

COMMENTS ON THE DRAFT 2009 STATE ENERGY PLAN ON BEHALF OF POWER FOR ECONOMIC PROSPERITY

In accordance with the schedule established by the State Energy Planning Board ("Planning Board"), the Power for Economic Prosperity ("PEP") group hereby files its comments on the Draft 2009 State Energy Plan ("Draft Plan"), dated August 2009. PEP filed comments on the Draft Work Scope for the 2009 New York State Energy Plan and filed comments on the Interim Report. In addition, at the hearing held on the Draft Plan in Buffalo on August 24, 2009 PEP Co-Chairman James Scerra spoke on behalf of PEP. PEP incorporates, by reference, into these Comments on the Draft Plan its previously filed comments and the statement made by James Scerra.

PEP's comments address only the portions of the Draft Plan that relate to the New York Power Authority ("NYPA") Replacement Power and Expansion Power programs and the importance of retaining manufacturing in New York State. As set forth in more detail below, PEP urges the Planning Board in the Final 2009 New York State Energy Plan ("Final Plan") to: (1) make the retention of manufacturers that are dependent on Replacement Power and Expansion Power a policy objective; and (2) recommend that all of the current Replacement Power and Expansion Power contracts be extended.

RETENTION OF MANUFACTURING

PEP urges the Planning Board to include in the Final Plan a policy objective of retaining manufacturing in New York State. The Draft Plan recognizes that the State is in an economic recession and has lost over 200,000 jobs since August 2008. (Draft Plan at 1). The Draft Plan also acknowledges, in the Energy Costs and Economic Development Brief ("Economic Development Brief"), that the economic downturn has resulted in deterioration of general business conditions in the State. (Economic Development Brief at 9.). Moreover, based on a survey prepared by the Federal Reserve Bank of New York, the Draft Plan forecasts that conditions for manufacturers in the State are expected to continue to decline for the remainder of the year. (Id.).

The Draft Plan recognizes the importance of manufacturing to New York's economy. It states that:

“...the manufacturing base in the state is highly valued for the level of investment in plant and equipment, a supply of good paying jobs, and the ability to sell products in national and international markets...New York remains focused on maintaining and expanding its industrial sector...”

(Draft Plan at 75.). The Final Plan should acknowledge, as the Draft Plan does, that “...it is critical to retain the State's existing firms.” (Id. at 76). The recommendations set forth in the Final Plan should further this goal.

NYPA AND ECONOMIC DEVELOPMENT

The Draft Plan states, in the Executive Summary, that it is “critical to provide assistance to retain the existing industrial base in New York. (Draft Plan at xiv.). It specifically recommends that the State “[c]ontinue providing support through the State's low cost power programs to retain New York's commercial and industrial base...” (Id. at xv.). The Final Plan should include this recommendation.

The NYPA programs, especially the Replacement Power and Expansion Power programs, are essential to the retention of manufacturing in New York State. The Final Plan should recognize, as the Draft Plan does, the importance of NYPA's economic development programs to manufacturers located in the State. (See Economic Development Brief at 20.). As the Draft Plan states, more than 75 percent of NYPA program participants are in the energy intensive manufacturing-based sector. (Id.). And, approximately 90 percent of the manufacturing companies participating in NYPA programs are hydropower customers. (Id.).

PEP member companies are manufacturers that purchase Replacement Power and Expansion Power from the New York Power Authority. There are over 100 companies in Western New York that have allocations of Replacement Power and Expansion Power. According to a June 26, 2008 press release issued by Governor Paterson, “[t]he Niagara Project is directly linked to more than 46,000 jobs on the Niagara Frontier...and \$2 billion in annual payroll.” (June 26, 2008 press release

“Governor Paterson Announces Hydropower Allocations to Three Western New York Businesses”).

The Replacement Power and Expansion Power programs have proven to be highly successful in the creation and retention of businesses in Western New York. As the Draft Plan recognizes:

“...the economic development programs are key assets for the State to maintain and expand during normal times of economic growth in the country. Their importance to the State in the current economic downturn is critical to retain businesses and jobs, and leverage private investment...” (Economic Development Brief at 32.).

The Final Plan should include a finding that the Replacement Power and Expansion Power programs are vitally important to the Western New York economy.

PEP urges the Planning Board to recommend the extension of all of the current Replacement Power and Expansion Power contracts in the Final Plan. The State should encourage the manufacturing firms that purchase Replacement Power and Expansion Power to stay in New York by ensuring that the low-cost hydropower will continue to be available to them on a long term basis. The economic benefits provided by these businesses in terms of payroll, taxes, capital investment, and the multiplier effect of both suppliers and customers located in New York State are directly linked to the availability of their current Replacement Power and Expansion Power allocations.

CONCLUSION

As the Draft Plan states, with the global downturn and the State’s financial crisis, it is critically important to the State to retain the State’s manufacturing base. PEP urges the Planning Board to make the retention of manufacturing a policy objective of the 2009 New York State Energy Plan. To further that policy objective, the Final Plan should recommend that all of the current Replacement Power and Expansion Power contracts be extended.

Dated: October 19, 2009

Respectfully,

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