

A. Page & Associates LLC



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Principal

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Energy Coordinating Working Group
For the State Energy Plan
NYSERDA
17 Columbia Circle
Albany, New York 12203-6399

Dear Coordinating Group Members:

Re: Comments on the Draft Scope of the 2009 New York State Energy Plan

What follows are comments based upon the notice soliciting comments on the Draft Scope of the 2009 New York State Energy Plan. These comments are being provided on behalf of Taylor Biomass Energy (TBE) located in Montgomery, New York.

As an introduction, Taylor Biomass Energy has been engaged in the permitting and development of a biomass gasification unit sited in Montgomery, New York. The plant, based upon adulterated biomass as a feed stock, is (after qualifying under a NYSERDA designated emissions protocol) authorized to sell renewable energy credits into the New York State Renewable Portfolio Standard centralized procurement.

The proposed facility is located in Zone G of the New York Independent System Operator's (NYISO) control area. At the Montgomery facility through sorting, separating, and recycling, a valuable biomass fuel is to be extracted from municipal solid waste, otherwise destined for landfill disposal. Other streams of waste such as those from construction and demolition material would also be used as a source of biomass fuel. The biomass extracted is the feedstock for an indirectly heated circulating fluidized bed gasification process that generates a syngas containing hydrogen and methane. This energy rich syngas is then used in a highly efficient combined cycle power plant to generate approximately 25 Mw of renewable energy.

To date, based on the capital costs to construct and the newness of the technology, financing of the project has considerably slowed developmental progress. Competition for dollars in the competitive electric energy marketplace has focused upon intermittent renewable projects that are less capital intensive such as wind and solar, to the detriment of biomass gasification technologies.

In 2007 the Public Service Commission of New York initiated a Case 07-E-1507- Proceeding on Motion of the Commission to Establish a Long-Range Electric Resource Plan and Infrastructure Planning Process (ERP). The first two phases of the Case, in the event of a competitive market shortfall to maintain a reliable bulk power system, dealt with regulated backstop solutions. These solutions would assure bulk electric power system reliability through State regulatory intervention. In Phase III a long range electric resource and infrastructure plan is to be created.

Taylor became an active party in the ERP Case, and TBE monitored Phases I and II of the Case to best understand the issues and foundations which in all likelihood would define the policy discussions taking place in Phase III. Phase III held the prospect of addressing issues confounded by organized competitive power markets in New York State.

Identified for Phase III reviews are a list of New York State public policy goals. Phase III is to establish a mechanism to promote these public policy goals. A partial list of these goals are fuel diversity, generation diversity, environmental externalities, energy efficiency, environmental justice, security and sustainability of fuels, economic development, affordability of rates and other issues critical to the public interest. All of these goals listed would be positively impacted and advanced by the Taylor project to be developed in Montgomery. The project provides much needed energy and capacity at a very high load factor into an increasingly constrained NYISO southeastern zone. Arguably there is no other renewable energy power production facility proposed in the State that more closely matches the previously listed State public policy goals than the TBE facility contemplated in Montgomery.

Based upon current experience the competitive market place may be categorized as openly hostile to such types of developments. The Commission's press release dealing with the establishment of Case 07-E-1507 aptly frames the predicament Taylor Biomass Energy finds itself in with the statement that competitive "markets are sometimes not able to address important public policy goals." As such, TBE entered the proceeding with the understanding that Phase III would be an excellent vehicle for addressing such policy issues. The complete vetting in an openly public forum held the potential to eliminate some of the barriers that have developed in the competitive market place.

From Taylor Biomass Energy's view of Phase III, the proceeding held the potential of addressing competitive bulk power market disparities through two primary means. (This should not be construed to suggest that these are the only potentially favorable outcomes of the proceeding.) First, the PSC has the capability of approving long-term power purchase agreements essential for the financing of projects by jurisdictional utilities. Second, the Commission might even sanction project equity participation by jurisdictional utilities within their franchise territories for projects that meet and/or exceed a preponderance of the State public policy goals identified. Both of these initiatives, suggested as examples of Phase III proceeding outcomes to promote public policy power production development, would go a long way toward solving competitive bulk power market anomalies.

In a notice issued by the Secretary of the Public Service Commission on June 10, 2008, a request was made of active parties in the ERP Case to express their views in regard to continuing the Case into Phase III. The Secretary's request was made to avoid redundancy in light of the initiative by the Governor of New York State, David Paterson, creating a State Energy Planning Board charged with the responsibility of developing a State Energy Plan. Based upon the comments received from active parties to the case it is unlikely that Case 07-E-1507 will be continued as originally projected into Phase III.

The State policy issues identified in the ERP Case are the same as those stated in the Governor's Executive Order 2 and in the Draft Scope for the New York State Energy Plan. However, Case 07-E-1507 specifically points out the possibility of a regulated solution to address New York State Energy Policy Issues. The Draft Scope is silent on regulated solutions to policy issues. It is proposed, as an option available to the State, that a regulated solution for such issues be added into the Scope for the New York State Energy Plan.

As such, TBE suggests adding the following to the 2009 Draft Scope. Starting on page 3 of the Draft Scope there are a series of Issues Briefs highlighted in bold type. It is proposed to add to this list another Issue Brief as stated below:

Public Policy Issues in New York's Competitive Bulk Power Marketplace

This Issue Brief will focus on the capability of competitive markets to address New York State public policy goals. In select instances, to promote New York State Energy Policy Issues, it may become necessary to address such issues through regulatory means available to the State. This Issue Brief will consider under what policy circumstances a regulatory solution may be required and the mechanisms best suited to carry out this regulatory initiative.

Thank you for your consideration to this very important issue and Taylor Biomass Energy looks forward to active participation in the discussions and development of the 2009 Energy Plan.

Respectfully Submitted on
Behalf of Taylor Biomass Energy,

Allan Page
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