different issues facing the businesses today, some  
3 current programs and regulations, some initiatives  
4 down the road, and then, a project that I would like  
5 to talk to you about currently at Somerset.

6 Each time I talk about these issues, I want  
7 to go back to this theme of: Do they balance  
8 everything that we need to look at? Are they  
9 balancing economics, environmental, the reliability  
10 of the system properly?

11 First conversation I would like to have  
12 revolves around the plants that I run, and the  
13 decisions we've made to balance those issues.

14 I've been lucky enough to work at the  
15 facilities for 24 years of my career, in various  
16 different aspects of the job. We've had three  
17 different ownerships.

18 Throughout the history I've been there,  
19 ownership has been very concerned about the  
20 stakeholder relationships we have with our  
21 shareholders, with the local districts, with the  
22 environment.

23 Fortunately, ownership has invested tens of  
24 millions of dollars into these plants, well ahead of  
25 any required regulations.

1           It's very interesting to me, the dynamic and  
2           the passion behind the folks running these plants  
3           for the environment.

4           I've got a quick story.

5           Four weeks ago, I had a tour at Somerset, you  
6           know, right next door here. And, we walked in with  
7           the tour, into the control room, and I could  
8           immediately tell something was going on. I saw the  
9           emotion on the folks' face running the plant.

10          When the tour left, I came back, and I said,  
11          "What's going on?"

12          We happened to be doing a rata that day.

13          It's a test. That, an outside firm comes in  
14          to test the accuracy of the emissions-monitoring  
15          equipment. They need to measure the same numbers  
16          that we're measuring.

17          We were failing that rata. That's not good.

18          And I said: What's going on? You know,  
19          we're tight. You know, we have state-of-the-art  
20          equipment. What's happening?

21          And they said: The test folks can't measure  
22          the mercury in our stack. We have no mercury going  
23          up the stack, their instruments don't go low enough.

24          We've actually had to back off the controls  
25          we're using in order to produce the mercury so that

1 we can pass this test.

2 So, two interesting things there:

3 One is, to show -- we only put about  
4 10 pounds, to 11 pounds, of mercury a year out of  
5 this facility. It is one of the cleanest facilities  
6 in the state.

7 But second of all, these guys, they only had  
8 to do this for three hours. And they were  
9 concerned, that for three hours, they were turning  
10 down the equipment.

11 That's how passionate they are about  
12 balancing the environment and the decisions we make.

13 We get that. We understand what it takes.

14 What we don't understand, is how there's  
15 plants inside New York's borders that don't have to  
16 follow those same rules.

17 There are plants running today that are less  
18 economic than the plants I run, that are way less  
19 environmentally friendly, that are allowed to run  
20 under exemptions from DEC and EPA. These are air  
21 exemptions and water exemptions, and we just don't  
22 understand that.

23 Senator Maziarz, I very much appreciate your  
24 opening remarks bringing that subject up.

25 The next subject I want to talk to, about

1 current regulations.

2 And, Assemblywoman Corwin, I'm glad you asked  
3 that question on RGGI.

4 I don't think we should be here today  
5 discussing the merits of CO2 regulation. That takes  
6 scientists and a bunch of other folks, but I do want  
7 to talk about this program.

8 There is some underlying outcomes of this  
9 program that some folks may not realize.

10 So, the RGGI adder, just for the plants I  
11 run, for the year 2011, we represented 13 percent of  
12 their revenue brought into New York. Just two  
13 facilities. Somerset alone is 10 percent.

14 So, it is a big burden to these businesses.  
15 What happens is, that that causes these plants to  
16 run less. It's part of the dispatch costs.

17 Now, certainly, the driver right now is  
18 natural gas, and the low prices we're seeing.  
19 However, the CO2 adder is also hurting these plants;  
20 therefore, there's less energy produced inside of  
21 New York; therefore, imports are increased, imports  
22 from plants outside of New York that do not  
23 participate in this particular program. These  
24 plants are less economic than the plants I run, and  
25 they're less environmentally friendly. So not only

1 are they running, but they've increased in their  
2 capacity. They do not have scrubbers, they do not  
3 have SCRs, so, actually, emissions are increasing  
4 as a result of this program.

5 So I again echo your comments, this is not a  
6 good program.

7 I believe at a minimum, if we go back and we  
8 look at, "Are we balancing the equation correctly,  
9 looking at the environment, looking at economics,  
10 looking at reliability, looking at what's best for  
11 New York State?" this program does not do the  
12 balance. We need to levelize that playing field.

13 And I've also been an advocate, believe it or  
14 not, maybe one of the few coal plants out there,  
15 that this needs to be a federal program, so that all  
16 states are involved in this program.

17 The next initiative I would like to discuss,  
18 I don't think I need to spend a lot of time on. I  
19 mean, the board that you've put up, discussing  
20 the -- or advocate -- or, not advocating for the  
21 Central Hudson-Champlain project, is enough said.

22 I also echo your comments, that I don't  
23 understand how this particular project could still  
24 be put forth in New York. It doesn't add jobs, we  
25 can't connect to it. It's just -- it's not good

1 business for New York.

2 And I appreciate the fact that you've all  
3 been out in front, of educating folks on how this  
4 isn't a good program for New York.

5 The initiative put forth by the Governor, the  
6 "energy highway," that makes a lot of sense.

7 You mentioned earlier that we don't have a  
8 generation problem in New York. We have a  
9 transmission problem.

10 That's perfect. That's what we have. We  
11 need to fix that.

12 If we can get that fixed; if we can update,  
13 and add to the aged transmission system, not only  
14 does that allow local business in Western New York  
15 to compete at -- with environmentally friendly  
16 projects, lower economics, send electricity down to  
17 New York, but it also opens up the avenue for the  
18 untapped renewables that are in Western New York.

19 We can help with the renewable-portfolio  
20 standard put through by the Governor. It -- it adds  
21 jobs, it keeps the money local. It's a good piece  
22 of legislation to get behind.

23 And I appreciate the efforts of all of you  
24 getting behind that.

25 Taking a look at the plants that I run, going

1 back to the equation of balancing all the -- all the  
2 issues in front of us, we realize, that no matter  
3 how hard we work at reducing costs, at increasing  
4 our performance, at getting better coal deals, at  
5 getting better rail deals, that there's outside  
6 forces acting on this business that we can't control  
7 to keep things moving forward.

8 We echo the Governor's comments that he put  
9 out in the summer, indicating that there is indeed a  
10 gap of time that is currently present in the energy  
11 grid that renewables can't fill.

12 His proposal was to fill that gap with,  
13 purely, just natural gas plants.

14 I get the momentum behind natural gas. It's  
15 low cost, it's plentiful.

16 I'm very concerned about fuel diversity.

17 You know, if you sit down with your portfolio  
18 manager, and you tell him you're going to invest in  
19 just one particular stock or bond, or in just cash,  
20 he's going to just shake his head.

21 And that's the same investments we need to  
22 make in New York. We cannot invest in just one fuel  
23 source. We need to keep the diversity structure  
24 that's been set up in New York, something that we've  
25 all been proud of, alive and well.

1           What the -- the proposal I have for the  
2 project at Somerset, is a project that we've worked  
3 hard, as a community, to promote.

4           I want to digress real quick again, and just  
5 mention, Dan Engert and John Syracuse, and their  
6 leadership that they've provided locally.

7           This community has gone through some very  
8 difficult times. This community has learned the  
9 hard way that they are part of this business.

10          There was some tension a few years ago.

11          Dan and John fought their way through that  
12 tension, and fully understand how this business  
13 impacts this community. And, they've had to make  
14 some hard decisions, but it's worked.

15          And now they have a group of folks in this  
16 community that want to help this business. They  
17 want to see it survive.

18          They've been working with the plant manager  
19 at this particular site, Jack White. They're on a  
20 regional sustainable council.

21          We've been working with the local union  
22 leadership.

23          And we've gotten behind a project that we  
24 feel is a good mix for the Somerset plant: We'd  
25 like to add a biomass facility to the plant.

1           This particular region thrives on the  
2 energy-production industry and the agricultural  
3 industry, and this is an excellent balance for both  
4 of them.

5           Farmers are behind this project. We have  
6 folks that will help us -- will have helped us to  
7 develop the economic model for the capital.

8           We've done these projects before.

9           I've been involved with a plant on  
10 Seneca Lake, Greenwich Station. We did biomass  
11 there. It worked well. We fired up to 10 percent  
12 of the megawatts with biomass product. We know how  
13 to do this.

14           The funding for a project like this would not  
15 nearly be the size needed for a full natural gas  
16 conversion.

17           I understand, Senator, the topic of the  
18 moment is to really look at natural gas conversion.  
19 And I've spent a lot of time doing that.

20           The economics aren't necessarily viable right  
21 now to do that, but I'm not opposed to a project  
22 like that. I just think, right now, this biomass  
23 project fits better. Plus, it protects the  
24 diversity of coal, going forward.

25           I cannot foresee this grid having 60, 70,

1 80 percent fired natural gas, whatever number we're  
2 striving for, and then the gas staying at  
3 two and a half dollars.

4 I think we'd be in a very big economic bind  
5 if we got there, and we did not have fuel  
6 diversification left.

7 We think we can get this funded through  
8 programs like the renewable energy credits that  
9 NYSERDA offers.

10 We did win an auction earlier on in the  
11 Greenwich project. We know how to compete in that.

12 We feel we can get some NYSERDA funding.

13 And what I'd also like to promote, is, I feel  
14 like we should get some of the RGGI funding back  
15 into this district. We've spent over \$35 million  
16 just on the RGGI tax, and I feel like we should get  
17 some of that back in, for green jobs, for green  
18 programs, in this district.

19 I want to just finish my comments, and then  
20 open up for questions.

21 The lack of a structured energy policy, going  
22 forward, has not necessarily helped any of us invest  
23 lately.

24 You guys have a tough job in front of you to  
25 try to put some clarity to that.

1 I would advocate that you continue to look  
2 and balance all the issues that were faced: local  
3 economic, state economics, the environment, the  
4 reliability of the grid.

5 I'm sure you also have to balance all the  
6 political issues associated with that.

7 I struggle with that a little myself, but I'm  
8 starting to learn that that's also an important  
9 factor.

10 And, if you have comments, questions, if you  
11 need to reach out for any knowledge base, you know,  
12 I'm there to help.

13 This community understands what they need to  
14 do to help out.

15 And, we're all advocates for this.

16 SENATOR MAZIARZ: All right, thank you very  
17 much, Jerry.

18 JERRY GOODENOUGH: Yes, sir.

19 SENATOR MAZIARZ: We appreciate you being  
20 here today.

21 What are the current employment levels at  
22 Somerset right now?

23 JERRY GOODENOUGH: Somerset is just under  
24 100 folks. Around 97. That's a combination of IBEW  
25 and salaried people.

1           SENATOR MAZIARZ: Okay.

2           And I asked this question of the previous --  
3 the previous speaker.

4           Somerset currently, I assume, meets or  
5 exceeds every federal or state --

6           JERRY GOODENOUGH: Yes.

7           SENATOR MAZIARZ: -- DEC, EPA, standard?

8           JERRY GOODENOUGH: Yes.

9           SENATOR MAZIARZ: And has for some time.

10          What --

11          JERRY GOODENOUGH: Has for some time.

12          And, with one small tweaking of a piece of  
13 equipment, we feel we can meet all future regs that  
14 have been put out there.

15          SENATOR MAZIARZ: What's been the total  
16 investment by the -- I realize the current owners  
17 only owned it for a very short period of time, but,  
18 by AES before that, let's say, in the last, five,  
19 six years.

20          JERRY GOODENOUGH: Environmentally, in the  
21 last, five, six years, it's been over \$25 million.

22          SENATOR MAZIARZ: \$25 million?

23          JERRY GOODENOUGH: Yes.

24          And, remember, this plant was built with an  
25 FGD in the mid-'80s.

1           SENATOR MAZIARZ: Right. And I trust that  
2 all that work has been done by local --

3           JERRY GOODENOUGH: Yes.

4           SENATOR MAZIARZ: -- local --

5           JERRY GOODENOUGH: Yep, local workers, local  
6 vendors.

7           This plant, when it was running and outage  
8 time was a premium, so, you'd tried to work the  
9 outage around the clock, seven days a week, would  
10 employ up to 600 to 700 contractors.

11           Now, employing that many contractors, some of  
12 them weren't local, but, we exhausted the local  
13 bench before we would go out.

14           SENATOR MAZIARZ: Right.

15           I just asked that question, because I knew  
16 the answer, but I just wanted to make sure that  
17 everybody here from throughout the state know of  
18 what a great -- what a great citizen you've been,  
19 and your company has been, and continues to be, here  
20 in Niagara County.

21           And I know, it was very important that you  
22 mentioned Supervisor Engert and, also,  
23 County Legislator John Syracuse.

24           You are absolutely right. They did an  
25 outstanding job fighting for the survival of this

1 plant.

2 JERRY GOODENOUGH: Yeah. And just to echo, I  
3 kind of left out, but we have been working very hard  
4 with union leadership as well.

5 SENATOR MAZIARZ: Yes.

6 JERRY GOODENOUGH: It's interesting to see  
7 everybody come together for a common cause.

8 SENATOR MAZIARZ: And they are going to be  
9 testifying later on in the hearing, the union. The  
10 IBEW Local 966 are going to be testifying later on  
11 in the hearing.

12 JERRY GOODENOUGH: Excellent.

13 SENATOR MAZIARZ: And I thought your rather  
14 judicious use of the word "tension" was very good.

15 [Laughter.]

16 SENATOR MAZIARZ: With that, I'll turn it  
17 over to Senator Ritchie.

18 SENATOR RITCHIE: In your particular  
19 situation, you mentioned that we need to level the  
20 playing field.

21 Can you elaborate on what you see  
22 New York State needs to do to level the playing  
23 field?

24 JERRY GOODENOUGH: I would concentrate on  
25 continued look at fuel diversity.

1 I would concentrate on all plants within  
2 New York following the same environmental  
3 regulations. That's air emissions, NOx control,  
4 316(b) water regs. There should be no exemption for  
5 any plants.

6 I would continue to focus on projects that  
7 enhance the plants, as far as, you know, keeping the  
8 local jobs, and, becoming more environmentally  
9 friendly.

10 SENATOR RITCHIE: And just one last question:  
11 Do you know what the economic impact would be on --  
12 the biomass facility would have on the agricultural  
13 business here in this part of the state?

14 JERRY GOODENOUGH: I can't give you numbers,  
15 but we have talked to local farmers who sell crops  
16 for a living, and they're very excited about the  
17 project.

18 We have worked with, same job, different  
19 owner.

20 We've worked with Morrisville. We've worked  
21 with SUNY Buffalo. We've worked with Cornell.  
22 These guys are -- they're freaks, for a better name.  
23 These guys love building the switch grass. They  
24 want to build it, it's like switch grass on  
25 steroids. They want to build it with more BTUs.

1 They're trying to get three, they're trying to get  
2 four, cuttings a year.

3 It's very exciting for these guys.

4 And the farmers are looking forward to trying  
5 to work together with us.

6 SENATOR RITCHIE: Thank you.

7 SENATOR MAZIARZ: Senator O'Mara?

8 SENATOR O'MARA: Yes, thank you.

9 Thank you for your testimony. And I just  
10 want to let you know I very much appreciate your  
11 comments on the need for fuel diversity in our  
12 state, and in our country, for our security, and for  
13 the balancing of the economies as they -- the  
14 various costs adjust throughout that.

15 My district includes Ithaca, so, right next  
16 to your Lansing plant that you've acquired.

17 Can you give me a little bit of information  
18 on where you stand in the Cayuga facility, as far as  
19 what you're up against there?

20 JERRY GOODENOUGH: Yeah, so, I had a little  
21 smirk on my face.

22 So, you understand fracking if you have  
23 Ithaca.

24 SENATOR O'MARA: And the Southern Tier, and  
25 sort of half the Finger Lakes. I understand it very

1 well.

2 [Laughter.]

3 JERRY GOODENOUGH: So, uhm --

4 SENATOR O'MARA: Let's not go there today.

5 [Laughter.]

6 JERRY GOODENOUGH: Yes.

7 [Laughter.]

8 JERRY GOODENOUGH: Yes.

9 It's very interesting.

10 So, the same issues that faced Somerset, as  
11 far as getting folks to understand what your  
12 business is all about, we faced in Ithaca. The same  
13 type tension and push back, initially.

14 The community of Ithaca now is very  
15 supportive of this business. They are behind it.

16 There are two folks that sit on regional  
17 councils there, and one of them is constantly  
18 calling me, e-mailing me: Hey, have you tried this  
19 idea? Are you looked at biomass there? Have you  
20 tried...?

21 We've looked at algae. We've looked at  
22 Enviro-Cubes.

23 You know, they're very supportive of, What  
24 can we do to enhance the profile of that particular  
25 plant?

1           SENATOR O'MARA: Do you burn hydrilla?

2           That's an issue in Ithaca too.

3           JERRY GOODENOUGH: Uhm --

4           SENATOR O'MARA: It's a very heavy supply  
5 source, I think, if you can get it to convert.

6           JERRY GOODENOUGH: We haven't looked at  
7 hydrilla. However, if you're familiar with the  
8 area, you know they have a problem with the dregs in  
9 the lake. And we've actually looked at trying to  
10 put them on our particular landfill.

11           One thing that we haven't talked about is --  
12 is looking for wells on our property.

13           SENATOR O'MARA: Now, what is the fuel source  
14 currently at Lansing?

15           JERRY GOODENOUGH: It's 100 percent coal.

16           SENATOR O'MARA: And --

17           JERRY GOODENOUGH: And, again, the same clean  
18 technologies at this particular plant. They have an  
19 FGD, they have an FCR, and they have low-NOx  
20 burners.

21           SENATOR O'MARA: Okay.

22           You acquired both of these plants from AES.

23           Did you acquire the facility in Dresden?

24           JERRY GOODENOUGH: No, sir.

25           Out of -- AES, Eastern Energy was made up of

1 six facilities, the old NYSEG facilities.

2 When we filed for bankruptcy, all  
3 six facilities filed.

4 Coming out of bankruptcy, Somerset and Cayuga  
5 were acquired by the bondholders, and that's the  
6 current business structure that I run.

7 SENATOR O'MARA: Thank you.

8 JERRY GOODENOUGH: Thank you.

9 SENATOR MAZIARZ: Assemblywoman Corwin?

10 ASSEMBLYWOMAN CORWIN: Thank you very much.

11 Actually, most of the questions were already  
12 asked and answered, and, thank you very much.

13 I just want to make a comment.

14 I was in the Somerset plant recently, and I  
15 can tell you, it's an incredible facility.

16 Extremely competent people at the helm, tremendous  
17 efficiency, cleanliness, security.

18 It really was a very impressive operation.

19 JERRY GOODENOUGH: Thank you.

20 ASSEMBLYWOMAN CORWIN: I think you're doing a  
21 great job there, and especially given the economic  
22 considerations that we've been discussing.

23 Getting back to RGGI. I can't leave the RGGI  
24 issue.

25 You say that the Somerset plant alone had

1       \$35 million in additional --

2               JERRY GOODENOUGH: That was Somerset and  
3 Cayuga combined, the facilities I run.

4               ASSEMBLYWOMAN CORWIN: Okay, and that's  
5 associated with RGGI, and our participation in the  
6 RGGI program.

7               Let's say, hypothetically, we're not in the  
8 RGGI program.

9               How would that impact your operations, and  
10 what would -- what would that do to the way you do  
11 business?

12               JERRY GOODENOUGH: Our -- okay, there's --  
13 there's two points I want to make on this.

14               How would this affect our operations? We.  
15 Would become more economic.

16               RGGI is thrown right into our dispatch costs,  
17 so it's an adder, so it keeps us out of the market  
18 at times. So, we would have run more.

19               Second, that \$35 million would have been  
20 poured back into the plant, and the local community.

21               We too had to renegotiate our PILOT.

22               Folks here locally know a lot about our  
23 financials. We shared a lot.

24               \$35 million, or, in particular, Somerset's  
25 portion, is more like \$25 million. Would have made

1 the plant more valuable. Probably would have  
2 increased our PILOT payments.

3 ASSEMBLYWOMAN CORWIN: Great. Thank you very  
4 much.

5 JERRY GOODENOUGH: Thank you.

6 SENATOR MAZIARZ: Thank you very much, Jerry.  
7 We appreciate your testimony here today.  
8 Thank you.

9 JERRY GOODENOUGH: Thanks for your time.

10 SENATOR MAZIARZ: Our next witness is  
11 Dan Engert, the supervisor of the town of Somerset.

12 And, again, Dan we just wanted to express our  
13 appreciation for you allowing us to use these  
14 facilities here today.

15 DANIEL M. ENGERT: We're glad that you're  
16 here.

17 Unlike Jerry, I'm going to stick to my  
18 written testimony script, in the interest of time,  
19 so I don't get off track.

20 This is a passionate subject for me, and for  
21 our community, and so I'll stick with my written  
22 testimony, if you don't mind.

23 SENATOR MAZIARZ: Thank you.

24 DANIEL M. ENGERT: You know me well enough,  
25 Senator.

1           SENATOR MAZIARZ:  Yes.

2           DANIEL M. ENGERT:  You'd like to be out by  
3           four, I presume.

4                           [Laughter.]

5           DANIEL M. ENGERT:  My name is Daniel Engert,  
6           and I've lived in Upstate New York and  
7           Niagara County for all my life.  For the vast  
8           majority, I've lived right here in Somerset.

9                        I'm a husband, and father of four children,  
10           all of whom are enrolled and/or have graduated from  
11           the Barker Central School District.  I myself am a  
12           graduate of the Barker Central School District, and  
13           of the Niagara County Community College.

14                       I'm a public servant, employed as the  
15           administrative captain at the Sheriff's Office, and  
16           I've served as Town Councilman for the previous  
17           four years, and am currently serving in my first  
18           term as the elected town supervisor for the town of  
19           Somerset.

20                       I've led negotiations on behalf of the town  
21           for two Payment in Lieu of Tax Agreements, or,  
22           "PILOTS," adopted by the Niagara County Industrial  
23           Development Agency with the Somerset coal-fired  
24           plant within the past three years.

25                       I guess that's a long way of putting that I'm

1 a layman, but, I represent a lot of people and a lot  
2 of interests here.

3 I'm especially grateful that you have  
4 convened this hearing within your district and in  
5 the town of Somerset.

6 And on behalf of the town, I welcome you and  
7 your esteemed colleagues.

8 I would like to begin by thanking you,  
9 Senator Maziarz, for inviting me to participate in  
10 this hearing of the New York State Senate Committee  
11 on Energy and Telecommunications, as you and your  
12 colleagues explore the long-term base-load energy  
13 generation and transmission needs of the state of  
14 New York.

15 You will hear from a number of stakeholders  
16 throughout this hearing, and beyond.

17 I'm going to speak to you today in an attempt  
18 to highlight for you, the local impact that the  
19 coal-fired Somerset facility and others in  
20 Western New York have upon our local economy, upon  
21 jobs, upon economic development, and upon our  
22 ability to deliver basic and essential services to  
23 the residents of our community.

24 Most importantly, it is crucial, and  
25 critical, that our public policymakers recognize and

1 consider what it would mean to our communities if  
2 this facility and others in Western New York were to  
3 close.

4 It is my earnest hope and desire that  
5 New York State will recognize the significant and  
6 important role that coal can and should play in our  
7 economy.

8 Speaking initially from a broader  
9 Western New York perspective, there are four  
10 coal-fired power-generation facilities located here  
11 in Niagara, Erie, Tompkins, and Chautauqua Counties,  
12 respectively.

13 These power plants in Western New York  
14 represent major employment and tax anchors for our  
15 communities, with a combined economic impact of more  
16 than \$500 million per year in taxes, as well as  
17 direct and indirect employment.

18 Allow me to get into some of the specific  
19 impact issues as they relate to Somerset.

20 The Somerset Operating Company is owned by  
21 Upstate New York Power Producers (USNYPP), and was  
22 previously operated by AES.

23 The facility is located on Lake Ontario in  
24 the town of Somerset. It is a 680-megawatt  
25 coal-fired power plant with state-of-the-art

1 environmental-control technology.

2 This facility has been a highly reliable  
3 clean and safe source of power for New York for many  
4 years. It is a key stakeholder in the local  
5 community, providing jobs, large tax payments,  
6 commerce traffic, and rail traffic demand.

7 Let me spend a moment discussing the  
8 community's economic benefit from this plant.

9 The 97 employees, including 80 union  
10 employees of the IBEW Local 966, represent a payroll  
11 of \$15 million.

12 The facility will contribute more than  
13 \$52 million in PILOT payments through 2015 to the  
14 taxing jurisdictions. They represent 80 percent of  
15 the Town tax base, 70 percent of the Barker school  
16 tax base, and 5 percent of the entire Niagara County  
17 tax base.

18 Let me get into the impact on our school  
19 district in a bit more detail.

20 The school will experience a decrease of  
21 \$7.5 million in revenue over the next two years.  
22 The district will be heavily reliant on increased  
23 State aid and two additional sources, each of which  
24 are vulnerable to the economic conditions and our  
25 residents' ability to assume the majority of the

1       shortfall.

2               The first is district revenues. Reserve  
3       accounts -- pardon me.

4               The first will be district reserves.  
5       Reserves accounts will be completely and quickly  
6       depleted.

7               The second is the increase in school taxes.

8               Being among the poorest communities in  
9       Niagara County and Western New York, this district  
10      and the residents here simply do not have the  
11      financial capacity to withstand substantive  
12      increases in taxes.

13              The extensive withdrawals of reserve  
14      accounts, coupled with increases in school taxes to  
15      offset the decreased revenue, are short-term  
16      responses to a long-term problem.

17              These areas will only go so far before  
18      significant impacts will be realized elsewhere.

19              The sustainability of the Somerset Power  
20      Plant is, therefore, directly tied to the district's  
21      ability to, not only maintain its status as one of  
22      the highest-performing districts in  
23      Western New York, but also to fulfill its basic  
24      mission: to successfully prepare Barker students for  
25      success in both college and career.

1           Furthermore, on to the economic benefits to  
2           the community:

3           The facility contributes to more than  
4           \$6 million in estimated annual indirect and induced  
5           local job creation;

6           It generates an estimated \$4 million in  
7           sales-tax revenue annually, and will generate an  
8           additional \$70 million in economic activity over the  
9           next three years.

10          In total, the community benefit from  
11          continued operation at this facility alone exceeds  
12          \$148 million.

13          I cannot underscore these impacts enough.

14          As you are well aware, the industrial and  
15          manufacturing sector in Western New York has  
16          declined significantly over the past 20 years, and  
17          consequently, the demand for power consumption has  
18          left right along with these declining sectors.

19          We have seen countless jobs disappear to  
20          other states, once proud and booming manufacturing  
21          facilities are closed and shuttered up, and our  
22          population has declined consistently over this  
23          period as well.

24          Currently, there is a need for energy in the  
25          southern part of the state beyond the capabilities

1 of their local generation; and, yet, there are  
2 low-cost and reliable plants in the western part of  
3 the state that are either idle or not running at  
4 full capacity.

5 The Governor has proposed an "energy highway"  
6 plan that has the potential to upgrade the aged  
7 transmission system running west to east in the  
8 state.

9 And, we certainly support our Governor, and  
10 encourage the Senate leadership to do whatever is  
11 necessary to make this investment a reality.

12 Upgrading the aged transmission system can  
13 tie generation facilities within New York to all  
14 markets within the state, keeping energy generation  
15 homegrown.

16 Another benefit of improving our transmission  
17 infrastructure is the ability to fully tap into a  
18 renewable expanse potential of wind, solar, and  
19 biomass that currently exists in Upstate New York.

20 I can agree with the need to continue to push  
21 for projects that produce energy for New York in the  
22 form of renewables. However, it is widely accepted  
23 that there is a gap that needs to be filled until  
24 renewables can support the grid of New York State.

25 Our Western New York power plants have

1       invested hundreds of millions of dollars into the  
2       state-of-the-art emission-control equipment in  
3       recent years. This investment was done as a  
4       commitment to doing business in New York. They are  
5       already compliant with the stringent new EPA  
6       emission rules that will have hundreds of power  
7       plants closing across the country by 2015.

8               The Somerset Operating Company, particularly,  
9       is recognized as one of the cleanest facilities in  
10       the entire United States.

11              These plants can create energy by combusting  
12       clean coal at environmentally compliant,  
13       state-of-the art facilities, and they should be used  
14       to help fill this gap while maintaining fuel  
15       diversity which New York needs to provide its  
16       residents and businesses with dependable and  
17       affordable energy.

18              I have been closely working with Jack White  
19       of Upstate New York Power Producers and the  
20       Niagara County Center for Economic Development, to  
21       develop a plan that includes adding jobs and local  
22       revenue to the economy, while striving to continue  
23       to provide environmental benefits from firing coal  
24       at the Somerset facility.

25              I am pleased to report to you that plans are

1 currently underway to co-fire biomass here.

2 I hosted a meeting, in conjunction with the  
3 Center for Economic Development, earlier this year  
4 in Somerset, between agricultural stakeholders, and  
5 it was extremely well-received.

6 We have been working through the  
7 Western New York Regional Sustainability Plan Energy  
8 Working Group, as well as the Agriculture Working  
9 Group, to further promote this initiative.

10 Agriculture and electric generation are two  
11 primary industries in the local area.

12 A biomass project provides some certainty in  
13 the near future for both of these critical local  
14 business sectors.

15 The project provides a steady reliable income  
16 stream for local agriculture in the growing,  
17 harvesting, and delivery of fuel feedstock to the  
18 power plant, while the plant reduces CO2 emissions  
19 and reduces its consumption of coal.

20 Incentivizing credits for reduced emissions  
21 projects will greatly benefit the Somerset facility.

22 Any renewable energy-production project  
23 currently in the planning phase rely on subsidies to  
24 make the economics work, and this project would fall  
25 in the same line.

1           Most energy crop producers want to guarantee  
2           their production, and this project would need some  
3           incentives to make it worth the effort from the  
4           local producers.

5           I also believe that we must recognize that  
6           reducing CO2 emissions is a significant objective  
7           towards cleaner energy.

8           In January of 2011, President Obama traveled  
9           to New York, Schenectady specifically, the  
10          birthplace of General Electric, to deliver a speech  
11          focusing on growing our economy and creating jobs  
12          through clean-energy development.

13          The President announced his appointment of  
14          GE CEO Jeffrey Immelt as the chairman of the  
15          Council on Jobs and Competitiveness.

16          Along with several other companies, GE is  
17          working on developing clean-coal technology projects  
18          that can make America more competitive in a global  
19          market.

20          And I also believe that the long-term  
21          viability of the Somerset facility requires more  
22          investment into clean-energy development.

23          Support for and incentivizing technology  
24          research, development, and deployment is critical,  
25          and offers opportunities for technological advances,

1 economic growth, while reducing costs, and it should  
2 not be abandoned at the State level.

3 Expectations of new markets are a key factor  
4 in triggering additional private investment and  
5 technological innovation.

6 Discussions have recently ensued in Albany  
7 regarding the conversion of the Somerset facility to  
8 natural gas.

9 While I'm not so sure that this is the best  
10 long-term solution for the facility, I also  
11 recognize that business decisions can be changed  
12 based upon political realities.

13 And like Senator Maziarz, I am a strong  
14 believer in the importance of fuel diversity, and I  
15 also share his belief that coal should be part of  
16 our energy mix.

17 However, if it is a State policy decision to  
18 encourage conversion to natural gas, as it appears  
19 to be the case, then we need real incentives to make  
20 it happen.

21 Senator Maziarz has outlined a plan that  
22 makes good sense, because its commitment to a fairer  
23 capacity market will allow coal plants to continue  
24 to operate in the short term, and the significant  
25 incentives it includes for repowering to natural gas

1 will make this a viable option for the future.

2 As Supervisor of the town of Somerset, I am  
3 here to tell you that it is vitally important to our  
4 community, our economy, and the tax base that  
5 generation continues at the Somerset facility.

6 I am open to any form or mix of generation  
7 that might be proposed, as long as that plan is  
8 realistic, and provides the proper incentives to  
9 ensure the long-term viability of this facility.

10 That being said, it is important to note that  
11 clean-coal-burning facilities add diversity to the  
12 current fuel mixture for New York State.

13 According to current reports from the  
14 U.S. Energy Information Administration, coal  
15 provides just 7 percent of New York's power, while  
16 New York has the fourth highest electricity costs in  
17 the entire nation. The average retail price for  
18 electricity is 15.94 cents per kilowatt hour.

19 The parallel to me is striking.

20 The affordability of coal in relation to  
21 other sources of energy provides businesses with a  
22 reliable supply of electricity that can put our  
23 economy back on track.

24 In fact, four of the five states in the  
25 nation with the lowest retail electricity costs rely

1 upon coal to generate 80 percent or more of their  
2 electricity.

3 Frankly, I have been discouraged at the  
4 apparent singling out and direct opposition to coal  
5 in this state, generally.

6 Given the dependency on coal in our country,  
7 coal-fired power generation will remain substantial.  
8 It is estimated that it will remain accountable for  
9 as much as 39 percent of the power generation in the  
10 U.S. by 2035.

11 Citing even our own "New York State Energy  
12 Plan 2009" document, coal is recognized as a  
13 plentiful domestic resource, and clearly  
14 acknowledges that it offers fuel diversity to the  
15 state.

16 Calculations based on the current rate of  
17 use, it's estimated that the United States has a  
18 242-year supply of known recoverable reserves of  
19 coal. The U.S. has more reserves of recoverable  
20 coal within its borders than any other country.

21 Finding ways to use coal more efficiently  
22 promotes greater domestic energy security, which is  
23 a critical component to the stability of our  
24 economy.

25 New York State cannot afford to develop and

1 implement further policies that directly impact  
2 coal-fired generation facilities in such devastating  
3 manners.

4 And please allow me to briefly discuss one of  
5 the singling-out measures to which I am referring.

6 The participation of New York State in the  
7 Regional Greenhouse Gas Initiative program was done  
8 so, not through a law, but rather, through an  
9 end-around measure designed to avoid an open debate  
10 on the merits of that program before the people of  
11 this state.

12 The RGGI program has been portrayed as a  
13 program that helps the environment.

14 The revenues from this program are derived  
15 largely on the backs of ratepayers through special  
16 taxes on fossil-fuel-burning power generators.

17 When these revenues are not used to balance  
18 the budget, they have helped with renewable-energy  
19 projects and energy-efficiency projects. However,  
20 the added costs to the ratepayers, and  
21 particularly -- "particularly" -- the ratepayer and  
22 taxpayers in the communities that are home to these  
23 specially taxed generators are enormous.

24 \$329 million has already been taken out of  
25 the economy in New York due to the required purchase

1 of permits.

2 This burden has also negatively impacted  
3 plant-capacity factors for New York plants.

4 As a result, the State has imported  
5 electricity from adjacent states that do not  
6 participate in RGGI. This imported electricity is  
7 generated from facilities that have less stringent  
8 environmental limitations than the facilities here  
9 in New York.

10 Last year, NYPA signed a power-purchase  
11 agreement with plants, including coal-fired plants  
12 in New Jersey, to deliver power to New York City.  
13 Meanwhile, power generators in New York, and  
14 particularly in Western New York, are either closing  
15 or struggling mightily to survive, along with the  
16 communities in which they reside.

17 Minimally, the Somerset facility has  
18 contributed to, it's estimated, 10 percent of the  
19 total revenue in the RGGI program.

20 And it would seem reasonable to me that some  
21 of this revenue be distributed back to the facility  
22 to incentivize renewable-energy programs, such as  
23 co-firing with biomass at the plant.

24 And I am very glad to see that  
25 Senator Maziarz has included just such an option in

1 his plan for our generation future.

2 I briefly discussed the importation of energy  
3 and its negative impact on Western New York.

4 And along those very same lines, I am aware  
5 that the Champlain-Hudson Project, a 1,000-megawatt  
6 DC line from Québec to New York City, is being  
7 proposed as part of the Energy Initiative -- Highway  
8 Initiative.

9 Similarly, this ill-fated initiative seeks to  
10 take advantage of the transmission congestion that  
11 precludes Western New York power producers from  
12 getting their product downstate.

13 If implemented by bypassing Western New York  
14 generators, it would, quite simply, draw from the  
15 resources, the jobs, the communities located in  
16 Canada, and most directly benefit them at the  
17 expense of New Yorkers.

18 This solution is not good for New Yorkers.

19 If implemented, it would result in the  
20 closure of viable plants, the loss of jobs, and huge  
21 economic impacts on our communities.

22 And I've talked about those briefly in the  
23 first paragraph.

24 These are out-of-state and out-of-country  
25 solutions, and they amount to running

1 "extension cords" into New York, further undermining  
2 our ability to control our destiny in the energy  
3 sector.

4 I applaud Senator Maziarz for his efforts  
5 thus far to stave off this very poorly conceived  
6 initiative that directly hurts Western New Yorkers.

7 I would like to provide one final comment for  
8 your consideration, and I believe it's entirely  
9 relevant to this discussion, as it relates to a huge  
10 potential energy customer.

11 It is extremely disheartening to me, in that  
12 it appears New York State's Empire State  
13 Development, privately, and even publicly, at  
14 various levels, has pulled the plug, if you will, on  
15 one of the most viable opportunities for economic  
16 development in Niagara County, and particularly  
17 Somerset.

18 I am told by economic development experts in  
19 our region who I work with, that ESD has eliminated  
20 any real marketing effort to attract data centers  
21 anywhere in the state.

22 As you may recall, it was only a short time  
23 ago when numerous giants in the industry, such as  
24 Yahoo!, Microsoft, Google, and Verizon, were  
25 circling our region, and mostly Niagara County, in

1 consideration to invest here and to build large data  
2 centers.

3           Yahoo! did ultimately invest in the town of  
4 Lockport and built a state-of-the-art data center  
5 there.

6           Similar to Quincy, Washington, on the west  
7 coast, the communities of Somerset, Niagara County  
8 even, the broader Western New York area generally,  
9 was poised to become the east coast's data center  
10 hub, if you will.

11           Verizon selected Somerset, and by all  
12 accounts, the project would have been the single  
13 largest economic-development investment in the  
14 history of Niagara County.

15           Sadly, certain public-policy interests  
16 created a hugely negative public perception of the  
17 incentives, and suddenly, the politically correct  
18 position became to eliminate pursuing these  
19 high-energy consumer investments due to the limited  
20 jobs created.

21           I ask you: What sense is made to shun  
22 investment and the associated revenue on the  
23 premise, that while it produces good-paying jobs, it  
24 just doesn't produce enough of them to make sense in  
25 a "job-per-incentive calculation"?

1           The "incentive" calculation, or, in other  
2           words, "taxes lost," is often misleading, as it  
3           makes the critical assumption that the amount of tax  
4           exemptions not covered by the PILOTs would be  
5           received by the government, in full, were it not for  
6           IDA tax breaks.

7           This is not necessarily the case.

8           The tax revenue would only be realized if the  
9           project would move forward on the same timetable, at  
10          the same scale, and in the same location without the  
11          incentives provided.

12          The alternative to this position, of course,  
13          is zero investment, zero jobs, and zero revenue to  
14          the government.

15          Frankly, in my opinion, the massive push to  
16          eliminate IDAs and to latch onto any and all  
17          arguments to that end is more to blame for this  
18          policy decision than any community-specific  
19          analysis.

20          This community, I can tell you, for one, will  
21          gladly take whatever revenue results from the  
22          incentives, and any number of good jobs that are  
23          created at this point. We'll take the half a loaf  
24          over no loaf any day.

25          Ironically, this position is especially

1 destructive to the present situation, as the power  
2 plants desperately need high-energy consumers who  
3 create certainty in terms of their sale of  
4 electricity.

5 A large volume of energy users will  
6 especially be needed to support the incentives that  
7 are being considered for conversion and other  
8 renewable investments.

9 A data center in Somerset would ease pressure  
10 immediately and provide stability for our future.

11 If at all possible, any attention to require  
12 the re-thinking of this apparent policy decision at  
13 Empire State Development will go a long way for the  
14 interests of Somerset, Niagara County, and  
15 Western New York.

16 I appreciate the opportunity to discuss these  
17 issues with you today, and to be able to present my  
18 perspective on the important issues you've raised.

19 Thank you again for this opportunity, and I  
20 would be happy to answer any questions that you may  
21 have at this time.

22 SENATOR MAZIARZ: Thank you very much,  
23 Supervisor Engert. We appreciate your comments.

24 Just, very briefly, can you outline for us  
25 what the total taxes that are paid?

1 I know you and County Legislator  
2 John Syracuse did a yeoman's effort in negotiating a  
3 PILOT agreement with the plant and the school  
4 district and the Town and the County.

5 Could you just outline the specific dollar  
6 amounts that the Somerset plant does pay to the  
7 County, the Town, and the school district?

8 DANIEL M. ENGERT: Over the next three years,  
9 ending in 2015, there will be total PILOT payments  
10 of \$52 million.

11 SENATOR MAZIARZ: \$52 million.

12 The bulk of that would go to the school  
13 district, I would presume?

14 DANIEL M. ENGERT: I believe the breakdown  
15 is, 59 percent or so to the school, 34 percent to  
16 the County, and 8 or 9 percent to the Town.

17 My math is --

18 SENATOR MAZIARZ: Yeah.

19 DANIEL M. ENGERT: But it's in that range.

20 SENATOR MAZIARZ: Yeah. I believe for the  
21 County, I've heard the County Chair -- or,  
22 legislative Chairman Ross indicate that if the  
23 County did not increase its budget at all -- that --  
24 and if the Somerset plant were to close, that  
25 everyone's tax -- everyone -- every county

1 property-owner's tax bill would go up by, anywhere  
2 between 7 and 10 percent, without the budget  
3 increasing at all for the rate of inflation, or  
4 anything else.

5 DANIEL M. ENGERT: That is the -- that was  
6 the numbers that John was working through during  
7 negotiations.

8 I can tell you that the power plant has been  
9 the largest single taxpayer in Niagara County for  
10 many years. Its impact, you know, is felt  
11 throughout the county.

12 And Chairman Ross has spent a great deal of  
13 effort in the past three years articulating that  
14 throughout the community.

15 It's not just a local issue in our area, it's  
16 a countywide issue.

17 Certainly, you know, the local impacts on  
18 Somerset and Barker School District taxpayers is  
19 significant, but it goes broader than that.

20 SENATOR MAZIARZ: Thank you.

21 Senator Ritchie?

22 SENATOR RITCHIE: What's the population in  
23 the annual budget of the town?

24 DANIEL M. ENGERT: Population in Somerset is  
25 approximately 2,800, and the annual appropriations

1 budget is about 1.3.

2 SENATOR RITCHIE: And do most of the  
3 employees at the facility, do they live in the town?

4 DANIEL M. ENGERT: I'm not aware of the  
5 numbers.

6 There are significant number of employees  
7 that work at the facility. Whether it's majority,  
8 I'm not sure it's that high, but there is a  
9 significant number of families who -- employees and  
10 their families live in the town of Somerset, yes.

11 SENATOR RITCHIE: And what kind of hardship  
12 would be on the town if the plant stopped running?

13 DANIEL M. ENGERT: I -- I -- I don't know if  
14 I can quantify that.

15 We -- it would -- we rely on the facility for  
16 about 60 percent of our tax payments.

17 And if I were to eliminate 60 percent of the  
18 revenue from my Town tax -- from my Town budget, we  
19 can't deliver services.

20 So I -- you know, to say what services are  
21 going to start to be cut, I couldn't -- I mean, it  
22 would touch every single service, every single  
23 resident, in this community.

24 SENATOR RITCHIE: Thank you.

25 SENATOR MAZIARZ: Senator O'Mara?

1 SENATOR O'MARA: No.

2 Thank you.

3 SENATOR MAZIARZ: Assemblywoman Corwin?

4 ASSEMBLYWOMAN CORWIN: Nothing for me.

5 Thank you.

6 SENATOR MAZIARZ: Thank you very much,  
7 Supervisor. We appreciate it.

8 DANIEL M. ENGERT: Thank you.

9 SENATOR MAZIARZ: Our next witness is  
10 Gavin Donohue. Gavin, from the Independent Power  
11 Producers of New York.

12 We're going to switch up here because of a  
13 time constraint.

14 Don Jessome from the TDI Champlain-Hudson has  
15 a time restraint, and we will -- Gavin has  
16 graciously agreed to let you take his time.

17 DONALD JESSOME: Appreciate that, Gavin.  
18 Thank you.

19 SENATOR MAZIARZ: Thank you very much,  
20 Mr. Jessome, for being here today.

21 We appreciate -- we wanted very much -- the  
22 Committee members and myself, want very much to hear  
23 all sides of every issue when it comes to energy  
24 policy, both short- and long-term.

25 And we appreciate you coming -- traveling

1 here to talk about the Champlain-Hudson Power  
2 Express.

3 Thank you.

4 DONALD JESSOME: I appreciate being here.

5 I'd like to begin by thanking the New York  
6 State Senate Energy and Telecommunications  
7 Committee, its members, staff, for giving me the  
8 opportunity to talk about the Champlain-Hudson Power  
9 Express project, and the benefits it will bring to  
10 New York State.

11 Transmission Developers, or, "TDI," the  
12 company I lead as president and chief executive  
13 officer, appreciates the importance of the work done  
14 by the Committee, and we are willing and eager to  
15 assist in providing the information it needs to  
16 perform its functions.

17 In a few moments I'll go into greater detail  
18 of many of the project's benefits, but before I do,  
19 I'd like the Committee to know that a great deal of  
20 information about the project can be found online at  
21 the project's website, and also at the Department of  
22 Energy's, which the federal Department of Energy's  
23 Environmental Impact Statement website.

24 Both of these are part of our ongoing  
25 communications with the community.

1           In addition, TDI has made a submission  
2 regarding the project as part of the Governor's  
3 Energy Highway Initiative. A link to this  
4 submission is also available on the project's  
5 website.

6           Furthermore, the record developed by the  
7 Public Service Commission, or, the "PSC," with  
8 respect to this project, which bears the PSC case  
9 number, 10-T-0139, is extensive, and every document  
10 filed over the last two-plus years in this case is  
11 available online with the PSC as well.

12           The PSC process has been ongoing since  
13 March of 2010.

14           Our first meetings with public officials  
15 regarding the project began in the fall of 2008, and  
16 we continue to meet with officials at federal,  
17 state, and local levels on a regular basis.

18           We are committed to public outreach and  
19 participation, and to that end, more than 20 public  
20 hearings have been held in areas encompassing the  
21 entire route of the project.

22           We anticipate there will more hearings  
23 upcoming when the Department of Energy releases the  
24 draft environmental impact statement, or, "EIS,"  
25 this fall, and we welcome them.

1           Our company is based in Albany and  
2           New York City, and its majority shareholder is the  
3           Blackstone Group, which is based in New York City as  
4           well.

5           The project will bring 1,000 megawatts of  
6           clean hydro and wind power to New York using two,  
7           approximately 5-inch-diameter, high-voltage  
8           direct-current cables which will be buried along  
9           waterways and along railroad and highway  
10          rights-of-way.

11          A converter station will be built on land  
12          owned by the Consolidated Edison Company in Queens  
13          to interconnect with the Con Ed's  
14          alternating-current system.

15          The project is --

16          The project will provide substantial benefits  
17          to New Yorkers in a number of areas, and I will go  
18          through those different areas.

19          Lower energy prices for New York ratepayers:  
20          According to studies performed by  
21          London Economics, it is estimated that the project  
22          will reduce energy prices for New York consumers by  
23          approximately \$650 million per year.

24          These studies are fully available, both, on  
25          our website, and have been filled with the

1 Public Service Commission as part of our Article 7  
2 siting process.

3 A cleaner environment:

4 Bringing new clean hydro and wind power into  
5 the New York market will provide environmental  
6 benefits as well.

7 Current estimates show, that when the project  
8 is fully in service, it will reduce emissions of  
9 SO<sub>2</sub>, NO<sub>x</sub>, CO<sub>2</sub>, and other pollutants. This means  
10 cleaner air and water for New York families.

11 In addition, as part of the Joint Proposal of  
12 Settlement, which is part of the Article 7 siting  
13 process that we filed in February of this year,  
14 there will be a \$117 million Environmental Trust  
15 Fund that will be established as part of the  
16 project. It will foster an enhancing understanding  
17 and protection of the state's aquatic natural  
18 resources over the 30-plus years of the project.

19 Investment, economic development, and  
20 new taxes for the state of New York:

21 The project will also benefit New York's  
22 economy. In addition to bringing in 2.2 billion in  
23 private-sector investment to the state, the project  
24 will create an average of 300 construction jobs per  
25 year, for 3 1/2 years.

1           It is estimated by London Economics that the  
2           economic activity that will be generated by the  
3           construction phase will create an additional  
4           1,200 indirect and induced jobs for New York State.

5           With nearly 50 percent of the total cost of  
6           the project tied to installation during the  
7           construction phase, the spending generated by the  
8           CHPE project will increase New York's gross domestic  
9           product by nearly \$150 million per year.

10          Once in service, the lower energy prices that  
11          will result from the CHPE project will create an  
12          estimated 2,400 induced and indirect jobs across a  
13          wide spectrum of the economy.

14          And, again, all of the studies that I'm  
15          citing here today have been filed, both, with the  
16          PSC, and are fully available on our website.

17          New York State ratepayers will benefit as  
18          well. Based on current estimates, the project will  
19          provide approximately 20 million per year in local  
20          property taxes to upland host communities. And  
21          since the line will be buried, out of sight, and  
22          virtually maintenance free, it will place,  
23          virtually, no additional demands on the host  
24          communities.

25          We will also be paying tens of millions of

1 dollars to the State of New York for use of the  
2 waterways the project will traverse.

3 A stronger and more diverse energy grid:

4 Along with the very tangible financial and  
5 environmental benefits that it will bring, the  
6 project will also strengthen New York's transmission  
7 grid, reduce transmission congestion, and diversify  
8 the fuel-supply mix in the state --

9 And I've hear on several occasions, or,  
10 several of the speakers have brought this issue up,  
11 and we fully agree, that diversity of fuel supply is  
12 incredibly important.

13 -- and it will do this without using any  
14 public or ratepayer money.

15 The project is, and will remain, a privately  
16 funded merchant project, as recognized and required  
17 by federal and state agencies.

18 This means New York can use its scarce  
19 resources to invest in other needed upgrades to its  
20 energy infrastructure, and not be investing in this  
21 project.

22 The project represents 1,000 megawatts in an  
23 approximately 40,000-megawatt system.

24 The state of New York has approximately  
25 40,000 megawatts of generation.

1           This is 2 1/2 percent of the New York's  
2 market needs.

3           As the economy grows and gets stronger, the  
4 power needs of the New York market will grow, and  
5 many great projects will be needed to address this  
6 demand by the time this project goes on line in  
7 2017.

8           Also, in the Governor's Energy Highway  
9 Initiative, it was identified that there are many  
10 projects today. The generation fleet is getting  
11 much older. So, there will be a lot of new  
12 generation requirements over the numbers of years in  
13 front of us to meet all of the expected demand  
14 increases in the state of New York.

15           There's broad and deep support:

16           Support for the project is broad and deep and  
17 committed.

18           Every state agency, and there were seven in  
19 total, participating in the Public Service  
20 Commission's proceeding -- and this is through the  
21 Article 7 process -- agreed that the project is in  
22 the public interest and should go forward, as did  
23 the Cities of New York and Yonkers, and the  
24 Palisades Park Commission.

25           Twenty members of New York's congressional

1 delegation support the project.

2 Environmental organizations, such as  
3 Scenic Hudson, the Riverkeeper, the League of  
4 Conservation Voters, Trout Unlimited, and the  
5 Coalition Helping Organize a Kleaner Environment  
6 support the project.

7 Groups such as the Long Island Association  
8 and the New York State Energy Consumers Council  
9 support the project.

10 To date, three daily newspapers, the  
11 "Watertown Daily Times," the "Times Herald Record"  
12 in Middletown, and "Kingston Daily Freeman" have  
13 editorialized in support of the project.

14 The Laborers' International Union of  
15 North America and the New York State Conference of  
16 Operating Engineers support the project.

17 All of these groups, and others, are backing  
18 the project because it makes sense for consumers,  
19 and it makes sense for New York State.

20 Before I close, I would like to mention that  
21 trade with Canada is being recognized as an  
22 important strategy to help grow New York's economy.

23 On September 17th of this year,  
24 Governor Andrew Cuomo's North Country Regional  
25 Economic Development Council issued a progress

1 report that stated, one of the Council's key  
2 strategies is, and I quote, "Optimize fluidity at  
3 the north country's U.S.-Canadian border crossings.  
4 The relative ease and predictability of cross-border  
5 movement of cars and commercial traffic, as well as  
6 trains, boats, and energy transmission, is essential  
7 to a successful north country economic future."

8 And we certainly agree with this assessment.

9 I thank you for the opportunity to talk about  
10 our project, and I'm happy to respond to your  
11 questions.

12 SENATOR MAZIARZ: Thank you.

13 Again, I want to thank you for being here,  
14 and thank you for your testimony here today.

15 I have to respectfully say that I disagree  
16 with much of what you've said.

17 And I just, for the record, want to point out  
18 a couple of things, or maybe ask questions, and you  
19 can point them out.

20 But, the economic study that you pointed out,  
21 by London Economics --

22 Now, I'm not familiar with London Economics.  
23 I do not question their integrity or their ability,  
24 or anything.

25 -- but, I think it would be important for the

1 record to point out, that your company actually  
2 hired them and paid them for this study.

3 They did it on your behalf, is that not  
4 correct?

5 DONALD JESSOME: They absolutely did. And it  
6 was filed with the Public Service Commission, and  
7 scrutinized, as part of the Article 7 siting,  
8 because, as part of the Article 7 siting, economics  
9 the one of the key drivers in that siting process.

10 SENATOR MAZIARZ: That you are absolutely  
11 correct in that vein.

12 And I'd also like to ask, that -- I mean,  
13 they did their study, but, in a filing with the  
14 Public Service Commission, on this project, the  
15 New York Power Authority indicated that the cost of  
16 CHPE projects are significantly underestimated. The  
17 costs are significantly underestimated, and that the  
18 benefits of the project are significantly  
19 overestimated.

20 Which is the opposite, I presume, of what  
21 London Economics said.

22 And that's the New York Power Authority,  
23 which operates, you know, within the state of  
24 New York, as a public agency within the state of  
25 New York.

1           But then, privately, an investor-owned  
2           utility, Con Edison, said that, their estimate, in a  
3           filing with the PSC also, I believe, said that their  
4           estimate of the cost of CHPE would be more like  
5           11 billion, which is five times what your  
6           \$2.2 billion estimate is.

7           DONALD JESSOME: Sure. So let me --

8           SENATOR MAZIARZ: Can we reconcile all of  
9           those differences?

10          DONALD JESSOME: Sure, let me sort of go to,  
11          sort of each of those points.

12          First off, you know, the \$2.2 billion  
13          estimate for our project, is from the border to  
14          Astoria, Queens.

15          So, anything within Canada, any generation  
16          that's going to be built within Canada, which I  
17          believe the Con Edison number incorporated, would  
18          increase the cost of the -- you know, from generator  
19          to end point.

20          So our project, when we talk the  
21          "2.2 billion," is just within the state of New York.

22          The \$11 billion, I can't speak to that  
23          because it seems to me that there was no, you know,  
24          detailed information provided by Con Ed. It was a  
25          number that they put into one of their statements,

1 but there was no backup details. So, I certainly  
2 can't comment on the \$11 billion figure.

3 With respect to the 2.2 billion, I can speak  
4 to that all day long.

5 The \$2.2 billion figure has been a number  
6 that we've been refining for approximately  
7 four years.

8 And, we recently went out for an engineering  
9 procurement and construction RFP, to attract some of  
10 the best construction companies in the world, to  
11 both supply equipment and to install the equipment.

12 And the -- we just received bids back,  
13 actually, two weeks ago, and all of the bids have  
14 completely validated our estimates and costs. They  
15 were right on top of what our estimates are.

16 And we continue to carry a significant  
17 contingency within our budgets, because we know that  
18 there are lots of things that could be, you know,  
19 found as we're going along this 330 miles.

20 So the -- one of the ways that we're trying  
21 to reduce, and even make that cost lower than the  
22 2.2 billion, is, as of today -- sorry -- a week ago,  
23 we have boats out on the water once again -- we did  
24 in 2010 -- that are doing very detailed route  
25 surveys: bathymetry, side-scan sonar, magnetometers,

1 core samples.

2 And this is going everywhere, from Astoria,  
3 Queens, all the way up to Russells Point, and all  
4 points in between, in the Hudson River, the  
5 Harlem River, the East River, and Lake Champlain.

6 We're going to be doing detailed studies  
7 along, both the railroad rights-of-way and the  
8 roadways that we're going to be traversing, we're  
9 actually going to be taking core samples in hundreds  
10 and hundreds of locations.

11 We're working with all of these parties, to  
12 reduce the estimated costs of this project to  
13 actually, hopefully, be below the 2.2 billion.

14 SENATOR MAZIARZ: Well, let's -- let's stay,  
15 for a minute, on the 2.2 billion.

16 I mean, I understand you can say that the  
17 2.2 billion will go from the New York border to  
18 Astoria, Queens. New York-Canadian border to  
19 Astoria, Queens.

20 But, the infrastructure, the production, the  
21 generation, in -- somewhere in the province of  
22 Québec. I mean, it could be -- it could be part of  
23 the St. James Bay.

24 DONALD JESSOME: Well --

25 SENATOR MAZIARZ: I mean, somebody --

1 somebody's going to have to pay for that, from  
2 New York to wherever the generating station is.

3 DONALD JESSOME: Okay --

4 SENATOR MAZIARZ: And I can't -- I don't -- I  
5 can't under -- I would find it incredulous that  
6 ratepayers of Hydro-Québec in Canada would pay that  
7 for a New York benefit.

8 DONALD JESSOME: So let me talk about the  
9 Québec piece, and I'm certainly not going speak for  
10 Hydro-Québec, but, here is my understanding of the  
11 situation in Hydro-Québec, and actually, here's why  
12 we started this project:

13 In 2005, the Department of Natural Resources  
14 in Québec identified approximately 5,000 megawatts  
15 of new hydro facilities that they directed  
16 Hydro-Québec to start looking at, to develop.

17 Two of those projects are actually under  
18 construction, and I believe one may have actually  
19 just come into service. It's called "Eastmain,"  
20 which is approximately a 1,000-megawatt hydro  
21 facility.

22 And the second project is called  
23 "La Romaine," which is approximately 1,600 megawatts  
24 that's coming on line, somewhere between 2016 and  
25 2018, they're actually going to stage it.

1           So, they're actually building those  
2 facilities, or have built those facilities, for the  
3 export market, as we speak, so that those facilities  
4 are, essentially, sunk costs.

5           On the Québec side of the border, they are  
6 looking at building, it's approximately a 30-mile  
7 transmission line, that would go from a substation  
8 called "Hertel," which is part of the  
9 Montreal 735 kV ring, to our transmission facility  
10 at the border. So, they would actually just  
11 interconnect with us.

12           The estimates of that are approximately  
13 \$400 million, and that's a combination of a  
14 converter station, and the approximately 30 miles of  
15 cable that they would run to interconnect with us.

16           SENATOR MAZIARZ: Okay.

17           The next point: I still think, you know, my  
18 point, but somebody's got to pay for that. And I  
19 think that they would expect the New York ratepayers  
20 to do that.

21           But, you talked about the 1,000 megawatts  
22 that this project is, as part of a 40,000-megawatt  
23 state system that we have in New York.

24           And I think your point is, that this is just  
25 a very small piece of a very large system.

1           But, wouldn't it be either TDI or -- and,  
2           certainly, Hydro-Québec's, long-term goal to grow  
3           that?

4           I mean, they grew it in Vermont, they grew it  
5           in Maine, they grew it in other states in  
6           New England.

7           Right now, in Vermont, I think they've grown  
8           it to almost be -- Hydro-Québec, not necessarily  
9           TDI, has grown their markets to almost one-third, or  
10          I think maybe more than one-third, of the entire  
11          Vermont energy market.

12          Now, I realize, you know, that comparing  
13          Vermont and New York is maybe apples and oranges,  
14          but I think that the methodology of, you know,  
15          coming in low, and maybe even at a lower price, and  
16          then growing that market, is clearly a strategy of  
17          Hydro-Québec.

18          Don't you agree?

19          DONALD JESSOME: Well, I mean, Hydro-Québec  
20          has been a supplier into the New York market for  
21          over 80 years. So, it started, you know, long  
22          before transmission developers had any, you know,  
23          projects on the books.

24          SENATOR MAZIARZ: To a limited scale.

25          DONALD JESSOME: Approximately

1 2,000 megawatts today of hydro -- interconnection  
2 between Québec and New York today, and that commerce  
3 flows in both directions.

4 SENATOR MAZIARZ: Exactly. That's -- I don't  
5 mean to interrupt you, but we should note that that  
6 does flow in both directions.

7 DONALD JESSOME: And it does, absolutely,  
8 flows in both directions, and it's a benefit to both  
9 countries; and to the province of Québec and to the  
10 state of New York.

11 SENATOR MAZIARZ: And Ontario.

12 DONALD JESSOME: And Ontario, and other  
13 points in between.

14 You know, with respect to transmission  
15 siting, I think we can all agree that transmission  
16 siting is not easy.

17 So, saying that Québec has this grand scheme  
18 of trying to, you know, push ten or twenty thousand  
19 megawatts, or any number, a large number, into any  
20 one particular market is, it's extremely difficult.

21 Transmission siting is extremely difficult,  
22 it's hard to do, and it certainly doesn't happen  
23 overnight.

24 So that's why these long-term energy  
25 infrastructure projects have to go through very

1 careful review by, you know, the members of this  
2 Committee, by the Public Service Commission, by the  
3 Department of Energy, by the Army Corps of  
4 Engineers.

5 This is going to be a highly reviewed  
6 project, and it just doesn't happen overnight.

7 So, you know, 1,000 megawatts, again, in a  
8 40,000-megawatt system is still a small number.

9 SENATOR MAZIARZ: Okay, I see that  
10 Hydro-Québec has also submitted a proposal under the  
11 Energy Highway R05.

12 Is that in conjunction with TDI, or is that  
13 separate and apart from TDI?

14 DONALD JESSOME: I believe they have two.

15 I know the -- the one I'm familiar with is  
16 the one that's associated with us.

17 And it's, essentially, they are looking to  
18 utilize the transmission line to supply the New York  
19 market.

20 SENATOR MAZIARZ: Last point: You stated  
21 that the Champlain-Hudson line will not have -- will  
22 not result in higher rates for consumers in  
23 Upstate New York; and, yet, the economists -- the  
24 top economists at the PSC testified that it will.

25 How do you --

1 DONALD JESSOME: So let me just -- again, I  
2 don't want to talk for the Public Service  
3 Commission, but I will give you my perspective on  
4 that.

5 The actual -- Dr. Painter [ph.], during his  
6 cross-examination and testimony that we had in July  
7 of this year before the administrative law judges,  
8 was asked a very hypothetical question.

9 He did not do any research on it.

10 There was no direct testimony. There was no  
11 information provided, other than, there was a  
12 hypothetical question asked and answered.

13 The Public Service Commission, in its reply  
14 briefs, then clarified that position, that,  
15 essentially, they do not believe that it is going to  
16 have an impact.

17 From our perspective, we have done the  
18 analysis. The very detailed analysis.

19 And, you know, the analysis -- the latest  
20 analysis that we've filed with the Public Service  
21 Commission would actually say prices would slightly  
22 go down in this area.

23 But it's -- you know, it's just like a pebble  
24 in the pond. Because we're connecting way down in  
25 Astoria, Queens, the largest impact are absolutely

1 going to be down in the New York City and, you know,  
2 Westchester part of the state.

3 SENATOR MAZIARZ: Thank you.

4 I have many other questions and comments, but  
5 we'll submit them to you, in the interest of time,  
6 because I know you have to get going.

7 I'll ask Senator Ritchie to -- if she has any  
8 questions?

9 SENATOR RITCHIE: In your testimony, you  
10 talked about a number of jobs that this project  
11 would actually create.

12 Could you be specific, what exactly you're  
13 talking about there?

14 DONALD JESSOME: Sure.

15 So there's two phases of job creation.

16 There's the construction phase, which is the,  
17 you know, sort of the obvious.

18 We've got converter stations to build. These  
19 are large pieces of equipment. We have cable that  
20 has to be buried. We have people that need be on  
21 boats. There's approximately 140 miles of buried  
22 cable along railroad rights-of-way.

23 So, significant amounts of work for  
24 laborers' union, IBEW and other locals. This will  
25 be a unionized job. We're working on project labor

1 agreements.

2 That's the -- sort of the direct jobs during  
3 the construction phase. Approximately 3 1/3 to  
4 4 years is the construction period.

5 During that construction phase, there's  
6 induced and indirect jobs. It's, just, you put a  
7 dollar in the economy and it grows beyond the  
8 dollar. And, so, that's approximately 1,200 induced  
9 and indirect jobs.

10 But probably the more important piece, is  
11 once this project goes into service, it's going to  
12 lower costs. And because it lowers costs, that  
13 makes industry more effective. And when industry is  
14 more effective, they can go out and use those scarce  
15 resources on things other than paying their  
16 electricity bills. They can use it to hire people.

17 And, the London Economics' analysis that has  
18 been performed, along with Regional Economic  
19 Modeling, Inc., which is a sister company that they  
20 use to do these analysis, it's approximately  
21 2,400 indirect jobs across the wide segment of the  
22 economy.

23 All of the studies I'm talking about here  
24 have been filed with the Public Service Commission,  
25 and are fully available both on their website and on

1 our website.

2 SENATOR RITCHIE: So you're saying that the  
3 majority of those jobs would be New York jobs?

4 DONALD JESSOME: Absolutely. Yes,  
5 absolutely.

6 SENATOR RITCHIE: How many do you foresee  
7 coming from Canada?

8 DONALD JESSOME: Canadian jobs in New York  
9 State? Probably zero.

10 SENATOR RITCHIE: Zero? Okay.

11 The same as -- concerns that Senator Maziarz  
12 had on the two topics, one of them for me had to  
13 deal with the letter that NYPA submitted to the  
14 Public Service Commission, and it actually talks  
15 about the overestimates and the underestimates.

16 So I guess I would ask, with regards to the  
17 cost-benefit analysis, your company filed paperwork  
18 that utilized only one alternative.

19 Can you elaborate on why you only used one  
20 alternative?

21 DONALD JESSOME: Sorry, one alternative  
22 for...?

23 SENATOR RITCHIE: Well, as far as a  
24 combined-cycle gas turbine facility, that's the only  
25 alternative that was included in your presentation.

1           So --

2           DONALD JESSOME: Oh, sure.

3           So, in the Article 7 siting, the parties who  
4           are part of the joint-proposal settlement, and also  
5           the parties who are opposed, get to file information  
6           with respect to the project.

7           We filed, "we" being, TDI filed our  
8           information with respect to the economics of the  
9           project and the environmental benefits.

10          The Public Service Commission decided that  
11          they would do an analysis, to compare a  
12          combined-cycle -- best-in-class combined-cycle  
13          gas-fired plant with our project.

14          So it was actually the Public Service's  
15          analysis who did the comparison.

16          SENATOR RITCHIE: Okay. Thank you.

17          SENATOR MAZIARZ: Senator O'Mara?

18          SENATOR O'MARA: Just a couple of questions.

19          One is, to start out with, since we're on the  
20          question of cost: If the cost estimates you have  
21          are incorrect and it is higher costs to construct  
22          it, what impact is that upon the ratepayers?

23          DONALD JESSOME: Zero to ratepayers.

24          So, let me just clarify that point, to be  
25          very, very clear on this, because I think there has

1       been some misinformation.

2               We have made an extremely strong commitment  
3       to the Federal Regulatory Commission, to the  
4       Public Service Commission, with respect to, that  
5       this is a merchant-transmission project.

6               "Merchant" means we have to go find our own  
7       customers, we have to go find our own financing.  
8       This is private-sector financing, and we have -- and  
9       we are out, right now, looking for customers.

10              Hydro-Québec has put their hand up and said  
11       that they would like, at least, for 75 percent of  
12       the transmission space. So, they would actually be  
13       paying for this project.

14              This project will not go forward if the  
15       economics do not make sense for the people who are  
16       going to be shipping on this line.

17              What we have made a commitment to, to the  
18       Public Service Commission, is, we will not even go  
19       forward with this project unless we have a 25-year  
20       contract with a credit-worthy counterparty for at  
21       least 75 percent of the capacity on this line, to  
22       further protect any ambiguity as to whether or not  
23       this is a merchant-transmission line or not.

24              So any risks associated with the project  
25       costs going up are fully beared by TDI, Blackstone,

1 and the shippers.

2 SENATOR O'MARA: Won't the cost of that,  
3 though, to Hydro-Québec go up, depending on what the  
4 cost of your construction is, and building that into  
5 their rate for what they charge for the electricity  
6 being delivered?

7 DONALD JESSOME: Well, the way the markets  
8 work in New York State, is they bid their price into  
9 the marketplace, and, if it clears, it clears, and  
10 if it doesn't, it doesn't.

11 Because they're -- once it's in service, this  
12 is a sunk cost to them. So what they would be doing  
13 is, they would be bidding their power prices into  
14 the market at their marginal cost of production,  
15 which is, you know, in a hydro facility is  
16 essentially zero.

17 So, for them, that this cost risk is similar  
18 to any other cost risks that they have on major  
19 infrastructure.

20 But once it's in service? Once it's in  
21 service, their marginal cost of production is  
22 essentially zero, and that's what they bid into the  
23 market.

24 And that's actually highly regulated by the  
25 New York Independent System Operator, as to bidding

1 prices that come into the marketplace for different  
2 generation facilities.

3 SENATOR O'MARA: This line will terminate in  
4 Astoria, Queens.

5 What other connections along the line will  
6 there be throughout New York State?

7 DONALD JESSOME: There will be none.

8 This will be into Astoria, Queens.

9 However, there already is an interconnection  
10 to this line through the Québec system.

11 So, we had talked earlier about a bilateral  
12 trade that goes back and forth across the  
13 Québec-New York interface on a daily basis, every  
14 hour of the day.

15 Generators in Upstate New York, and other  
16 places, actually can gain access to our transmission  
17 facility through the existing AC transmission  
18 system.

19 SENATOR O'MARA: And then have to transmit  
20 it, up through Canada, back down around through the  
21 Champlain-Hudson line?

22 DONALD JESSOME: Correct.

23 SENATOR O'MARA: And there's no inputs for --  
24 other than that route along the Hudson River, for  
25 our New York State power plants to supply power into

1 that line?

2 DONALD JESSOME: At this point in time, that  
3 is correct.

4 SENATOR O'MARA: Are there any projections or  
5 plans to possibly do that?

6 DONALD JESSOME: There certainly can be in  
7 the future.

8 Converter stations along the way can be  
9 built. That is a potential for a future.

10 SENATOR O'MARA: And I heard concerns about  
11 the cost of a converter station to be -- put it on  
12 the line.

13 Could you elaborate on what the cost for a  
14 converter station would be?

15 DONALD JESSOME: Sure.

16 A 1,000-megawatt converter station is  
17 approximately \$200 million.

18 And, so, it's not one-for-one, so, you know,  
19 a 500 megawatt is not 100. It's probably 120.

20 There are some economies of scale as you get  
21 into larger converter stations, but that's kind of a  
22 good rule of thumb.

23 SENATOR O'MARA: Thank you.

24 SENATOR MAZIARZ: Thank you, Senator.

25 Assemblywoman Corwin?

1 ASSEMBLYWOMAN CORWIN: Thank you very much.

2 Just a couple of quick questions regarding  
3 energy security. We're talking about running power  
4 from one country into another.

5 Obviously, Canada has been a very good friend  
6 to us. We've had a great relationship for many  
7 years, however, there's no guarantee that 50 years  
8 down the line, or 75 years down the line, that we  
9 have a different relationship with them.

10 This compact that you're negotiating with  
11 Hydro-Québec, what kind of guarantees are there,  
12 that you're negotiating, that would ensure that we  
13 don't have any problems, going forward, as far as,  
14 the relationship, cross-border issues, terrorism  
15 issues, whatever?

16 Are you putting guarantees in this contract,  
17 to make sure that nothing would get in the way of  
18 that power getting down to New York City?

19 DONALD JESSOME: Well, what we are  
20 negotiating with Hydro-Québec is a  
21 transmission-service agreement. So, they would pay  
22 us the right to use the transmission facilities to  
23 deliver power.

24 I would say, to answer your question  
25 directly, we are not negotiating an agreement that

1 essentially says, you know, the two countries are  
2 going to be best friends forever.

3 What we're agreeing -- you know, what we're  
4 negotiating is a very economic contract that Québec  
5 is highly incented to deliver the energy.

6 And all of our studies say that it's highly  
7 utilized at, you know, 95 percent of time, just  
8 because the economics are so strong for the parties.

9 So, you know, from a security perspective, I  
10 think that we just have to look at the 80 years of  
11 very secure supply from Québec, into New York, and,  
12 you know, project that out, forward, because there  
13 is such strong economic basis for the relationship.

14 ASSEMBLYWOMAN CORWIN: And just -- I -- and  
15 forgive me for not knowing this: Hydro-Québec, do  
16 they provide power to Ontario and Toronto, the  
17 southern Ontario region?

18 DONALD JESSOME: They certainly supply into  
19 Ontario. They supply into Atlantic Canada. They  
20 supply into New England. And I believe they may  
21 supply into the PJM market as well.

22 ASSEMBLYWOMAN CORWIN: Okay, because Toronto  
23 and southern Ontario is a very, very fast-growing  
24 region of Canada. Obviously, Canada would benefit  
25 from running more power into their fast-growing

1 region as opposed to another country's region.

2 Are there any kind of guarantees that power  
3 wouldn't get redirected, or become prohibitively  
4 expensive going to New York City, because power  
5 would be going back to their faster-growing city,  
6 Toronto?

7 DONALD JESSOME: Well, southern Ontario,  
8 there's no question that it's growing at a very, you  
9 know, good clip.

10 But there -- you know, the -- I think the --  
11 what I -- keeps me, you know, going on forward on  
12 this project, is New York City is still the most  
13 expensive market in America.

14 And that's why this project is economic, is  
15 because the fact that it is an expensive market; and  
16 therefore, it needs new supply.

17 And, you know -- you know, there are,  
18 certainly, other markets that they can look at, but  
19 they're restricted just like every other market on  
20 the transmission intertie capability. It's very  
21 difficult to build transmission.

22 You know, crossing a border is extremely  
23 tough. And, so, it's -- you know, it's just very  
24 difficult to get, you know, all of that transmission  
25 built so that, you know, all of the supply would go

1 to just one marketplace.

2 ASSEMBLYWOMAN CORWIN: Okay.

3 Also, you were talking about the lower energy  
4 costs to businesses in New York State.

5 I'm assuming you mean it would lower the  
6 overall energy cost because it could go into the  
7 independent system and, generally, reduce costs.

8 A business in Western New York, how would  
9 their costs -- energy costs go down because of this  
10 system?

11 DONALD JESSOME: It's approximately  
12 3 percent. 3, to 2, percent, depending upon whether  
13 you're commercial, industrial, or residential. And,  
14 it's not a larger number. It's just because of the  
15 fixed costs of infrastructure is a large percentage  
16 of the bills in that market.

17 ASSEMBLYWOMAN CORWIN: But, assuming that the  
18 New York City-area businesses would see a bigger  
19 decrease in costs, than --

20 DONALD JESSOME: No, no --

21 ASSEMBLYWOMAN CORWIN: -- that's something  
22 that's outside of that service area?

23 DONALD JESSOME: That's correct, yes.

24 And we actually have posted those all on our  
25 website, and we've broken it down into

1 New York City, Long Island, Westchester, and --  
2 just, those were the easiest ones for us to be able  
3 to calculate, because as you get north, it just  
4 becomes smaller and smaller, and so it's less  
5 significant.

6 ASSEMBLYWOMAN CORWIN: And, also, just one  
7 last question: You talked about the economic  
8 advantage for doing this project right now.

9 Are you including any kind of price floors or  
10 ceilings, or anything like that, in your  
11 negotiations for the Hydro-Québec, so that if the  
12 economic situation were to change, and -- to prevent  
13 it from becoming economically infeasible?

14 I mean, are you -- it's attractive right now.  
15 30 years, 50 years down the line, New York City  
16 could be a very different place, prices can be very  
17 different.

18 Are you putting any kind of guarantees in  
19 there to make sure that we don't get future  
20 increases in costs down the line?

21 DONALD JESSOME: We're actually -- the  
22 guarantee to us, is that they will buy the space on  
23 the line.

24 And, so, they're guaranteeing to us that they  
25 will buy the space, and they will utilize -- you

1 know, and then they will use it, to utilize, to take  
2 their supply to marketplace.

3 So, we have very strong guarantees to ensure  
4 that they are going to pay us for that service.

5 ASSEMBLYWOMAN CORWIN: Okay.

6 All right, thank you very much.

7 DONALD JESSOME: Thank you.

8 SENATOR MAZIARZ: Thank you.

9 Just one more question, and then an  
10 observation I'd like to make.

11 You stated that the TDI project would result  
12 in reductions in certain types of emissions, thereby  
13 helping the environment.

14 Can you tell me where those emission  
15 reductions are going to come from?

16 DONALD JESSOME: We have the reports. I can  
17 certainly supply those to you.

18 I just -- it's in the state of New York,  
19 only, that I'm talking about. That -- there  
20 actually is environmental benefits beyond the state  
21 of New York, but, when I talk numbers here today in  
22 front of this Committee, it's strictly state of  
23 New York.

24 We can supply those to you.

25 SENATOR MAZIARZ: Okay.

1           And just an observation I want to make.

2           You did mention some labor unions that were  
3           in support of this project.

4           I should just say, and later on, because I  
5           know you'll be leaving, that some labor unions will  
6           be testifying here in opposition to this project  
7           too.

8           So I think it's just fair to, you know, state  
9           that there was labor unions that are in opposition  
10          to this project too.

11          I do, Mr. Jessome, want to thank you.

12          I can tell you that, on behalf of the  
13          Senators and the Assemblywoman, in our lives,  
14          sometimes it is very difficult to go to public  
15          meetings or public hearings where you know many of  
16          the people disagree with you. Those are never easy  
17          to attend.

18          And we appreciate the fact that you took the  
19          time to travel here, to come up here.

20          DONALD JESSOME: No, I appreciate being here,  
21          and, you know, any time.

22          SENATOR MAZIARZ: Thank you.

23          DONALD JESSOME: We're happy to --

24          SENATOR MAZIARZ: All right. Thank you very  
25          much.

1           And thank you to Gavin Donohue for letting us  
2 switch-up here.

3           DONALD JESSOME: Thanks, Gavin.

4           SENATOR MAZIARZ: Next is Gavin Donohue.

5           Gavin is the head of the Independent Power  
6 Producers of New York.

7           GAVIN J. DONOHUE: Thank you, Senator.

8           Senators, Assemblywoman, thank you for having  
9 me here today.

10           I'm here to discuss the issues regarding  
11 economic development and infrastructure investment  
12 in the energy industry in New York State.

13           As president of the Independent Power  
14 Producers, also known as "IPPNY," we represent  
15 generators, power marketers, and other participants  
16 in New York's competitive energy markets.

17           IPPNY member companies utilize cutting-edge  
18 technologies and fuel types, such as cogeneration,  
19 nuclear, hydro, coal, wind, oil, landfill gas,  
20 natural gas, and energy-from-waste, and biomass.

21           This diversity of fuels protects consumers  
22 from dramatic price variations resulting from an  
23 overdependence on one fuel type and increased  
24 electric-system reliability.

25           A reliable and robust energy industry is

1 important for both state and local economies.

2 IPPNY's members drive the state's economic  
3 engine, and continue to build, improve, and invest  
4 in New York's energy-supply infrastructure.

5 As providers of approximately 75 percent of  
6 the state's electricity, Independent Power Producers  
7 have invested in excess of \$10 billion to purchase,  
8 construct, and operate their facilities.

9 Generators also pay over 600 million, and  
10 invest \$50 million in their communities, as good  
11 corporate partners.

12 In addition, these facilities provide  
13 well-paying jobs to more than 10,000 individuals  
14 across New York State. Many of these facilities are  
15 located in Western and Upstate New York, where they  
16 are either the largest or amongst the biggest  
17 employers and taxpayers in their local community.

18 Since these facilities are outstanding  
19 corporate citizens, there are significant impacts to  
20 a community if a power plant makes the tough  
21 decision to close because it is no longer  
22 financially viable.

23 While the competitive electricity markets in  
24 the state have led to savings for energy consumers,  
25 enhanced economic development, reduced emissions,

1 and a more reliable system, they also, naturally,  
2 have led to increased competition.

3 In a difficult business and economic climate,  
4 increased competition is good for consumers, but not  
5 necessarily for each market participant.

6 On the plus side, since 2000, competitive  
7 markets have spurred the siting of more than  
8 9,000 megawatts of new generation, with over  
9 80 percent of that supply located in New York City,  
10 on Long Island, and in the Hudson Valley, regions  
11 where power demand is greatest.

12 A diversified generation fleet has been  
13 developed, including over 6,000 megawatts of  
14 renewable resource capacity in the state.

15 On the other hand, lower natural gas prices  
16 and increased coal prices have left many facilities  
17 finding it interestingly [sic] difficult to compete.

18 Conducting business in New York has long been  
19 considered tremendously unattractive due to high  
20 property taxes and regulatory uncertainty.

21 While competition drives the energy industry,  
22 these tough economic times make it more and more  
23 difficult for these companies to continue to survive  
24 in New York, and across the country.

25 From Western New York to Long Island,

1 New York State generation resources face challenges  
2 like most businesses in today's economy.

3 In addition to a difficult business climate,  
4 environmental regulations and policies place  
5 additional constraints on these units.

6 Although emissions have already been reduced  
7 significantly since 2000, in New York State, the  
8 rate of power-plant emissions of sulfur dioxide have  
9 dropped more than 86 percent, nitrogen oxide has  
10 declined by over 76 percent, and CO2 has been  
11 reduced by 36 percent.

12 These emission reductions have been  
13 accomplished through corporate investments without  
14 ratepayer impact, given that competitive energy  
15 markets have resulted in the shift of the risk of  
16 investment and operational decisions off of energy  
17 consumers and onto company shareholders.

18 The cumulative effect of the layering of  
19 environmental requirements impacts cost, fuel  
20 diversity, and energy-system reliability.

21 More than half of the installed generation  
22 capacity in New York State is estimated to be  
23 impacted by recently adopted or proposed state and  
24 federal and regional regulations, and these units  
25 face the decision to retrofit or retire.

1           Several power facilities have retired  
2 already, others are contemplating doing so, thereby  
3 putting at substantial risk of hundreds of  
4 well-paying essential jobs for New York's workforce,  
5 and the contribution of millions of dollars of  
6 property taxes and other payments made by New York  
7 generators.

8           Competition clearly has its place in  
9 New York, as it has accomplished so much. And one  
10 of IPPNY's major goals is to continue to support the  
11 competitive running of the competitive marketplace.

12           By design, the markets are intended to  
13 promote investment in the most efficient and  
14 economic resources, because competition determines  
15 what resources should remain in service.

16           Unfortunately, some less-efficient power  
17 plants may retire in order to ensure the market  
18 supports the better-performing ones.

19           That is not to say that we are insensitive to  
20 the local impacts of these potential facility  
21 closures, but the solution may be to help localities  
22 directly instead of taking steps that interfere with  
23 the markets.

24           If a struggling plant is needed for  
25 reliability, the New York Independent System

1 Operator has procedures in place to ensure the  
2 system reliability is maintained.

3 Along that vein, due to the negative effects  
4 in the market, we should not support the entry of  
5 projects that are uneconomic.

6 One such project, and we heard about today,  
7 has been the focus of a lot public attention, is the  
8 Champlain-Hudson Power Express transmission line  
9 proposed by TDI.

10 I'm trying to run through this a little bit,  
11 not to be redundant.

12 The transmission line, as you know, will run  
13 from the U.S.-Canadian border into New York State,  
14 under Lake Champlain and the Hudson River, and will  
15 import over 1,000 megawatts into the city.

16 And as we -- we strongly believe it makes no  
17 sense, from an economic, public policy, or energy  
18 perspective.

19 The line is a 333-mile "extension cord"  
20 running from Québec into New York City, while  
21 bypassing New York generators that have already made  
22 major investments in the state.

23 The Champlain-Hudson Power Express line would  
24 undercut critical investments in both in-state  
25 generation and transmission, and potentially close

1 power-generating facilities.

2 A major focus for New York State is improving  
3 the state's economy, and stabilizing, as well as  
4 increasing, the number and quality of jobs for its  
5 citizens.

6 However, the job-creation benefits touted by  
7 TDI substantially are overstated, and fail to  
8 account for the offsetting job losses at existing  
9 power plants which may be forced out of the market  
10 as a result of the operation of the TDI line.

11 Senator Maziarz, as you stated earlier today,  
12 one of the most compelling reasons to oppose the TDI  
13 line, is that the economics of the line simply do  
14 not work, and the economic analysis that has been  
15 conducted on the project is based upon data and  
16 assumptions that contain major flaws.

17 The line's costs greatly exceed any of its  
18 benefits, and the revenues needed to support the  
19 costs of the line currently are not available  
20 through New York's energy markets.

21 As such, the line is not viable financially  
22 without subsidized Canadian power and/or an  
23 above-market contract with New York ratepayer-backed  
24 entity.

25 These subsidies will definitely lead to

1 significant higher costs for the state's energy  
2 consumers.

3 The uneconomic nature of this project is  
4 illustrated in an informational piece IPPNY created,  
5 entitled "A Bad Deal for New York State," which is  
6 included with our testimony.

7 The map shows, that although a Canadian  
8 generator is chasing a higher price by selling  
9 electricity into the New York City market, the cost  
10 to deliver that power is more than the price  
11 difference they would receive.

12 That would be like a restaurant delivering a  
13 pizza to a far-away location for a higher price, but  
14 spending more in gas to deliver the pizza than the  
15 price they would get paid for it.

16 In the case of the Champlain-Hudson line, it  
17 simply does not make economic sense to use the line  
18 when the benefit of accessing the higher-priced  
19 market is lower than the cost to use the line.

20 The proposed project also would not include  
21 the transmission of renewable energy resources from  
22 Upstate New York to other parts of the state.

23 Threatening the development of such renewable  
24 resources impedes the State in meeting its RPS goal  
25 of having 30 percent of the electricity consumed by

1 New Yorkers come from renewable resources by 2015.

2 Large-scale water impoundments in Canada, the  
3 most likely source of the power to be transmitted  
4 over the line, do not qualify for the New York RPS  
5 program.

6 TDI claims that the New York generators could  
7 access the proposed transmission line by simply  
8 "wheeling" or transmitting power up to Canada first,  
9 then down to New York City, but this approach is  
10 also uneconomic and not financially feasible.

11 Like the "Bad Deal" piece previously  
12 discussed, despite the attraction of higher  
13 New York City energy prices, the cost to deliver the  
14 power there from Upstate New York via Canada is just  
15 too great and more than the price difference to be  
16 received.

17 Additionally, the proposed Champlain-Hudson  
18 project will not alleviate existing congestion in  
19 the state's power grid or address the most pressing  
20 in-state transmission issues. It only will  
21 circumvent them by bringing in power from another  
22 country.

23 The TDI project is strongly at odds with the  
24 Governor's stated goals of his Energy Highway  
25 Initiative, to build public-private partnerships and

1 invest in New York resources, workers, and  
2 communities.

3 The Energy Highway Initiative is seeking  
4 investment in New York State resources to upgrade  
5 the state's energy infrastructure in both  
6 transmission and generation. However, the TDI line  
7 does not provide any benefit, and, in fact, serves a  
8 threat to competitive energy markets, existing  
9 resources in New York State, and the associated jobs  
10 and numerous benefits provided by in-state power  
11 generators.

12 Although the proposed project will pass  
13 through many of the state's communities, it will  
14 provide no benefit to those localities in the form  
15 of jobs or tax revenues.

16 This ramped-up importation of power from  
17 Canada is not needed. Private investment through  
18 the state's competitive marketplace has ensured that  
19 more than sufficient quantities of power supplies  
20 exist to meet the state's energy needs now and for  
21 the foreseeable future.

22 Moving forward to address the needs of the  
23 state, including Western New York, Senator Maziarz  
24 championed the development of the law for the  
25 Recharge New York Power Program and the re-enactment

1 of the Article 10 siting law, breaking numerous  
2 years of gridlock on both issues.

3 Additionally, during the State budget,  
4 Senator Maziarz and his colleagues continuously  
5 guarded against taxes and fees on the energy  
6 industry and, importantly, their impact on energy  
7 consumers.

8 Building on those successes, Senator Maziarz  
9 has introduced two bills that are vital to help  
10 address the state's economy and future energy needs.

11 We need to capitalize on opportunities to  
12 revitalize New York State's economy from inside out.

13 And I would like to thank Senator Maziarz for  
14 once again demonstrating his commitment to the best  
15 interests of New Yorkers through this legislation.

16 First, Senate Bill 7391 would limit the use  
17 of eminent domain only to activities that achieve a  
18 public use, benefit, or purposes that maximize  
19 benefits to New York.

20 This legislation prevents outside entities  
21 from using eminent domain to access our waterways,  
22 land rights-of-way and, ultimately, New York  
23 ratepayers.

24 This legislation is consistent with existing  
25 New York State law that already contains provisions

1 that limit the ability of certain companies to use  
2 eminent domain, and as such, does not set a new  
3 precedent.

4 Additionally, the legislation does not limit  
5 other future projects from occurring, including the  
6 kind of projects the State should be encouraging for  
7 economic development and electric-system-reliability  
8 reasons.

9 Senator Maziarz's legislation would ensure  
10 that the power of eminent domain is available for  
11 the construction and development of transmission and  
12 generation facilities and infrastructure in  
13 New York State, rather than outside the country, as  
14 in-state facilities maximize energy-system  
15 reliability, employment, and economic development.

16 As a result of the Senator's legislation, the  
17 types of projects that would not be allowed to use  
18 eminent-domain powers are those that fail to provide  
19 the job, tax, and community-stability benefits that  
20 in-state resources do.

21 Another important proposal that  
22 Senator Maziarz is advancing is Senate Bill 7789,  
23 which would help address the local impact of  
24 potential power-plant closures.

25 This bill would direct the New York Power

1 Authority to issue a Request for Proposals for the  
2 sale of its 10 gas-turbine generating facilities  
3 smaller than 80 megawatts in size and located in and  
4 around New York City.

5 NYPA would report the range of bids to the  
6 Governor, the Temporary President of the Senate, and  
7 the Speaker of the Assembly, subject to  
8 confidentiality requirements. NYPA then would  
9 commence actions, as its board of trustees  
10 determines appropriate and necessary, to effectuate  
11 the sale of those facilities.

12 This privatization of assets is not a new  
13 idea, as previously, in 2000, NYPA sold its nuclear  
14 facilities to a private-sector owner for  
15 \$967 million.

16 Potential revenue from New York State from  
17 the sale of these turbines could range from  
18 \$400 million to \$750 billion [sic].

19 This legislation would use the revenues from  
20 the sale of NYPA facilities to provide assistance to  
21 municipalities that have been impacted by the loss  
22 of property-tax revenues due to the closing of major  
23 electric-generating facilities, such as those here  
24 in Western New York.

25 In addition, this legislation would

1 facilitate the repowering and replacement of  
2 existing energy systems to reduce overall emissions  
3 and environmental impacts.

4 In addition, the sale of NYPA's facilities  
5 would put tax-exempt property back on the tax rolls  
6 and generate more property-tax revenue for  
7 New York City.

8 By the State putting these generating  
9 facilities up for sale, new businesses and revenues  
10 will be attracted to the state.

11 The Senator's legislation, therefore, is a  
12 win-win for both upstate and downstate.

13 The sale of NYPA's turbines makes sense, as  
14 private companies continue to operate generating  
15 facilities reliably, efficiently, and economically  
16 more than ever.

17 In addition, this action would shift any  
18 future risks and costs associated with these  
19 facilities from the public to the private sector.  
20 These facilities are extremely low-emitting, from an  
21 environmental standpoint, and their ownership by  
22 private entities further will ensure increased  
23 efficiencies and economic operations.

24 Also, a policy discussion to sell the  
25 turbines is consistent with the recently adopted

1 New York State energy plan.

2 Thank you for the opportunity to provide some  
3 formal comments today, and I'm happy to answer any  
4 questions, Senator.

5 SENATOR MAZIARZ: Thank you very much, Gavin.

6 And thank you for the work that you do  
7 year-round in Albany on behalf of the state's  
8 energy.

9 I'm going to ask Senator Ritchie to start off  
10 with the questioning.

11 SENATOR RITCHIE: Gavin, you actually stated  
12 that the job benefits by the company are overstated.

13 Can you elaborate a little bit on that?

14 And, also, what you see as potential job  
15 losses if this line goes through?

16 GAVIN J. DONOHUE: From a job-losses  
17 standpoint, I'll start there, I think everybody in  
18 this room knows, and certainly you as elected  
19 representatives, that we have so many facilities  
20 across the state that are struggling just to stay in  
21 the business.

22 And this line, by coming into New York, into  
23 New York City, will exacerbate what I think is a bad  
24 situation and put those jobs at risk.

25 I can't tell you today, if this line is

1 constructed, how many jobs will be lost, and how  
2 many New Yorkers will be out of work, and what that  
3 will do to the local community, but, clearly, it  
4 will make a bad situation worse.

5 To answer your first question second, the  
6 line, for those that may not know, is completely  
7 under water, down the length of Champlain and the  
8 Hudson River.

9 And as Don indicated, you know, there is no  
10 way at this point for folks to access that line  
11 because of just how it's physically constructed.

12 So, when you talk about overstating the jobs,  
13 I think the labor unions later, that are going to  
14 testify, may have more specifics on job impacts, but  
15 it's, clearly, the line will not be accessible to  
16 New Yorkers. So, I'm not really sure how many  
17 New Yorkers are going to get jobs as a result of the  
18 line.

19 SENATOR RITCHIE: And just one more follow-up  
20 question:

21 In your opinion, what is the number one thing  
22 that New York State can do to facilitate the  
23 transfer of electric generation from upstate, in the  
24 area that I represent, to New York City?

25 What would be the "number one" thing and the

1 first thing we should do?

2 GAVIN J. DONOHUE: Well, when the  
3 "energy highway" was announced, Governor Cuomo made  
4 a strong statement about the age of the  
5 infrastructure in the state.

6 Transmission lines are 80 years old. We have  
7 generating units that are very old.

8 We need to figure out a way to make the  
9 infrastructure in this state better. We need to put  
10 money into the infrastructure. So, we need to do  
11 work on the transmission side, along with the  
12 generation side.

13 Right now, the Energy Highway Initiative is  
14 looking at a lot of different things that have been  
15 proposed. But, certainly, we have upstate resources  
16 that are unable to get their product to market. And  
17 whatever needs to be done to improve that, so they  
18 can be competitive, needs to be done.

19 I'm not here today to endorse one specific  
20 transmission proposal over another in the state  
21 because, quite frankly, that has impact on  
22 ratepayers within the state, and that analysis  
23 hasn't been conducted yet.

24 But, certainly, improving the transmission  
25 system, and the general investments in New York's

1 infrastructure, would be most important.

2 SENATOR RITCHIE: So in your opinion, there  
3 are a number of upstate facilities that could  
4 generate additional capacity to send to  
5 New York City, if, in fact, the transmission line  
6 was upgraded?

7 GAVIN J. DONOHUE: Correct.

8 SENATOR RITCHIE: Thank you.

9 GAVIN J. DONOHUE: Thanks, Senator.

10 SENATOR MAZIARZ: Senator O'Mara?

11 SENATOR O'MARA: What models or mechanisms do  
12 you see to upgrading our transmission facilities in  
13 New York, as you talked about, that would have the  
14 least impact to ratepayers?

15 In other words, how they would be financed  
16 and paid for without doing it on the backs of the  
17 ratepayers?

18 GAVIN J. DONOHUE: Well, I -- you know,  
19 again, I think that analysis is ongoing with the  
20 Governor's "energy highway," as we sit here today.

21 I was surprised at the level of projects that  
22 were submitted.

23 I think what should happen, is that the  
24 market should be allowed to work. That, if the  
25 State decides something needs to be built, the best

1 way to build it would be to have a  
2 non-discriminatory RFP, and that everything can  
3 compete at the fair level, so that we don't say:  
4 Well, we like, you know, biomass over gas, so only  
5 biomass proposals would qualify.

6 Just using that as an example.

7 So the best thing do, would be to allow the  
8 market to continue to work, but, if the State feels  
9 there's a public-policy goal that needs to be met,  
10 just to make sure that it's compelling, make sure  
11 that it's non-discriminatory and that everybody can  
12 compete on the same level, would be the least way to  
13 impact ratepayers.

14 SENATOR O'MARA: How do you, on behalf of the  
15 Independent Power Producers, assess our current  
16 condition of fuel diversity in New York State?

17 GAVIN J. DONOHUE: That's one of the best  
18 things we have going for us. We're very diverse,  
19 from a fuel standpoint, and we have to continue that  
20 fuel diversity.

21 I think Jerry indicated that this morning.

22 And we can't jeopardize our fuel diversity,  
23 and it's important, because states that have  
24 over-relied on one fuel or another, when the market  
25 changes and gas prices go back up again, and they

1 were over-reliance on natural gas, then, all of a  
2 sudden, the ratepayers are going to be hit harder.

3 So, we need nuclear, we need coal, we need  
4 gas, we need hydro...we need it all. And, we need a  
5 balanced portfolio.

6 And we have that, we just need to continue to  
7 build on it.

8 SENATOR O'MARA: One last question, Gavin.

9 In your comments you mentioned that this TDI  
10 project is not financially viable without subsidized  
11 Canadian power.

12 Can you just explain to me the Canadian-power  
13 subsidization process, and what we're up against as  
14 far as fair competition between those generators and  
15 our generators here in New York?

16 GAVIN J. DONOHUE: Well, you know,  
17 fundamentally, we've been very involved in this  
18 process for two years.

19 We've been on the other side of TDI. We've  
20 supplied our own experts and our own testimony.  
21 We've spent a lot of money on this.

22 So, I mean, I have a different take than Don  
23 does on the project, obviously, but, HQ is a  
24 government-owned utility that is going to compete  
25 against New York generators. So, it's as simple as

1 that.

2 I think it's fair to say, that the thing that  
3 you, as Senators and policymakers can do, and I  
4 would encourage you to do this, is, you know, Don  
5 was very clear, saying that TDI is a merchant  
6 project.

7 And I think this process has made it more  
8 transparent and better, to ensure that this could be  
9 a merchant project if it's approved.

10 What I think the Legislature could do, and  
11 folks that are concerned about this, is make sure  
12 that HQ, as the shipper on the line, is held to that  
13 highest standard, so that, somehow, the certificate  
14 isn't transferred to HQ, and then HQ gets into an  
15 out-of-market contract with NYPA, or some other  
16 entity, and somehow a payment go backs to TDI as a  
17 way to fund the project.

18 I get what Don has said and what TDI has  
19 said. They want to be merchant, and I appreciate  
20 that.

21 But nobody here has looked to: What are we  
22 going to do to ensure that HQ doesn't come to get  
23 subsidized as a result of this project?

24 So, I mean, we can talk about legislation and  
25 we can talk environmental regulations.

1           As elected representatives, I think that's  
2           one thing that you could do, to assure that the PSC  
3           holds HQ to the same standards that they're going to  
4           hold TDI.

5           SENATOR O'MARA: Thank you.

6           SENATOR MAZIARZ: Assemblywoman Corwin?

7           ASSEMBLYWOMAN CORWIN: Thank you.

8           Thank you, Gavin.

9           Just to make sure I'm understanding here,  
10          previous comments have made the point that this  
11          project, the Champlain-Hudson project, would just be  
12          another diverse energy source. You know,  
13          1,000 megawatts as part of the 40,000 in the state,  
14          kind of like, well, here's another competitor in the  
15          marketplace.

16          And perhaps that's true in the short term.

17          Would you characterize this whole situation  
18          as accurate in the long-term?

19          I mean, what I'm hearing from you, is that  
20          they're going to come into the marketplace, they'll  
21          come in significantly lower and, basically, wipe out  
22          all the plants that are already existing, who are  
23          having to work under tougher regulations and higher  
24          costs.

25          GAVIN J. DONOHUE: Yep.

1 ASSEMBLYWOMAN CORWIN: So that, in the long  
2 term, would you say that allowing this line to come  
3 down the Hudson would diminish competition in the  
4 marketplace?

5 GAVIN J. DONOHUE: Yeah, I would like to get  
6 to a point I think that Senator Maziarz said at the  
7 beginning of this hearing.

8 Currently, there's a project going on between  
9 New Jersey and New York City, to go 8 miles, and  
10 it's cost 800 to 900 million dollars to build.

11 I know we talked earlier about the finances.

12 The PSC economist in that proceeding has said  
13 that it will take 40 years for them to see any  
14 economic benefit by the New York Power Authority in  
15 the result of that line.

16 So you're trying to compete in New York, and  
17 we're looking at projects where people are saying:  
18 Well, it will take 40 years for them to see an  
19 economic benefit as a result of the construction of  
20 this project.

21 And that's what I'm hearing here today, is  
22 that, you know, in the long term, how do you compete  
23 and make financial decisions when your company is  
24 strapped, when you have a project out there that  
25 says, Well, you know, there will be an economic

1 return in 40 or 50 years?

2 And that's on the record, and I encourage the  
3 Legislature to go look at what the PSC economist  
4 said about HTP in New York City, because the costs  
5 are astronomical, and today, there's no customers  
6 for that.

7 So the New York Power Authority is assuming  
8 all of the costs of that project, which is directly  
9 impacting your ability, as Senators and  
10 Assemblywoman, to bring benefits to your local  
11 communities.

12 ASSEMBLYWOMAN CORWIN: So would you say, if  
13 we were to allow this project to go through, that in  
14 the long term, there would be more or less  
15 competition in the marketplace?

16 To me, competition is what drives prices  
17 down.

18 GAVIN J. DONOHUE: Yeah.

19 ASSEMBLYWOMAN CORWIN: My concern is, that if  
20 we allow this in, and our other power plants get  
21 wiped out, well, there is no more competition.

22 GAVIN J. DONOHUE: I would agree with your  
23 theory. I mean, that would make it less competitive  
24 in New York.

25 ASSEMBLYWOMAN CORWIN: Okay, so then we're at

1 risk, you know, 20 years, 30 years down the line,  
2 of, potentially, you've got fewer --

3 GAVIN J. DONOHUE: And how do you make  
4 financial judgments, if somebody says: Well, you  
5 know, the financial payoff is in 40 or 50 years?

6 We don't know what the world is going look  
7 like in two years.

8 ASSEMBLYWOMAN CORWIN: Okay. I agree.

9 Thank you, Gavin.

10 SENATOR MAZIARZ: Thank you, Gavin. We  
11 appreciate it.

12 GAVIN J. DONOHUE: Thank you.

13 SENATOR MAZIARZ: Our next witness is  
14 Paul Haering from Central Hudson Gas & Electric.

15 PAUL E. HAERING: Good afternoon.

16 With me today is Ray Kinney. He's from NYSEG  
17 (New York State Electric & Gas). He was also a key  
18 member of the STARS Initiative, as well as the  
19 New York Transco proposal that was submitted with  
20 the "energy highway."

21 Chairman Maziarz and members of the  
22 Senate Energy and Telecommunications Committee, my  
23 name is Paul Haering. I'm am employed at  
24 Central Hudson.

25 I just want to be clear: There was a

1 statement that was made by one of the witnesses  
2 today about Central Hudson being aligned with the  
3 TDI project.

4 We are not.

5 We are an investor-owned utility that serves  
6 electric-and-gas customers in the Hudson Valley.

7 So, I am the vice president of engineering  
8 and system operations for Central Hudson.

9 I also acted as chair of the committee that  
10 was the STARS study; the New York State Transmission  
11 Assessment and Reliability Study.

12 This was a study that began in 2008, and was  
13 conducted and funded by the state's transmission  
14 owners, with technical support from New York's  
15 Independent System Operator, and, system modeling  
16 consultant, ABB.

17 The state's transmission owners who  
18 participated in the study included: Central Hudson,  
19 Con Edison, the Long Island Power Authority,  
20 National Grid, the New York Power Authority, and  
21 New York State Electric & Gas, Orange and Rockland  
22 and Rochester Gas and Electric.

23 This is the same group of companies acting  
24 together under the name "New York Transco," and  
25 utilizing the results of this study that provided a

1 comprehensive proposal of projects as part of the  
2 Governor's Energy Highway Request for Information  
3 process.

4 The STARS study thoroughly examined  
5 New York's electric transmission system, with a  
6 focus on identifying the system's infrastructure  
7 needs for approximately 20 years into the future,  
8 including addressing replacement of aging system  
9 components, maintaining system reliability, and  
10 providing rational expansion to ease system  
11 congestion.

12 The STARS study is seen as augmenting the  
13 existing 10-year planning process that is  
14 administered by the New York ISO.

15 The study took a close look at possible  
16 transmission investments, seeking to identify those  
17 investments that could provide customer benefits  
18 over the long term.

19 The study also considered the status of  
20 existing assets. And utilizing a high-level,  
21 condition-based assessment, found that nearly  
22 4,700 of the 11,600 miles of high-voltage  
23 transmission lines in the state may require  
24 replacement in the next 30 years.

25 The transmission owners support the

1 competitive energy markets administered by the  
2 New York ISO as the best way to provide reliable,  
3 low-cost, and competitively priced supply to the  
4 state's electric consumers.

5 With careful and coordinated planning, and a  
6 long-term approach to developing solutions to future  
7 energy needs, the energy issues that New Yorkers  
8 face can be turned into opportunities.

9 Some of the benefits that New York Transco's  
10 proposed projects provide, include:

11 First, increasing power-flow transfer  
12 capability.

13 Increasing power-flow transfer capability  
14 throughout the state, through the strategic  
15 expansion of the system, will help to facilitate the  
16 economic transfer of energy from upstate  
17 generation-rich regions to the downstate load  
18 centers.

19 Second, use of existing rights-of-way.

20 Existing transmission line rights-of-way can  
21 be used for the vast majority of the proposed  
22 projects. This offers the least-cost and quickest  
23 solution for project development, and minimizes the  
24 environmental impact associated with siting and  
25 construction.

1 Third, improve reliability.

2 Improving the robustness of the electric  
3 transmission system with upgraded and new lines  
4 improves the reliability of the entire electric  
5 system, and will help to maintain system reliability  
6 for generations to come, especially as downstate  
7 load increases and renewable generation resources  
8 are added upstate.

9 And, fourth, create jobs and economic growth.

10 Developing an improved "energy highway" will  
11 create jobs and facilitate economic growth by  
12 providing New York with the transmission  
13 infrastructure needed to support tomorrow's business  
14 needs.

15 In addition to creating thousands of  
16 construction jobs, it will generate or maintain  
17 millions of dollars of property-tax revenues that  
18 will primarily benefit New York's upstate regions.

19 New York -- excuse me.

20 The transmission owners believe that the  
21 New York Transco proposal is a comprehensive  
22 response to the issues identified for discussion  
23 here today, as well as the goals of  
24 Governor Andrew Cuomo's Energy Highway Initiative,  
25 specifically:

1           Maintaining fuel diversity and reliability in  
2           the energy markets;

3           Addressing transmission-system bottlenecks or  
4           congestion points that are preventing power flow  
5           from flowing easily from upstate to downstate;

6           Considering excess electrical-generation  
7           capability in Upstate New York;

8           Addressing the impacts of future  
9           generation-facility retirements;

10          And, protecting existing, and creating new  
11          jobs, in the energy-generation and transmission  
12          industry.

13          The New York Transco proposal includes a  
14          portfolio of 18 transmission projects categorized  
15          into four distinct groupings:

16                 Immediately actionable projects;

17                 Actionable projects;

18                 Projects to address potential Indian Point or  
19                 downstate generation retirements;

20                 And projects to enable wind generation.

21          The "immediately actionable" and "actionable"  
22          projects work together to provide a broad range of  
23          benefits. These projects facilitate the flow of  
24          power from existing generation sources in New York's  
25          western and northern regions to the downstate

1 regions of the Lower Hudson Valley, New York City,  
2 and Long Island.

3 The net benefit to the state's consumers of  
4 these improved energy flows is estimated to be  
5 \$175 million annually.

6 This benefit is a direct result of enabling  
7 lower-cost economic generation to replace  
8 higher-cost generation more widely throughout  
9 New York.

10 In addition, this increased transmission  
11 capacity will facilitate fuel diversity by allowing  
12 more renewable energy to be transmitted downstate,  
13 and enable clean-burning fossil fuels to play a  
14 greater role in meeting the long-term energy needs  
15 of the state.

16 Importantly, these projects provide increased  
17 opportunities for existing generation resources to  
18 access new markets, and, thus, aid in maintaining  
19 these important resources and associated employment  
20 in upstate communities.

21 The "immediately actionable" and "actionable"  
22 projects also provide tangible reliability benefits,  
23 the result of a more robust transmission system.

24 These benefits include increased emergency  
25 transfer capability, improved resource adequacy, and

1 a reduction in the amount of installed generation  
2 capacity that would be required to maintain system  
3 reliability.

4 The reduction in the level of future  
5 generation needed to maintain system reliability is  
6 estimated to provide consumers annual savings in the  
7 range of 55 million to 218 million per year.

8 The group of projects that address  
9 reliability concerns stemming from the retirement of  
10 downstate generation, when coupled with the  
11 "immediately actionable" and "actionable" projects,  
12 increase the transmission capacity into the  
13 Lower Hudson Valley, New York City, and Long Island.

14 As such, the projects provide an estimated  
15 transmission security benefit of almost  
16 2,000 megawatts, which will ensure the transmission  
17 system operates adequately during emergency  
18 conditions. They also can help to address  
19 transmission security and resource adequacy needs  
20 that would result if generation resources in these  
21 regions were to shut down.

22 The final grouping of projects, projects to  
23 enable wind generation, which was identified in the  
24 New York ISO's 2010 Wind Study, enabled the full  
25 energy output of wind facilities in Jefferson County

1 and Western New York.

2           These projects, again, coupled with the  
3 "immediately actionable" and "actionable" projects,  
4 provide a twofold need.

5           First, the underlying 115-kV and 230-kV  
6 transmission systems are reinforced or upgraded,  
7 allowing for the constrained wind energy to be  
8 delivered to the bulk system.

9           Second, the transfer capability of the bulk  
10 system is increased to permit the energy to more  
11 freely flow to downstate markets.

12           The New York Transco proposal also provides  
13 substantial job creation benefits to the upstate  
14 region.

15           The current estimated costs for the Transco  
16 proposed projects is 2.9 billion in current-year  
17 dollars.

18           Using publicly available job and economic  
19 impact factors, the level of investment would  
20 support an estimated 12,000 direct  
21 full-time-equivalent jobs, and nearly 38,000 total  
22 full-time-equivalent jobs, and stimulate an  
23 estimated 7.2 billion of total economic activity.

24           Much of the job and economic activity is  
25 expected to directly benefit New York.

1           Beyond this activity, directly related to the  
2           transmission construction, is the benefits related  
3           to the enabling additional renewable-energy  
4           development in Upstate New York.

5           Based on approximately 2,300 megawatts of  
6           renewable projects, this could add an additional  
7           8,000 direct full-time-equivalent jobs for  
8           construction, 300 permanent jobs, and more than  
9           4.6 billion in economic activity.

10          The Transco projects are also estimated to  
11          increase local tax revenue, primarily in the upstate  
12          and western regions of New York, by approximately  
13          60 to 90 million per year.

14          The New York Transco projects provide  
15          considerable environmental benefits as well. These  
16          benefits are measured in terms of reduced generation  
17          emissions resulting from the ability to dispatch  
18          cleaner resources.

19          The projects' estimated annual reduction in  
20          CO2 and NOx emissions is more than 370,000 tons and  
21          200,000 tons, respectively.

22          Additionally, the projects represent  
23          approximately 856 transmission-circuit miles, the  
24          majority of which is within or adjacent to existing  
25          rights-of-way.

1           If constructed on new rights-of-way, these  
2 projects would require approximately 29 square miles  
3 of property. However, by leveraging the existing  
4 corridors, only 2.9 square miles is required, a  
5 reduction of 90 percent.

6           In summary, as has been detailed, the  
7 proposed New York Transco projects provide a broad  
8 range of benefits for the State and its energy  
9 consumers. The proposal addresses all of the  
10 objectives identified in the Energy Highway Request  
11 for Information, and provides a comprehensive and  
12 achievable plan for modernizing the state's  
13 transmission system and eliminating bottlenecks.

14           Thank you for the opportunity to testify  
15 before you today on the Transco proposal.

16           And, we're happy to address any questions.

17           SENATOR MAZIARZ: Thank you very much,  
18 Mr. Haering, for, first of all, coming from  
19 downstate up here to testify.

20           Just, I think it's very stark, and you  
21 pointed out here, you estimated approximately  
22 30,000 jobs that could be created with the  
23 "energy highway" and the Transco project, versus, I  
24 believe, one of the previous testimony from  
25 Mr. Jessome talked about, 2,400 jobs with the

1 TD -- with the Champlain-Hudson project.

2 I thought it was a stark contrast.

3 PAUL E. HAERING: Yes, Senator, we relied on  
4 a publicly available document. It's a study that's  
5 called the "Wire Study." It was used in the RFI  
6 process, that takes the -- calculates the economic  
7 benefits attributed to transmission projects, both  
8 in direct and indirect jobs.

9 So that's the data point that we used, that  
10 was also part of the RFI process.

11 SENATOR MAZIARZ: I mean, even if you were  
12 off by 50 percent, it would still be a stark  
13 contrast.

14 And I hope you're not off by 50 percent, by  
15 the way.

16 PAUL E. HAERING: We hope so as well.

17 SENATOR MAZIARZ: Senator Ritchie?

18 SENATOR RITCHIE: No questions.

19 SENATOR MAZIARZ: Senator O'Mara?

20 SENATOR O'MARA: No.

21 Thank you very much.

22 SENATOR MAZIARZ: Assemblywoman Corwin?

23 ASSEMBLYWOMAN CORWIN: No questions.

24 SENATOR MAZIARZ: Thank you very much, Paul.

25 We appreciate it.

1           Our next testimony is going to be coming from  
2           the New York Independent System Operator, Tom Rumsey  
3           and Rick Gonzalez.

4           Thank you, Tom and Rick, for being here  
5           today.

6           THOMAS RUMSEY: Thank you, sir.

7           One of the joys of going late is trying to  
8           sound unique in our testimony, so we'll give it a  
9           shot.

10           [Laughter.]

11           THOMAS RUMSEY: Good afternoon,  
12           Chairman Maziarz and members of both the Senate and  
13           the Assembly Energy Committees.

14           My name is Tom Rumsey, and I serve as the  
15           vice president of external and regulatory affairs  
16           for the New York Independent System Operator.

17           With me today is Rick Gonzales, senior vice  
18           president and chief operating officer of the NYISO.

19           He and his staff are responsible for the  
20           New York State's grid reliability, market  
21           operations, and system planning.

22           I'd like to start by thanking you for the  
23           opportunity to participate in today's hearing.

24           At the NYISO, we take our responsibility to  
25           serve as a source of objective information on energy

1 issues very seriously, and appreciate the leadership  
2 of this Committee in raising awareness of the  
3 important energy issues facing our state.

4 The NYISO is an independent, non-profit  
5 corporation responsible for performing several vital  
6 functions for New York.

7 Our primary mission is to reliably operate  
8 New York's bulk electric system in accordance with  
9 all national, regional, and state reliability  
10 requirements.

11 We also administer New York's competitive  
12 wholesale electricity market to satisfy electrical  
13 demand, and provide open and fair competition.

14 In addition, we conduct comprehensive  
15 power-system planning to identify long-term needs,  
16 and solicit market-based solutions to meet  
17 forecasted requirements. We then evaluate those  
18 projects as they enter the power grid and the  
19 wholesale energy market.

20 We also serve as the technical resource for  
21 the New York State Planning Board, having been named  
22 as a non-voting member under the 2009 law.

23 We have provided a written testimony in  
24 response to the issues identified in your invitation  
25 letter.

1           My hope is, you'll find the level of detail  
2           in that response to be of sufficient detail, and of  
3           value.

4           For purposes of today's hearing, I'd like to  
5           just cover the four key points we made --

6           SENATOR MAZIARZ: Sure.

7           THOMAS RUMSEY: -- and then have Rick and I  
8           take any questions that you might.

9           SENATOR MAZIARZ: Thank you.

10          THOMAS RUMSEY: So the first grid -- the four  
11          key points we made were:

12                 First, grid reliability is essential and  
13                 remains a collaborative effort with New York  
14                 stakeholders and policymakers. Working with state,  
15                 regional, and federal authorities, the primary focus  
16                 of the NYISO is to sustain and enhance the  
17                 reliability of New York's bulk electric system.

18                 In terms of supply and demand, the New York  
19                 outlook for -- or, the outlook -- near-term outlook  
20                 for New York is positive. Currently, there is  
21                 excess capacity across the state to meet our energy  
22                 demand.

23                 Since the inception of New York's competitive  
24                 marketplace for electricity 12 years ago, the  
25                 significant investment in generation assets, the

1 development of new demand response resources, and  
2 expansion of interstate transmission have  
3 contributed to a more reliable system.

4           However, after years of growth, demand for  
5 electricity dramatically declined in 2008 and 2009  
6 at a scale not seen since the Great Depression.

7           This is due to a slow economic -- or, excuse  
8 me.

9           We have experienced modest growth since that  
10 time, but we are still at or below pre-recession  
11 levels. This is due to a slow economic recovery in  
12 the State's energy-efficiency programs.

13           According to our latest analysis,  
14 New York State has sufficient reserves to meet  
15 reliability requirements and forecasted demand  
16 through 2020.

17           Our second key point is, regulatory certainty  
18 and clear coordinated public policy are fundamental  
19 for continued private investment.

20           For the energy industry, this starts at the  
21 national level.

22           As an example: Uncertainty over the  
23 extension of the production tax credit for wind  
24 power has an entire industry on hold.

25           Historically, when the production tax credit

1 has expired, the nation has seen as much as a  
2 90 percent decline in wind generation.

3 We do not necessarily endorse the production  
4 tax credit, but I use that simply as an example of  
5 the impact that regulatory uncertainty can have on  
6 an industry.

7 This year, they're expecting 12 gigawatts of  
8 installations. Next year, less than one, when the  
9 PTC expires.

10 Regulatory uncertainty also makes development  
11 of an investment in new technologies more difficult.

12 Fortunately, New York State has recently  
13 taken important steps toward providing more  
14 certainty.

15 The Power New York Act of 2011, sponsored by  
16 yourself, Senator Maziarz, reestablished the State  
17 Siting Board for major electric-generating  
18 facilities.

19 By ending a nearly decade-long absence of a  
20 State power-plan siting law, this new act sends a  
21 clear, consistent signal to potential developers.

22 Similar, in 2009, the Legislature acted to  
23 reestablish the New York Energy -- State Energy  
24 Planning Board. With its comprehensive and  
25 inclusive planning process, the development of the

1 State energy plan offers an important venue for the  
2 coordination and integration of economic,  
3 environmental, and energy considerations in the  
4 development of State policy decisions.

5 However, it's critical that the State of  
6 New York consider both the cumulative effects that  
7 regulations and policies can have, and the time  
8 necessary for the industry to respond.

9 Recognizing those two key factors provides  
10 the framework for sustaining system reliability, as  
11 well as limiting short-term price volatility for  
12 ratepayers.

13 Our third key point, is that electric-system  
14 planning will play an increasingly important role  
15 for grid reliability, economic development, and the  
16 integration of public-policy objectives.

17 Electric-system planning to NYISO is a  
18 continuous process of monitoring, updating, and  
19 evaluating future grid conditions, based on changing  
20 weather patterns, economic forecasts, and  
21 public-policy initiatives.

22 In conjunction with our stakeholders, we  
23 conduct a biannual comprehensive system-planning  
24 process for the bulk power system. This produces --  
25 this process identifies grid-reliability needs and

1 provides economic data to developers, stakeholders,  
2 regulators, and policymakers.

3 This was typically done with a sole focus on  
4 maintaining grid reliability.

5 Recently, we added economic transmission  
6 planning to enhance system efficiency for  
7 ratepayers.

8 This year, the Federal Energy Regulatory  
9 Commission, in its Order 1000, has established a new  
10 process to coordinate transmission planning to  
11 integrate public policy.

12 This order requires system planners to  
13 evaluate emerging transmission needs based on  
14 federal and state laws and regulation.

15 It gives it -- again for example purposes  
16 only, a state law that would establish a renewable  
17 portfolio standard could lead to transmission  
18 projects moving forward based on supporting that  
19 policy goal.

20 Our fourth, and final, point, is New York  
21 shouldn't simply replace, but upgrade its aging  
22 infrastructure.

23 Nearly 60 percent of New York's power-plant  
24 capacity and more than 80 percent of New York's  
25 high-voltage transmission lines were built prior to

1 1980.

2 Modernizing the New York power grid  
3 represents a tremendous opportunity to retain fuel  
4 diversity, help meet future reliability needs, and  
5 grow our economy.

6 The reliability of the electric grid, the  
7 quality -- and quality and dependability of power it  
8 provides, is essential to New York's success in the  
9 worldwide competition for jobs.

10 You just heard a significant briefing on the  
11 STARS projects, so I'll skip through all of that,  
12 other than to confirm we were the technical resource  
13 for that. And we don't necessarily endorse specific  
14 projects, but we did provide our technical input to  
15 that analysis.

16 Governor's -- Governor Cuomo's call for a  
17 \$2 billion private-sector-funded "energy highway"  
18 sends a strong signal about New York's interest in  
19 addressing our energy and infrastructure needs.

20 The data and analysis developed by the  
21 NYISO's planning process and the STARS report are  
22 helping to inform the implementation of the  
23 Governor's initiative.

24 It is encouraging to note that the  
25 Energy Highway Initiative envisions developing the

1 steps consistent with competitive wholesale energy  
2 markets.

3 In closing, I would just like to reiterate  
4 the four key points:

5 Maintaining grid reliability is our primary  
6 focus, and requires a collaborative effort involving  
7 the NYISO, our stakeholders, and public  
8 policymakers.

9 Second: Regulatory certainty and clear  
10 coordinated public policy are fundamental for  
11 continued investment in the transmission of  
12 electrical generation.

13 Third: Power-system planning will play an  
14 increasingly important role for grid reliability,  
15 economic development, and, now, the integration of  
16 public-policy objectives.

17 And, finally: New York has an aging  
18 infrastructure. Modernizing the grid represents a  
19 tremendous opportunity to meet our future  
20 reliability needs and grow the economy.

21 Thank you, Chairman Maziarz, for this  
22 opportunity, and we stand prepared to answer any  
23 questions.

24

25

1           SENATOR MAZIARZ: Mr. Gonzalez, do you  
2           have --

3           RICK GONZALEZ: No. I'm available to respond  
4           to questions.

5           SENATOR MAZIARZ: Okay.

6           RICK GONZALEZ: And thank you for the  
7           opportunity.

8           SENATOR MAZIARZ: Well, first of all, we  
9           thank you very much.

10           And, understanding that you are an  
11           independent organization. Sometimes independent  
12           organizations don't like to take stands on very  
13           controversial issues, particularly when it involves,  
14           you know, power generation. But, you know, I think  
15           it's important, since it's -- you know, if someone  
16           pulls a switch and the lights don't go on, I think  
17           the ISO is going to get a lot of the blame for it.

18           So, it's important that the lights go on when  
19           the switch is pulled.

20           So, you know, could you just, you know, give  
21           us your opinion on Champlain-Hudson versus the  
22           "energy highway"?

23           You know what you think the impact of each  
24           would be, either positively or negatively, on a  
25           long-term reliability for the grid in New York?

1           THOMAS RUMSEY: Yeah, go ahead, Rick. You  
2 can tackle that one.

3                         [Laughter.]

4           RICK GONZALEZ: Well, they're -- they are --  
5 Senator, they are two entirely different projects.

6                         One is -- one is updating and improving the  
7 state's transmission system, to allow existing  
8 suppliers to use the New York State transmission  
9 system, in a sense, levelizing the playing field,  
10 and providing access to the statewide electricity  
11 market.

12                        I know you're aware that there have been, in  
13 the past, transmission-congestion bottlenecks that  
14 preclude otherwise economic resources from reaching  
15 the New York City, Long Island, and Hudson Valley  
16 electricity markets.

17                        In contrast, the TDI proposal is a  
18 transmission line that implies there are capacity  
19 resources that -- or, energy resources from the  
20 province of Québec that would meet New York City  
21 needs.

22                        At the highest level, both of these projects  
23 would be beneficial to reliability. And the ISO is  
24 indifferent to whether resources, such as  
25 demand-response generation or transmission, can be

1 used to meet reliability requirements.

2 That being said, it is important to  
3 understand that there are certain protections in the  
4 ISO rules, to ensure the competitiveness of the  
5 market; and, specifically, for those resources that  
6 connect to the New York City area.

7 So, the ISO would be obligated to evaluate a  
8 project, such as TDI, from its cost -- from its  
9 actual-cost perspective, to see if it were  
10 economic -- it were economic to supply one of the  
11 products in the New York ISO market, which is  
12 capacity.

13 So, the New York ISO would evaluate that  
14 project, to see if it was deemed economic from the  
15 ISO's perspective.

16 As such, that determination could -- that  
17 determination, whatever it may be, could limit the  
18 reliability benefit of the Champlain-Hudson project.

19 SENATOR MAZIARZ: Wouldn't it be, though --  
20 where I was going with that, wouldn't it be the  
21 opinion of the ISO, that long-term energy policy,  
22 long-term reliability of the grid, wouldn't it be  
23 better to be more dependent upon in-state generation  
24 than it would be, not just out-of-state generation,  
25 but out-of-the-country generation?

1           I mean, I would just think, you know, that,  
2           again, for long-term energy policy, that would be  
3           more positive for an independent body like yourself.

4           I mean, I realize, you know, that everybody  
5           that has testified before this, and after this,  
6           has -- you know, has some skin in the game, from a  
7           certain respect.

8           And I know that -- that, you know, the ISO is  
9           interested only in making sure that that power is  
10          available in all areas of the state that they need  
11          it.

12          What we have here is, downstate needs it,  
13          we've got the capacity to produce it up here. We  
14          just have to move it -- be able to move it from down  
15          here -- from up here to down there.

16          THOMAS RUMSEY: That's correct.

17          To answer your question directly, Senator,  
18          I think, when you're talking policy versus an  
19          economic project, if you look at the state of the  
20          grid as it is today, as you just discussed, where  
21          you've got a lot of the generation in the north, a  
22          lot of the potential for renewables in the north and  
23          in the west, where 53 percent, roughly, is down in  
24          city, it's a matter of connecting those two.

25          If you look at the aging infrastructure and

1 the policy, and decisions that are going to be  
2 coming around that, the traditional bottlenecks in  
3 our transmission system happens to be some of the  
4 first areas that we're going to have to address  
5 based on the age of those transmission lines.

6 So, from our perspective, when you -- as a  
7 policy view, when it comes time to replace those, to  
8 not also improve the ability to move more power than  
9 it currently does today and alleviate those choke  
10 points, is the single biggest policy-challenge, in  
11 our view, opportunity for New York.

12 It will help retain the fuel diversity. It  
13 will help competitive markets. It will help the  
14 generation throughout the state to compete on a  
15 level playing field.

16 And, the "energy highway," having not looked  
17 at the projects until they're published, obviously,  
18 is seeking to address that issue, and we fully  
19 support it.

20 SENATOR MAZIARZ: Thank you. Thank you.

21 Senator Ritchie?

22 SENATOR RITCHIE: No questions.

23 Thank you.

24 SENATOR MAZIARZ: Senator O'Mara?

25 SENATOR O'MARA: With regard to those

1       bottlenecks you're talking about, and the  
2       infrastructure being 30-plus years old, has the  
3       technology and capabilities improved over that  
4       period of time to provide that greater handling of  
5       megawatts over the same basic infrastructure that's  
6       there; in other words, within the rights-of-way that  
7       are there?

8               THOMAS RUMSEY: I'll answer the  
9       rights-of-way, and then let Rick get into the  
10      technology because, I promise, I don't do math very  
11      often.

12             But, you know, one of the -- I think one of  
13      opportunities -- one of the challenges transmission  
14      has, is that, if you're not using an existing  
15      right-of-way, it makes it very challenging to build  
16      it.

17             And, the initial projects identified by the  
18      STARS currently exist -- or, utilize all existing  
19      rights-of-way, with only potential of some  
20      modification to the width if they go too much higher  
21      on the path.

22             So, the opportunity is more likely, if you're  
23      using an existing energy right-of-way, which most of  
24      the STARS projects currently do, and I can let Rick  
25      talk to the transmission technologies.

1           RICK GONZALEZ: Well, the New York  
2           transmission owners are the experts in the actual  
3           construction and design capabilities, but it is my  
4           understanding that replacing -- or, using existing  
5           right-of-ways, and by replacing lower-voltage  
6           transmission lines with higher-voltage transmission  
7           lines in those same existing corridors, improves the  
8           power-transfer capability significantly.

9           SENATOR O'MARA: We've heard a lot of  
10          testimony today about the power-producing  
11          capabilities of upstate, and the limits of the  
12          transmission to get it downstate where it's needed.

13          Are you in agreement that we have sufficient  
14          production capabilities across New York State if we  
15          can get our transmission facilities upgraded?

16          RICK GONZALEZ: There are currently  
17          sufficient capability to meet New York State's  
18          demands.

19          We had some hot-weather events this summer,  
20          and we utilized the Somerset asset here, as well as  
21          other upstate resources, so those resources play an  
22          important part in meeting the reliability needs in  
23          New York State.

24          THOMAS RUMSEY: I think it's important, also,  
25          if you could alleviate all congestion in the state,

1 just make a magic wand and you can all compete  
2 evenly, there's a very disruptive pricing mechanism  
3 right now in the energy industry, and that's the  
4 cost of natural gas.

5 All of generation has to compete, and win in  
6 the competitive marketplace.

7 And right now, with low natural gas costs, it  
8 makes some, particularly fossil generation, very  
9 challenged in that competition. That's nationally.

10 Across the country, 10 percent of the coal  
11 has been replaced by natural gas.

12 If you look at our interconnection queue,  
13 what's coming to New York State is predominantly  
14 natural gas, wind, with some improvements to the  
15 nuclear -- current existing nuclear fleet.

16 So, if you look at what developers are  
17 bringing to the NYISO to evaluate, it's  
18 predominantly natural gas.

19 And, at \$3 gas prices, it's incredibly  
20 challenging for other assets, particularly fossil  
21 assets, to compete.

22 SENATOR O'MARA: Yeah, but, as we know, and  
23 as we see the economic cycles we go through, that's  
24 not likely to remain --

25 THOMAS RUMSEY: Absolutely.

1           SENATOR O'MARA: -- the case for, certainly  
2 not forever. The question is: How long?

3           And, it is a benefit to us across the state  
4 to have this diverse fuel supply for when those  
5 conditions change.

6           Is that correct?

7           THOMAS RUMSEY: That's absolutely correct.

8           For the second time in my life, I'll agree  
9 with Gavin.

10           [Laughter.]

11           THOMAS RUMSEY: The balanced-portfolio  
12 approach has to be the way that you approach energy.

13           It simply has to be.

14           SENATOR O'MARA: Well, my goal today was to  
15 get you to agree with Gavin, so I'm done with  
16 questions now.

17           [Laughter.]

18           THOMAS RUMSEY: All right. Thank you, sir.

19           SENATOR MAZIARZ: Assemblywoman?

20           ASSEMBLYWOMAN CORWIN: (Shakes head.)

21           SENATOR MAZIARZ: Thank you very much, Rick  
22 and Tom Rumsey. We appreciate you coming.

23           THOMAS RUMSEY: Thank you very much.

24           RICK GONZALEZ: Thank you.

25

1           SENATOR MAZIARZ: Our next testimony is going  
2 to be offered by Ken Pokalsky of The Business  
3 Council.

4           KENNETH J. POKALSKY: Good afternoon.

5           Thanks, Senator, for the invitation to  
6 participate today on behalf of The Business Council.

7           And I also want to thank the panelists for  
8 sticking it out, because it's been a long hearing,  
9 but, very important testimony on very important  
10 issues.

11          So, on behalf of The Business Council, I  
12 appreciate the opportunity to come today.

13          I'm joined by Darren Suarez, who manages  
14 our -- both our energy and environmental program on  
15 a day-to-day basis.

16          The Business Council has about 3,000 members  
17 across New York State. It's a very diverse  
18 membership.

19          And in the energy arena, we represent  
20 generators, transmission companies, local utilities,  
21 and the vast majority of our members are industrial  
22 and commercial energy consumers.

23          And despite occasional disagreements among  
24 those members and those sectors, which is not  
25 surprising, given the zero-sum tradeoffs that are

1 often inherent in the types of issues we work on in  
2 the energy arena, our members have uniformly --  
3 uniformly supported the advancement of a New York  
4 State energy policy dedicated to the development of  
5 cost-competitive and reliable energy.

6 A major focus -- our major focus is on  
7 necessary improvements to the state's  
8 "energy highway."

9 The last major cross-state transmission  
10 project was built in the 1980s.

11 And it was discussed earlier, a recent  
12 assessment of the state's transmission needs  
13 indicates that there's nearly 5,000 miles of  
14 in-state lines that will approach their -- the end  
15 of the useful life and will require replacement over  
16 the next 30 years.

17 And while the need for transmission upgrades  
18 has been in the news lately, over the last couple of  
19 years, unnoticed by many New Yorkers, the state has  
20 experienced a significant shift in our generation  
21 fuel diversity.

22 Simply put, it has been mentioned numerous  
23 times today, some coal- and petroleum-based plants  
24 are no longer operating, or operating at reduced  
25 levels, due to combined factors, including low

1 natural gas prices, and increased cost of  
2 environmental compliance.

3 We believe the State Energy Committee is very  
4 correct in reviewing New York State's transmission  
5 and generating needs together.

6 The State can't maintain fuel diversity and  
7 ensure reliability without acknowledging that more  
8 than half of the demand for electric power in  
9 New York occurs in the New York City metropolitan  
10 area, while more than 60 percent of the power supply  
11 comes from generators located primarily in  
12 Upstate New York.

13 Now, I wanted to briefly touch on four topics  
14 that you asked about in the hearing notice, today,  
15 and I'll skip through the testimony relatively  
16 quickly --

17 SENATOR MAZIARZ: Thank you.

18 KENNETH J. POKALSKY: -- so, I will not read  
19 it.

20 First, and foremost, for our membership, it's  
21 critical, when you're looking at any aspect of  
22 energy policy, to do so in the acknowledgment that  
23 New York State energy consumers -- residential,  
24 commercial, and industrial -- pay among the highest  
25 electric power prices in the nation. It's been that

1 way for -- for several generations.

2 Recent data: Residential rates are about  
3 60 percent above the national average. Commercial  
4 about 65, industrial about 40 percent, above the  
5 national average.

6 Specific projects or policies that are  
7 dependent upon either new energy assessments or,  
8 potentially, above-market power-purchase agreements,  
9 or any other type of additional consumer-funded  
10 subsidies, in our view, need to be considered in the  
11 context of these cost issues.

12 And, power costs, you know, repeatedly, we  
13 hear from our member companies, are among the most  
14 significant costs-of-doing-business issues facing  
15 New York State's business community.

16 There are many things that can be done to  
17 address the cost issues in New York State.

18 Regulatory reform, we've just begun to  
19 scratch the surface on looking at the -- both, the  
20 nature of the scope and the requirements of  
21 environmental mandates and other regulatory costs  
22 that add to the cost of doing business in  
23 New York State.

24 State and local taxes are certainly in there.

25 If you look at the major drivers of the cost

1 differences in New York State, energy and electric  
2 power system, fuel mix is number one. As mentioned,  
3 our relatively high reliance on natural gas.

4 And, state and local taxes are number two.

5 The most significant differential in the tax  
6 arena being, real property taxes, and the cost of  
7 property taxes on generation and transmission  
8 facilities.

9 So we need to be always mindful, when we talk  
10 about new programs and initiatives: Are we adding  
11 to or reducing State-imposed costs on electric-power  
12 system?

13 Second topic is transmission.

14 Business Council supports transmission  
15 initiatives that will result in delivery of  
16 reliable, cost-competitive energy.

17 We do think there's a number of ways to  
18 approach those goals.

19 As has been discussed, there's congestion  
20 along our 11,600 miles of high-voltage transmission  
21 lines in the state.

22 With the -- one-third of the state's electric  
23 load in New York City, we simply don't have  
24 sufficient capacity to move power from downstate to  
25 upstate.

1           The calculated opportunity costs, or added  
2           cost of transmission, due to this congestion, was  
3           calculated at about \$1.2 billion in 2010.

4           We need to commit to projects that will  
5           improve the overall capacity to the state's  
6           transmission system, like those contained in the  
7           recently completed STARS report.

8           And I'm not going to go into those in detail.  
9           You've heard about them in previous testimony.

10          The proposed -- this detailed study,  
11          three years in development, outlines specific and  
12          practical electric-transmission projects that will  
13          bolster the power grid, provide economic benefits,  
14          support development of renewable resources, and  
15          ensure a robust power system for New Yorkers.

16          Specifically, one of the issues this  
17          Committee asked about, in our view, the proposed  
18          campaign -- or, Champlain-Hudson Power Express is a  
19          one-off transmission project that does not result  
20          from this comprehensive planning initiative.

21          It's such, in our analysis, does not address  
22          many of the objectives of the STARS report, and will  
23          circumvent, rather than improve, the state's  
24          transmission system.

25          The Business Council does not support the

1 project.

2           And trust me, that is not an easy conclusion  
3 for us to come to. In a -- The Business Council, I  
4 think, is one of the most aggressive and consistent  
5 advocates for new capital investment in  
6 New York State, and we don't have many multi-billion  
7 dollar proposed private-sector investment projects  
8 in the state. But, based on input from member  
9 companies, and our review of the project, we do not  
10 support Champlain-Hudson Power Express.

11           Third topic: Fuel diversity.

12           One of the important facts that was -- we  
13 think, lost, or simply ignored, in the run-up for  
14 New York State entering into RGGI, and I think it's  
15 ignored in some of the repeated calls we hear, on  
16 the need for New York State to take new initiatives,  
17 or additional initiatives, to reduce greenhouse-gas  
18 emissions, is that New York State has been -- had  
19 been, continues to be, one of the nation's most  
20 fuel-diverse states when it comes to electric -- its  
21 electric power system.

22           And, one of the states -- one of the lowest  
23 carbon-emitting states from its electric power  
24 system, with nearly -- not quite, but nearly  
25 50 percent of our power -- our base-load power

1 generation come from -- coming from non-emitting  
2 sources: major hydro plants, nuclear-power plants,  
3 and recent deployment of new renewables.

4 We agree the State must support policies and  
5 encourage fuel diversity, to avoid, you know,  
6 additional disruptions or price hikes if we come too  
7 reliant on one source of power.

8 Perhaps, more than any other single source,  
9 the emergence of new supplies of natural gas, from  
10 what I'll call "non-traditional sources,"  
11 unfortunately, not yet from those non-traditional  
12 sources in New York State -- is having a significant  
13 impact on the electrical system.

14 These new natural gas resources, primarily  
15 from shale formations, are transforming the supply  
16 and price outlooks for natural gas in the  
17 competition among energy options.

18 These developments in the natural gas arena  
19 can be expected to affect the mix of fuels used to  
20 generate electricity, as well increase the need for  
21 stronger coordination between electric-grid  
22 operators and natural gas industry.

23 Due to what's happening in the natural gas  
24 market, some coal and oil plants may no longer be  
25 operating, as I said earlier, due to the combination

1 of low gas prices and the increase in cost of  
2 environmental compliance.

3 And some -- by some predictions, many --  
4 12 in-state coal and mixed-fuel facilities will  
5 retire or be mothballed this year.

6 These retirements will have a significant  
7 adverse impact on local employment tax rates, and we  
8 believe overall grid reliability.

9 The State should critically review these  
10 retirements to determine steps that can mitigate,  
11 prevent, or to ter [sic] their closure -- or, deter  
12 closure, including, as Senator Maziarz discussed  
13 earlier today, incentives for, and reducing barriers  
14 to, repowering existing plants.

15 As always, we urge that any policy  
16 initiatives be reviewed with an eye to the potential  
17 impact on rates for residential and business  
18 consumers.

19 And, fourth, I say "Other Policies," but, it  
20 really -- I want to speak to, specifically, the  
21 issue of RGGI.

22 Prior to the end of the 2012 legislative  
23 session, there's some discussion in Albany, and in  
24 the northeast, about initiatives that would  
25 increase, and were designed to increase, the cost of

1 RGGI allowances, and use additional proceeds to do a  
2 number of things, including, perhaps, assist  
3 communities with a transition from power-generating  
4 communities to power-consuming communities.

5 Generally speaking, we strongly recommend  
6 against these or other proposals to increase or  
7 inflate the cost of RGGI compliance.

8 The RGGI program has resulted in significant  
9 cost increases to business and residential  
10 customers, and to power generators, as we've heard  
11 from earlier participants in this hearing, while  
12 contributing to reduced fuel diversity, and has done  
13 little, if anything, to address the global  
14 challenges of climate change.

15 So that's a set of brief comments on a  
16 handful of the issues the Committee had asked about.

17 Darren and I, we appreciate the opportunity  
18 to be here today, and look forward to any questions  
19 or comments you have on these or other topics.

20 SENATOR MAZIARZ: Thank you very much, Ken,  
21 we appreciate it. And we appreciate the work  
22 The Business Council does year-round.

23 And I'd just like, I don't really have a  
24 question, but an observation.

25 I think it's very significant that

1 The Business Council, as you very adeptly pointed  
2 out, doesn't very often oppose investment in  
3 New York State.

4 But, clearly, this particular type of  
5 investment probably has more long-term negative  
6 impact on just the energy market, on job creation,  
7 and particularly in Upstate New York. I'm talking  
8 about the Champlain-Hudson line.

9 So, I would just make that as an observation.

10 I appreciate the frankness of The Business  
11 Council on that point.

12 KENNETH J. POKALSKY: Sure.

13 SENATOR MAZIARZ: Senator Ritchie?

14 SENATOR RITCHIE: You talked about what  
15 New York can do to reduce energy costs, one being,  
16 regulatory reform. You mentioned property taxes.

17 Can you give me a few other examples of what  
18 would be helpful?

19 KENNETH J. POKALSKY: Well, some of the  
20 big-picture issue -- or, one of the big-issue  
21 issues, we have a -- at least a draft game plan, if  
22 you will, for promoting -- or, identifying these  
23 major transmission needs.

24 We now have to look at what the State can do  
25 to promote investment or eliminate barriers to

1 investment in new transmission.

2 Streamlining Article 7.

3 We've had legislation in the past, like we  
4 did in Article 10, to give expedited review to  
5 transmission projects in existing right-of-ways that  
6 would reduce -- or, produce a more efficient  
7 delivery of electric power.

8 Making sure that project reviews happen in a  
9 timely fashion.

10 We just had, last year -- about a year ago,  
11 we had 10 regional economic development councils  
12 talk about barriers to new investment in their  
13 regions. And every one of them said, state and  
14 local land use and project-review processes delay or  
15 discourage new capital investment in New York State.

16 You know, a streamlined Article 7, and other  
17 expedited reviews, whether it's a need for a SEQ  
18 review for a project, for coastal zone for when  
19 we're impacting navigable waterways, making these  
20 things happen on a timely fashion, with clear set of  
21 rules, rules that we don't ignore, because it's  
22 convenient on a case-by-case basis, are things the  
23 State can do to make -- encourage investments and  
24 make -- and allow investment decisions to happen  
25 more quickly.

1                   And we have a number of these already  
2                   drafted, and be happy to share with you --

3                   SENATOR RITCHIE: That's great.

4                   KENNETH J. POKALSKY: -- and share with the  
5                   administration.

6                   SENATOR RITCHIE: Thank you.

7                   KENNETH J. POKALSKY: You bet.

8                   SENATOR MAZIARZ: Senator O'Mara?

9                   SENATOR O'MARA: No questions.  
10                  Thank you.

11                  SENATOR MAZIARZ: Assemblywoman Corwin?

12                  ASSEMBLYWOMAN CORWIN: Just real quick, Ken.  
13                  As far as energy costs to your members, how  
14                  much of a priority is that for them?

15                  Do you consider that one of the top  
16                  priorities, or --

17                  THOMAS RUMSEY: It always -- it is always one  
18                  of the top two or three. And we see it, no matter  
19                  where the company is located or what business they  
20                  are in.

21                  We've seen a little bit of price easing on  
22                  electricity driven by natural gas prices, offset by  
23                  the rise in fuel.

24                  So any of our business who has, you know,  
25                  transportation as a key concern to them, they're hit

1 at the other end.

2 But every survey we've ever done since I've  
3 been at The Business Council, energy costs have been  
4 in the top three.

5 ASSEMBLYWOMAN CORWIN: All right. And would  
6 you say that's a deterrent for businesses coming  
7 into New York State? Is that your --

8 KENNETH J. POKALSKY: It is, particularly  
9 where you -- if you look at where some of our, if --  
10 and say, in the manufacturing arena, who are  
11 competing with both in the U.S., some of the  
12 southern states who have had historically low-cost  
13 electric power, they -- they're not subject to some  
14 of the environmental rules imposed both by Congress  
15 and by the State, that we are in generation. And,  
16 with overseas nations, who -- you know, whose  
17 attention to environmental controls are minimal.

18 So, yeah, it's -- if you look at where people  
19 can make investments in new business, there's  
20 certainly many low-cost energy places. And for an  
21 energy-intensive business, those factors can be  
22 significant.

23 ASSEMBLYWOMAN CORWIN: Thank you.

24 KENNETH J. POKALSKY: You bet.

25 SENATOR MAZIARZ: Thank you very much, Ken.

1           Darren, we appreciate it.

2           Our last testimony of this hearing is going  
3 to be offered by Phil Wilcox, from the International  
4 Brotherhood of Electrical Workers Local 97, and  
5 Mike Lutz from the IBEW Local 966.

6           MICHAEL LUTZ: Senators, Assemblywoman.

7           First, I would like to thank Senator Maziarz  
8 and the Committee. Without your leadership, not  
9 only this matter, but many local issues would be  
10 forgotten, I believe, west of the 81 corridor.

11           I'd also like to thank our local  
12 representatives, Supervisor Engert, and  
13 Legislator Syracuse for their efforts in all of this  
14 locally.

15           My name is Michael Lutz. I sit in a unique  
16 position.

17           I am president/business manager of Local 966,  
18 IBEW. I proudly represent the union workforce at  
19 Somerset Station;

20           I also represent the New York State Electric  
21 and Gas Workers in Lancaster, Lockport, Hamburg,  
22 East Aurora, and the Gowanda areas;

23           I am Secretary of the New York State Utility  
24 Labor Council, which has a membership of  
25 approximately 15,000 in New York State;

1           And, I hold the same position in the  
2           IBEW 3rd District Utility Workshop. That  
3           organization covers all of New York, Pennsylvania,  
4           Delaware, and New Jersey;

5           My last duty is Secretary/Treasurer of  
6           System Council U-7, which represents all the NYSEG  
7           workers in New York State, covering an area from  
8           around Albany, to Plattsburgh, Binghamton, Geneva,  
9           Elmira, and as I have mentioned, all the local  
10          locations.

11          As you can see, this issue affects the entire  
12          utility workforce, not only the people I represent,  
13          but all of New York State.

14          I have sat in discussions about these very  
15          issues for well over 10 years. Though they vary by  
16          state, they are familiar to all of us in the utility  
17          industry.

18          If I or my fellow friend, and speaker,  
19          Mr. Wilcox, sound redundant, it is because we have  
20          tried to address these issues with anybody that  
21          would listen.

22          I know that you have heard from us many, many  
23          times, so I will be as brief as possible in  
24          addressing our concerns, and the direction I believe  
25          should be taken by New York State.

1 I will begin with the generation issues.

2 In New York State, you are sitting  
3 approximately 5 miles away from what the industry  
4 would consider the cleanest coal-burning plant east  
5 of the Mississippi. It is reliable, efficient, and  
6 has the best workforce operating the facility.

7 It contributes to the local community and to  
8 Niagara County in a way that no other industry  
9 compares. It provides jobs, tax payments, and  
10 ancillary income for many small business entities in  
11 Western New York.

12 It is the largest coal-fired power plant in  
13 New York State. It can generate up to 675 to  
14 680 megawatts of power. It contributes 80 percent  
15 of the town of Somerset tax base, 70 percent to the  
16 school tax base, and 5 percent to Niagara County's  
17 tax base.

18 Its sister plant on Cayuga Lake, though  
19 smaller, contributes a substantial portion to the  
20 local economy also.

21 Also in Western New York, we have the Huntley  
22 and Dunkirk facilities.

23 Mr. Wilcox can speak to their contributions  
24 for their local economies where they reside, and to  
25 their obligations supporting the tax bases that they

1 operate in.

2 In addressing the generation side of this  
3 discussion, it hinges on New York State energy  
4 diversity. It cannot be dependent on one source of  
5 energy, and I believe that generation diversity is  
6 the solution to the problems we face in this state.

7 It must be a multifaceted approach that  
8 includes solar, wind, hydro, coal, biomass, oil,  
9 nuclear, and gas.

10 For anyone that believes that we can be  
11 dependent on one or two sources has not lived  
12 through the petroleum shortages in the mid-'70s, the  
13 natural gas bubble in the '90s, and/or a cloudy or a  
14 still day.

15 Nationally, federal regulations will  
16 eliminate over 30,000 to 50,000 megawatts of  
17 generation, which equals approximately  
18 74 "Somersets" from the equation, making these  
19 plants even more necessary for this diversity.

20 The Somerset plant sits in a unique position:  
21 Clean, efficient, able to diversify fuels to include  
22 biomass, a professional workforce, and a facility  
23 that contributes substantially to the local economy  
24 and tax base.

25 But, therein lies the second issue that I

1 will address: Transmission of that power throughout  
2 New York State.

3 The problems of electric transmission have  
4 been known in this state for decades. We hear it  
5 all the time, that there is an "aging infrastructure  
6 in this country".

7 Our utility industry -- in our utility  
8 industry, we have known it all too well for years.

9 Though we have been told that the economy has  
10 been in decline, look at the developments that have  
11 sprouted up, even in the Western New York area.

12 In Upstate New York, it has been slower, but  
13 there has been an increase in demand for electric  
14 load.

15 But downstate, comparatively to  
16 Western New York, it has been exponential.

17 It would seem that in this day and age,  
18 systems would have advanced to meet the needs.

19 They haven't.

20 The aging electrical transmission system in  
21 New York State has been known for years, but the  
22 uncertainty of regulation in the past has led to  
23 investor-owned utilities sitting and waiting to see  
24 what state and the federal government would do about  
25 it.

1           Knowing this, ex-government officials decided  
2           that they would invest or recruit investors, take  
3           advantage of the inaction, and go outside of the  
4           country and try to run, quote, an extension cord  
5           from Québec to New York City.

6           This action would not cure any of the vitally  
7           important transmission issues in New York State,  
8           benefit any of the local economies that they are  
9           proposing putting in this line -- putting this line  
10          through, and running this "extension cord" in some  
11          of the most pristine waterways in New York State,  
12          which would only be a detriment.

13          The job impact would be minimal, and this  
14          direct-current line would have little, if any,  
15          effect of this -- except for this power going  
16          directly to New York City, and all monies going  
17          directly to the investors and to another country.

18          If any of us in this room do not realize that  
19          this scenario -- what this scenario sounds like,  
20          then we are all living in a shell.

21          There is a better solution.

22          Governor Cuomo has put out an RFI for an  
23          Energy Highway Initiative. It has generated many  
24          specific transmission projects, and specific choke  
25          points that can be addressed in the near future.

1           It has brought together some strange  
2 bedfellows. All of the major investor-owned  
3 utilities have grouped together to form an  
4 organization, Transco, to address these issues.

5           Now that they know that the monies can be  
6 directed to specific projects that will bolster  
7 their systems and strengthen the transmission system  
8 throughout the state, they are actively planning for  
9 construction and upgrades.

10           These transmission problems or line  
11 constraints that exist contribute to Somerset's  
12 problem of not being able to move its power to where  
13 it is needed in the state.

14           All of this is projected to create thousands  
15 of jobs in New York State. It will employ  
16 New York State workers, enhance New York State  
17 businesses, and produce an estimated \$7 billion for  
18 local New York State economies.

19           There are many proposals out there, but this  
20 seems to be one of the most effective in addressing  
21 the immediate needs of the problems I have  
22 mentioned.

23           And I believe I speak for the organizations  
24 that I represent. These problems, when solved, will  
25 be with a highly trained professional workforce,

1 that includes apprenticeships, and a highly skilled  
2 workforce, that I am proud to represent.

3 To me, it comes down to doing the right  
4 thing.

5 Do we keep and enhance the jobs, people,  
6 economies, businesses, localities, and the way of  
7 life that we enjoy in New York?

8 Or, do we just pass it through, run the cord  
9 to another country, and become dependent on them for  
10 energy needs, giving monies away out-of-state and  
11 -country, and wait to see more people leave, plants  
12 and businesses close, and watch local and state  
13 economies and taxpayers take it on the chin again,  
14 and then do we just say, "Boy, we should have done  
15 something"?

16 Now is the time to act, and with your help,  
17 Senator, and this Committee, I trust we will do the  
18 right thing, and act now.

19 Thank you for the opportunity to speak, and  
20 the time it took.

21 SENATOR MAZIARZ: Thank you very much, Mike.  
22 Phil, do you want to add something?

23 PHIL WILCOX: Sure.

24 Good afternoon.

25 My name is Phil Wilcox. I'm a business rep

1 for IBEW Local 97.

2 We represent National Grid and host of  
3 power-generation companies in New York State, and  
4 Oswego area, and certainly Western New York at the  
5 NRG plants.

6 Special thanks to Senator Maziarz and the  
7 entire Senate Energy Committee for their attention  
8 to these enormously important New York State energy  
9 issues.

10 Not since the days of Robert Moses has there  
11 been so much at stake for the New York State energy  
12 economy.

13 The balance of what I have here only  
14 reiterates things that have already been said this  
15 morning, so I guess I can go right to the concluding  
16 statements, and then make a few comments.

17 The core of the New York State energy economy  
18 is threatened at the prospect of becoming dependent  
19 on imports.

20 Conversely, with the major investment into  
21 our New York State transmission system, we'll  
22 realize thousands of jobs, preserve energy  
23 independence, protect fuel diversity, stimulate  
24 renewable-energy development, and can become a  
25 national model for energy policy.

1           Just to refute a couple of comments made this  
2 morning:

3           The New York State AFL-CIO is 100 percent  
4 behind the New York Transco proposal; 100 percent  
5 opposed to TDI.

6           The International IBEW, both construction and  
7 utility, 100 percent behind New York Transco;  
8 totally opposed to TDI.

9           The Sierra Club, 100 percent behind New York  
10 Transco; totally opposed to TDI.

11           And with that, you know, we'll take a couple  
12 of questions.

13           SENATOR MAZIARZ: Thank you very much, Phil.

14           And I did want to point out, I was going to  
15 point out, after you spoke, about, we did receive a  
16 letter this morning, actually, from the AFL-CIO,  
17 expressing that very viewpoint; that they were very  
18 much in support of the Energy Highway Initiative,  
19 and very much opposed to the Champlain-Hudson  
20 Express line.

21           You know, the unfortunate part of going last  
22 in a hearing, is that everything's been said, and  
23 asked, and answered, numerous times over.

24           So, I'm not sure if anyone has any questions  
25 or comments that they would like to make.

1 Senator Ritchie?

2 SENATOR RITCHIE: Well, just, Phil, could you  
3 clarify, I keep hearing both sides of the issues:  
4 From the labor groups, on one side, saying that  
5 there's going to be job losses. And then a  
6 gentleman today saying, jobs are going to be  
7 created.

8 Can you just give me your opinion, and  
9 elaborate on what the issue is going to be?

10 PHIL WILCOX: Couple of things we've heard  
11 from our consultants.

12 The Champlain line will create a conduit to  
13 suck over a billion dollars a year out of the  
14 New York State energy economy. That's going to  
15 change the cost-benefit analysis necessary for our  
16 own transmission upgrades.

17 You've heard the numbers from Transco, a  
18 total of 46,000, I believe, in direct and indirect  
19 jobs, plus renewable-energy jobs.

20 We were approached by Blackstone for our  
21 endorsement. They promised 300 jobs in the New York  
22 City area for the interconnect.

23 There's no comparison.

24 You know, they're saying in the trades that  
25 some of them will build their own gallows if it's

1 the only work they can get.

2 And there's no clear example of building our  
3 own gallows, and running an extension cord to  
4 Canada.

5 So there's no comparison to the job numbers,  
6 from our perspective.

7 SENATOR RITCHIE: Thank you.

8 SENATOR MAZIARZ: Senator O'Mara?

9 SENATOR O'MARA: No.

10 Thank you.

11 SENATOR MAZIARZ: Assemblywoman Corwin?

12 ASSEMBLYWOMAN CORWIN: If I could just  
13 comment.

14 Like I said, I visited the Somerset plant  
15 recently. Top-notch operation there. It really is.

16 You know, congratulations to all of the  
17 people in your organization who are working there,  
18 because it's really a very impressive site.

19 PHIL WILCOX: Thank you.

20 ASSEMBLYWOMAN CORWIN: So, kudos to you.

21 SENATOR MAZIARZ: Well, again, I would  
22 certainly associate myself with the Assemblywoman's  
23 comments. I've been out to the plant numerous  
24 times --

25 PHIL WILCOX: Yes, you have.

1           SENATOR MAZIARZ: -- in the last many years,  
2           and you run a great operation out there, and we want  
3           to see it continue here.

4           I would just like to thank all of those who  
5           testified, all of those who attended.

6           You know, for us, it's a little unusual to  
7           see so many Albany faces here in Barker.

8           We appreciate you coming.

9           I thought it was important that we have this  
10          hearing.

11          And I thank my colleagues, Senator Ritchie,  
12          Senator O'Mara, and Assemblywoman Corwin, I thank  
13          them for attending here today.

14          I thought it was important that we have this  
15          here in the town of Somerset, in Barker, in a  
16          community in Upstate New York that is so heavily  
17          impacted by the future energy decisions.

18          I, lastly, again want to express my  
19          appreciation to Supervisor Engert, and to the staff  
20          here of the Committee, and of the Senate, for making  
21          this hearing so pleasant.

22          And thank everyone for coming, again.

23          And, with that, if none of other members have  
24          any comments or questions, I would declare this  
25          hearing closed.

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Thank you.

(Whereupon, at approximately 2:25 p.m.,  
the public hearing held before the New York State  
Senate Standing Committee on Energy and  
Communications, concluded.)

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