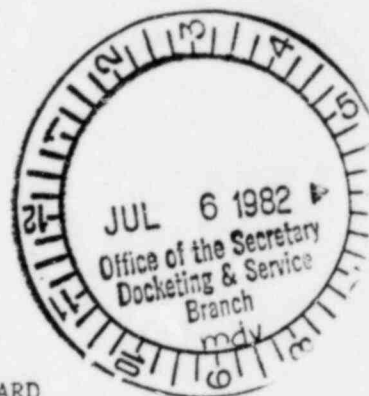


UNITED STATES  
NUCLEAR REGULATORY COMMISSION



BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of

CONSOLIDATED EDISON COMPANY OF NEW YORK  
(Indian Point Unit 2)

POWER AUTHORITY OF THE STATE OF NEW YORK  
(Indian Point Unit 3)

)  
)  
) Docket Nos. 50-247 SP  
) 50-286 SP  
)  
)

TESTIMONY OF

NEW YORK STATE

WITNESS JAMES M. PARMELEE

ON COMMISSION QUESTION SIX

July 2, 1982

TESTIMONY OF JAMES M. PARMELEE

1 Q. Will you please state your name, title and affiliation?

2 A. My name is James M. Parmelee. I am employed as an Electrical  
3 Energy Planner by the New York State Energy Office (SEO), Two  
4 Rockefeller Plaza, Albany, New York 12223.

5 Q. Would you please describe your education and experience?

6 A. I received a Bachelor of Science in Nuclear Engineering from  
7 Rensselaer Polytechnic Institute in 1977, and a Masters of  
8 Engineering in Nuclear Engineering from Rensselaer Polytechnic  
9 Institute in 1978. I also completed the Advanced Electric  
10 Utility System Planning Training Program at General Electric in  
11 1979, and completed the Advanced Techniques in Power System  
12 Generation Planning course at the Continuing Education Center at  
13 the University of Berkeley in California. I have completed the  
14 course work for a Doctorate in Electric Power Engineering at  
15 Rensselaer Polytechnic Institute.

16 I have testified on electric generation planning matters in  
17 proceedings before the New York State Energy Planning Board on  
18 the Draft 1979 and 1981 State Energy Master Plan and Long-Range  
19 Electric and Gas Reports (SEMP), issued pursuant to Sections  
20 5-110 and 5-112 of the Energy Law of New York and in a proceeding  
21 before the Federal Energy Regulatory Commission on the siting of  
22 the proposed Pratsville pumped storage project.

23 I am a member of the IEEE and have had the following papers  
24 presented or published:

25 Impacts of Electric Heat on Time Dependent Demand,  
26 1978 Winter Meeting IEEE-PES, New York.  
27 Published in IEEE Energy Development IV.

TESTIMONY OF JAMES M. PARMELEE

1           Impacts of Electric Heat on Generation and Primary  
2           Fuel Requirements, 1978 Summer  
3           Meeting IEEE-PES, Los Angeles. Published  
4           in IEEE Transactions on Power Apparatus  
5           and Systems, July-August, 1979.

6           Advanced Techniques for Electric Generation  
7           Planning, 1978 Canadian Communications and  
8           Power Conference, Montreal.

9           Impacts of Solar Heating Options Upon Electric  
10          Power Systems, 1979 Summer Meeting IEEE-PES,  
11          Vancouver, B.C.

12          Potential Impacts of Wind Electric Generators  
13          Upon Electric Power Systems, 1980 Winter  
14          Meeting IEEE, New York.

15                I joined the State Energy Office in February of 1979 and  
16                have worked as an Electric System Planner since that time. My  
17                present responsibilities include supervising and conducting  
18                electric system studies for the State Energy Office. Prior to  
19                joining the SEO, I was employed as a Research Assistant for the  
20                Center for Technology Assessment of Rensselaer Polytechnic  
21                Institute. In that capacity, I conducted studies for the New  
22                York State Energy Research and Development Authority which  
23                involved analyses of the electric power system in New York State.

24    Q.   What is the purpose of your testimony?

25    A.   I will briefly describe the status and purpose of the State  
26           Energy Master Plan (SEMP) in New York State energy matters and  
27           its principle elements, summarize the electricity generation plan  
28           contained in SEMP, and provide estimates of the operating cost  
29           and oil consumption penalties that would result if the  
30           electricity generation plan were modified by shutting down Indian  
31           Point units 2 and 3 in 1983.

TESTIMONY OF JAMES M. PARMELEE

1 Q. What is the status and purpose of SEMP in New York State energy  
2 matters?

3 A. It is the policy of the State to conduct energy planning in an  
4 integrated and comprehensive manner through development of a  
5 long-range State Energy Master Plan. On March 25, 1982,  
6 following legislative and adjudicatory hearings as mandated by  
7 the State Energy law, the Energy Planning Board issued an Opinion  
8 & Order approving the 1981 Draft SEMP as modified therein (SEMP  
9 II). A copy of the Opinion & Order is attached as Exhibit No. \_\_\_\_  
10 (JMP1). The findings of the SEMP serve a variety of purposes,  
11 principally:

12 o Public and Private Sector Planning. SEMP provides "the  
13 framework for energy-related decisions made throughout  
14 the State" (Energy Law, Section 5-110). In addition, the  
15 Plan controls "all energy-related decisions made by the  
16 State and will be the guide for energy-related decisions in  
17 the private sector." (Governor's Memorandum of Approval,  
18 McKinney's 1978 Session Laws, p. 1838).

19 o Public Service Law Article VIII and Article VII Decisions.  
20 The specific findings with respect to projected electric  
21 demand in the Report are binding on the State Board on  
22 Electric Generation Siting and the Environment (Siting  
23 Board) with respect to any determination of need for future  
24 steam electric generating facilities under Article VIII of  
25 the New York Public Service Law (Energy Law, Section 5-112  
26 (3)(c)). In addition, the Siting Board must find that a  
27 proposed facility is consistent with the "long-range  
28 planning objectives for electric power supply in.



TESTIMONY OF JAMES M. PARMELEE

1 established by the Plan before it may grant an application  
2 for a certificate under Article VIII (Public Service Law,  
3 Section 146(2)(e)). Moreover, the specific findings with  
4 respect to projected electric and gas demand are binding on  
5 the Public Service Commission with respect to any deter-  
6 mination of need for major electric and gas transmission  
7 facilities under Article VII of the Public Service Law  
8 (Energy Law, Section 5-112(3)(c)).

9 Q. Would you please summarize the principle elements of SEMP II.

10 A. SEMP II consists of:

- 11 o A list of specific state energy policies.
- 12 o A fifteen year forecast of New York State energy
- 13 requirements.
- 14 o A summary of the plans for meeting forecasted energy
- 15 requirements including an electricity supply plan.
- 16 o Recommendations for administrative and legislative actions
- 17 to implement State energy policy.

18 Q. Would you please summarize the electricity supply plan for the  
19 1981-1996 period approved by the State Energy Planning Board  
20 (EPB) in its March 1982 Opinion & Order?

21 A. The electricity generation plan (1981-1996) approved by the EPB  
22 is shown in Exhibit No. \_\_\_\_ (JMP2). Major features of the  
23 generation plan include:

- 24 o Completion of 2,518MW of generating capacity now under
- 25 construction in the state and another 2,350MW of generating
- 26 capacity already licensed to be constructed in the state.
- 27 o Construction of a 1,000MW pumped storage facility to
- 28 to start operation in 1987.

TESTIMONY OF JAMES M. PARMELEE

- 1       o    Conversion of almost 3,600MW of oil capacity to coal.
- 2       o    Development of small hydro, cogeneration, solid waste and
- 3            wind capacity totalling 1,552MW by 1996.
- 4       o    Importation of Canadian power.

5       This plan also assumed the continued operation of all plants,  
6       including Indian Point 2 & 3, over their expected useful lives.  
7       In the case of Indian Point 2 & 3, the useful life is expected  
8       to extend beyond the 15 year planning period.

9   Q.   Has the potential for conservation been considered in the  
10       development of the electricity supply plan?

11  A.   Yes. The potential impact of reasonably foreseeable  
12       conservation actions, both mandated and price induced, was  
13       considered by the Energy Planning Board in connection with its  
14       development of the electricity energy and demand forecasts.  
15       These forecasts were then used by the Board in the development  
16       of the electricity supply plan approved by the Board.

17  Q.   Have you analyzed the fuel and economic impacts of shutting down  
18       Indian Point Units 2 and 3?

19  A.   Yes, I have analyzed these impacts using the General Electric  
20       Optimized Generation Planning (OGP-5) electric system simulation  
21       model.

22       Four major scenarios were analyzed. They are:

- 23       1.   A base case using the electricity generation supply plan
- 24            identified in Exhibit\_\_\_ (JMP2).
- 25       2.   A case similar to the base case but with Indian Point Unit 2
- 26            assumed not to be in operation in 1983 and thereafter.
- 27       3.   A case similar to the base case but with Indian "
- 28            assumed not to be in operation in 1983 and there

TESTIMONY OF JAMES M. PARMELEE

1        4.    A case similar to the base case but with Indian Point Unit 2  
2                and 3 both assumed not to be in operation in 1983 and  
3                thereafter.

4    Q.    What are the major assumptions you used in your analysis?

5    A.    The principle source of the assumptions used in my analysis is  
6                the State Energy Master Plan (SEMP II). I used the electricity  
7                generation expansion plan shown in Exhibit No. \_\_\_\_ (JMP2) which is  
8                the plan approved by the EPB in its Opinion and Order of March  
9                25, 1982. However, the most recent estimates of the New York  
10               Power Pool with respect to Canadian electricity imports were used  
11               in the analysis. Minor slippage in the assumed installation  
12               dates of some coal conversions were also assumed in the analysis.  
13               The study period is 1982 to 1996. The projected energy growth  
14               rate of approximately 1.7% per annum and a peak load growth rate  
15               of approximately 1.5% per annum were assumed. A capacity factor  
16               of 57.7 percent was assumed for the Indian Point Units for the  
17               study period.

18   Q.    What are the estimated cost impacts that would result from  
19               shutting down the Indian Point Units?

20   A.    Exhibit No. \_\_\_\_ (JMP3) shows the production cost and its  
21               components that would result under each of the four scenarios  
22               described earlier. There would be an 11.3 percent increase in  
23               cumulative present worth production costs through 1996 which  
24               represents an additional \$3.8 billion in 1982 present worth  
25               costs, if the Indian Point Units 2 and 3 are both shut down in  
26               1983. The cumulative present worth production costs would  
27               increase through 1996 by \$1.8 billion and \$1.9 billion if e<sup>1</sup>  
28               Unit 2 and 3, respectively, is shut down.

TESTIMONY OF JAMES M. PARMELEE

1 Q. What are the estimated oil consumption increases that would  
2 result from shutting down the Indian Point Units?

3 A. An additional 150.0 million barrels of oil would be consumed  
4 over the period 1982-1996 if both Units 2 and 3 are shut  
5 down. The increase would be 75.4 or 92.4 million barrels if  
6 either Unit 2 or Unit 3, respectively, is shut down.

7 Q. What impact would the shutdown of Indian Point Units 2 and 3  
8 have on the price of electricity in Consolidated Edison's  
9 territory?

10 A. I estimate that electricity production costs for Con Ed in  
11 nominal year dollars would increase by an average of:

- 12 o 2.16¢/kwh in 1986.
- 13 o 2.58¢/kwh in 1991.
- 14 o 4.41¢/kwh in 1996.

15 Q. Did you evaluate what the economic and fuel consumption impacts  
16 would be if the Indian Point Units were to operate at capacity  
17 factors other than 57.7 percent?

18 A. Yes. A case was run with the capacity factors of Indian Point  
19 Units 2 and 3 set at 47.1 percent and another case was run with  
20 the capacity factors set at 68.3 percent.

21 Q. What are the results of your analysis based on the 47.1% and  
22 68.3% capacity factors?

23 A. The production cost increase and the oil consumption increase  
24 that would result from shutting down Units 2 and 3 are shown in  
25 Exhibit No. \_\_\_\_ (JMP4).

26 Q. In summary what conclusions can be reached from your analysis?

27 A. There are likely to be significant economic and oil penalties  
28 associated with the shutdown of one or both of the Indian

TESTIMONY OF JAMES M. PARMELEE

- 1 facilities, under various assumed capacity factors ranging from
- 2 47.1% to 68.3%.
- 3 Q. Does this complete your testimony?
- 4 A. Yes.

TESTIMONY OF JAMES M. PARMELEE

Exhibit No. \_\_\_\_ (JMP2)

Electricity Supply Plan  
(1981-1996)

<u>New Facilities</u>	<u>Capacity (MW)</u>	<u>Fuel</u>	<u>Date</u>
<u>Under Construction</u>			
Shoreham	813	Nuclear	1983
Somerset	625	Coal	1984
Nine Mile Point 2	1080	Nuclear	1986
<u>Licensed</u>			
Arthur Kill	700	Coal/RDF	1987
Jamesport	800	Coal	1989
Lake Erie	850	Coal	1991
<u>Planned</u>			
Pumped Storage Hydro	1000	PS Hydro	1987
<u>Oil to Coal Conversion (MW After Conversion)</u> (PHASE I)			
Ravenswood 3	923		1983
Lovett 4 & 5	387		1982-83
Arthur Kill 3	491		1983
Arthur Kill 2	333		1984
Albany 1-4	396		1984
Danskammer 3	137		1986
Danskammer 4	231		1986
E.F. Barrett 1 & 2	348		1987
Port Jefferson 3 & 4	348		1987

<u>Alternative Electric Generation</u> (Cumulative MW Additions Since 1979)	<u>1981</u>	<u>1986</u>	<u>1991</u>	<u>1996</u>
Small Hydro	11.1	266.5	490.8	725.0
Cogeneration	26.7	230.5	322.5	373.5
Solid Waste	32.0	169.5	353.5	395.5
Wind	0.2	4.5	13.5	58.5

<u>Canadian Imports</u>	<u>1981-1983</u>	<u>1984-1987</u>	<u>1988-1996</u>
Energy (Billion of KWH per year)	10.5	12.5	14.5

Exhibit No. \_\_\_\_ (JMP3)

Production Costs in Million \$  
(Percent Increase from Base Case)

	<u>Base Case</u>	<u>w/o IP2</u>	<u>w/o IP3</u>	<u>w/o IP 2&amp;3</u>
Fuel Costs	28,417	30,356	30,588	32,586
O&M Costs	4,994	4,815	4,790	4,603
Sum	33,416	35,171	35,378	37,189
(Production Costs)		(5.3%)	(5.9%)	(11.3%)

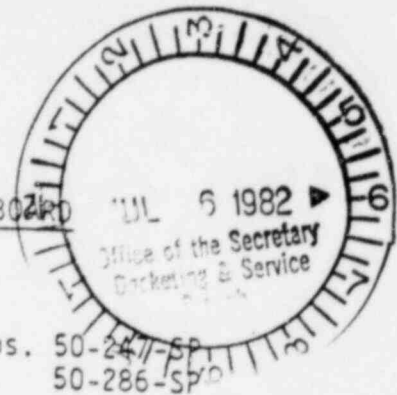
Exhibit No. \_\_\_\_ (JMP4)

Sensitivity of Production Cost and Oil  
Consumption Increases to Capacity Factor  
of Indian Point Units 2 and 3  
(Percent Increase)

	<u>Base Case</u> <u>CF = 57.7%</u>	<u>Base Case</u> <u>CF = 47.1%</u>	<u>Base Case</u> <u>CF = 68.3%</u>
Production Cost Increase Due to Shut Down of Units 2 and 3 (\$Million)	3,774 (11.3%)	3,032 (8.9%)	4,606 (14.1%)
Oil Consumption Increase (Million Barrels)	150.0 (37.4%)	128.5 (30.4%)	178.6 (48.0%)

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD



In the Matter of

CONSOLIDATED EDISON COMPANY  
OF NEW YORK (Indian Point, Unit 2)

POWER AUTHORITY OF THE STATE OF  
NEW YORK (Indian Point, Unit 3)

Docket Nos. 50-247-SP  
50-286-SP

CERTIFICATE OF SERVICE

I hereby certify that copies of "TESTIMONY OF NEW YORK STATE WITNESS JAMES M. PARMELEE ON COMMISSION QUESTION SIX" in the above-captioned proceeding have been served on the following by deposit in the United States Mail, first class, this 2nd day of July, 1982.

Louis J. Carter, Esq., Chairman  
Administrative Judge  
Atomic Safety and Licensing Board  
7300 City Line Avenue  
Philadelphia, PA 19151-2291

Dr. Oscar H. Paris  
Administrative Judge  
Atomic Safety and Licensing Board  
U.S. Nuclear Regulatory Commission  
Washington, D.C. 20555

Mr. Frederick J. Shon  
Administrative Judge  
Atomic Safety and Licensing Board  
U.S. Nuclear Regulatory Commission  
Washington, D.C. 20555

Brent L. Brandenburg, Esq.  
Assistant General Counsel  
Consolidated Edison Co. of  
New York, Inc.  
4 Irving Place  
New York, N.Y. 10003

Mayor George V. Begany  
Village of Buchanan  
236 Tate Avenue  
Buchanan, N.Y. 10511

Paul F. Colarulli, Esq.  
Joseph J. Levin, Jr., Esq.  
Pamela S. Horowitz, Esq.  
Charles Morgan, Jr., Esq.  
Morgan Associates, Chartered  
1899 L Street, N.W.  
Washington, D.C. 20036

Charles M. Pratt, Esq.  
Thomas R. Frey, Esq.  
Power Authority of the State  
of New York  
10 Columbus Circle  
New York, N.Y. 10019

Ellyn R. Weiss, Esq.  
William S. Jordan, III, Esq.  
Harmon & Weiss  
1725 I Street, N.W., Suite 506  
Washington, D.C. 20006

Jonathan D. Feinberg  
New York State Public Service  
Commission  
Three Empire State Plaza  
Albany, New York 12223



John Gilroy, Westchester Coordinator  
Indian Point Project  
New York Public Interest  
Research Group  
240 Central Avenue  
White Plains, N.Y. 10606

Jeffrey M. Blum, Esq.  
New York University Law School  
423 Vanderbilt Hall  
40 Washington Square South  
New York, N.Y. 10012

Charles J. Maikish, Esq.  
Litigation Division  
The Port Authority of  
New York and New Jersey  
One World Trade Center  
New York, N.Y. 10048

Ezra I. Bialik, Esq.  
Steve Leipsiz, Esq.  
Environmental Protection Bureau  
New York State Attorney  
General's Office  
Two World Trade Center  
New York, N.Y. 10047

Alfred B. Del Bello  
Westchester County Executive  
Westchester County  
148 Martine Avenue  
White Plains, NY 10601

Andrew S. Roffe, Esq.  
New York State Assembly  
Albany, N.Y. 12248

Renee Schwartz, Esq.  
Botein, Hays, Sklar & Herzberg  
Attorneys for Metropolitan  
Transportation Authority  
200 Park Avenue  
New York, N.Y. 10166

Honorable Ruth Messinger  
Member of the Council of the  
City of New York  
District #4  
City Hall  
New York, N.Y. 10007

Donald Davidoff  
Director, Radiological Emergency  
Preparedness Group  
Empire State Plaza, Tower Bldg. Rm. 1750  
Albany, New York 12223

Marc L. Parris, Esq.  
Eric Thorsen, Esq.  
County Attorney, County of Rockland  
11 New Hempstead Road  
New City, N.Y. 10956

Joan Miles  
Indian Point Coordinator  
New York City Audubon Society  
71 West 23rd Street, Suite 1828  
New York, N.Y. 10010

Greater New York Council on  
Energy  
c/o Dean R. Corren, Director  
New York University  
26 Stuyvesant Street  
New York, N.Y. 10003

Honorable Richard L. Brodsky  
Member of the County Legislature  
Westchester County  
County Office Building  
White Plains, N.Y. 10601

Pat Posner, Spokesperson  
Parents Concerned About  
Indian Point  
P.O. Box 125  
Croton-on-Hudson, N.Y. 10520

Charles A. Scheiner,  
Co-Chairperson  
Westchester People's Action  
Coalition, Inc.  
P.O. Box 488  
White Plains, N.Y. 10602

Richard M. Hartzman, Esq.  
Loana Salzman  
Friends of the Earth, Inc.  
208 West 13th Street  
New York, N.Y. 10011

Alan Latman, Esq.  
44 Sunset Drive  
Croton-on-Hudson, N.Y. 10520

Zipporah S. Fleisher  
West Branch Conservation  
Association  
443 Buena Vista Road  
New City, N.Y. 10956

Judith Kessler, Coordinator  
Rockland Citizens for Safe Energy  
300 New Hempstead Road  
New City, N.Y. 10956

David H. Pikus, Esq.  
Richard F. Czaja, Esq.  
330 Madison Avenue  
New York, N.Y. 10017

Atomic Safety and Licensing Board  
U.S. Nuclear Regulatory Commission  
Washington, D.C. 20555

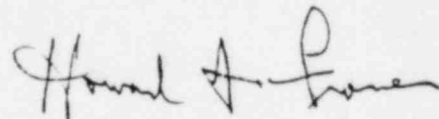
Atomic Safety and Licensing Appeal  
Board  
U.S. Nuclear Regulatory Commission  
Washington, D.C. 20555

Docketing and Service Section  
Office of the Secretary  
U.S. Nuclear Regulatory Commission  
Washington, D.C. 20555

Renee Schwartz, Esq.  
Paul Chessin, Esq.  
Laurens R. Schwartz, Esq.  
Margaret Oppel, Esq.  
Botein, Hays, Sklar & Hertzberg  
200 Park Avenue  
New York, NY 10166

Amanda Potterfield, Esq.  
Joan Holt, Project Director  
New York Public Interest Research  
Group, Inc.  
9 Murray Street  
New York, New York 10007

Janice Moore, Esq.  
Counsel for NRC Staff  
Office of the Executive Legal Director  
U. S. Nuclear Regulatory Commission  
Washington, D. C. 20555



Howard A. Fromer  
Deputy Counsel  
New York State Energy Office

Exhibit No. \_\_\_\_\_ (JMPl)

RELATED CORRESPONDENCE

STATE OF NEW YORK  
ENERGY PLANNING BOARD



STATE ENERGY MASTER PLANNING AND LONG-RANGE  
ELECTRIC AND GAS SYSTEM PLANNING PROCEEDING

OPINION AND ORDER

ISSUED: March 25, 1982

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STATE OF NEW YORK  
ENERGY PLANNING BOARD

At a meeting of the Energy  
Planning Board held in  
the City of Albany on  
February 25, 1982

BOARD MEMBERS:

JAMES L. LAROCCA

PAUL L. GIOIA

ROBERT F. FLACKE

IRA M. MILLSTEIN

RONALD W. PEDERSEN

- Commissioner, State Energy Office  
Chairman, Energy Planning Board
- Chairman, Public Service  
Commission
- Commissioner, Department of  
Environmental Conservation,  
concurring in part and dissenting  
in part
- Designee of the Speaker of the  
Assembly
- Designee of the Temporary  
President of the Senate

STATE ENERGY MASTER PLANNING AND LONG-RANGE  
ELECTRIC AND GAS SYSTEM PLANNING PROCEEDING

OPINION AND ORDER

(Issued: March 25, 1982)

INTRODUCTION

Sections 3-101 and 5-110 of the Energy Law provide that it shall be the policy of the State to conduct energy planning in an integrated and comprehensive manner through development of a long-range State Energy Master Plan, which shall provide the framework for energy-related decisions made throughout the State.

Consistent with this State policy, the State Energy Office (SEO) was required to prepare the first Draft State Energy Master Plan (Plan) and Draft Long-Range Electric and Gas Report (Report) and submit these documents to the Energy Planning Board\* for review and approval (Energy Law, Sections 5-110 and 5-112). On March 20, 1980, the Energy Planning Board adopted the first State Energy Master Plan and Long-Range Electric and Gas Report (SEMP I), thus completing the State's initial effort at comprehensive and integrated State energy planning.

The Energy Office is required to review and update as necessary the State Energy Master Plan and update the Long-Range Electric and Gas Report, at least every two years. The 1981 Draft State Energy Master Plan and Long-Range Electric and Gas Report (Draft SEMP II) is the first biennial update. As with the first State Energy Master Plan, the State Energy Office has combined the 1981 Plan and Report into a single document, consistent with the objective of conducting energy planning in a comprehensive and integrated manner.

---

\*The members of the Energy Planning Board are: The Commissioner of Energy, appointed by the Governor to serve as Chairman, the Chairman of the Public Service Commission, the Commissioner of Environmental Conservation, the Temporary President of the Senate or his designee and the Speaker of the Assembly or his designee. Ronald W. Pedersen has been appointed by the Temporary President of the Senate to serve as his designee on the Board. Ira M. Millstein, Esq. has been appointed by the Speaker of the Assembly to serve as his designee on the Board.

- o Public and Private Sector Planning. SEMP II will "provide the framework for energy-related decisions made throughout the State" (Energy Law, Section 5-110). In addition, the Plan "shall control all energy-related decisions made by the State and will be the guide for energy-related decisions in the private sector." (Governor's Memorandum of Approval, McKinney's 1978 Session Laws, p. 1838).
- o Public Service Law Article VIII and Article VII Decisions. The specific findings with respect to projected electric demand in the Report are binding on the State Board on Electric Generation Siting and the Environment (Siting Board) with respect to any determination of need for future steam electric generating facilities under Article VIII of the Public Service Law (Energy Law, Section 5-112(3)(c)). In addition, the Siting Board must find that a proposed facility is consistent with the "long-range planning objectives for electric power supply in the state" established by the Plan before it may grant an application for a certificate under Article VIII (Public Service Law, Section 146(2)(e)). Moreover, the specific findings with respect to projected electric and gas demand in the Report are binding on the Public Service Commission with respect to any determination of need for major electric and gas transmission facilities under Article VII of the Public Service Law (Energy Law, Section 5-112(3)(c)).

September 18, Buffalo on September 21, and Mineola on October 5, 1981. A total of 37 people and organizations spoke or submitted testimony during these four public hearings and the comment period following the hearings.

At the second set of hearings, all interested persons and organizations who had requested to be made parties to the planning proceeding were afforded an opportunity to sponsor witnesses and to question witnesses sponsored by others, including the Energy Office staff. Nineteen parties actively participated by sponsoring witnesses and questioning the witnesses of other parties. A list of active parties is annexed hereto as Appendix A.

Prehearing conferences were conducted by the Hearing Officer on September 8 and October 23, 1981, in Albany, to identify those matters on which testimony would be submitted, to elicit the names of expert witnesses who would sponsor that testimony, and to formulate procedures to assure that the hearings proceeded in an orderly and efficient manner.

Direct testimony of 24 witnesses was prefiled on September 15, and rebuttal testimony of 16 witnesses was prefiled on October 9. On October 29, the Hearing Officer submitted to the Board recommended hearing procedures, together with an identification of the matters on which the questioning of witnesses should be permitted, a schedule of witnesses to be questioned, the sequence for questioning witnesses, and an allocation of time permitted the parties to question witnesses. On November 2, the Board met in Albany and approved the recommended procedures and schedule proposed by the Hearing Officer.



18, Buffalo on September 21 and Mineola on October 5 to allow interested persons an opportunity to comment on the DEIS, as well as on the draft Plan and Report.

On August 17, the Notice of the Completion of the DEIS was mailed to each of the nine regional offices of the Department of Environmental Conservation. This Notice was also sent on the same date to the State Clearinghouse, in compliance with the procedures under the Federal Office of Management and Budget Circular No. A-95.

In addition to statements made at the four public hearings, submission of written comments was permitted until October 15, 1981. Following receipt and review of these comments, the Board prepared a Final Environmental Impact Statement (FEIS), which was issued on February 9, 1982. Copies of the final statement were filed on that date with the Commissioner of the Department of Environmental Conservation (DEC) and in each of DEC's nine regional offices, in accordance with SEQR. In addition, the Notice of the Completion of the FEIS was also sent on that date to the Department of Environmental Conservation for publication in the Environmental Notice Bulletin.

In reviewing SEMP II, the Board has given careful consideration to the FEIS. The document has demonstrated that the updated Plan and Report being considered by the Board is not likely to have any significant additional environmental impacts beyond those already considered by the Board in the FEIS issued for SEMP I. The Board is satisfied that consistent with sound economic and other essential considerations, the energy policies, forecasts, and recommendations for legislative and administrative action contained in SEMP II, to the

raised concerning most of the material contained in the draft Plan and Report.

For example, SEO's total energy and electricity forecasts, which were significantly lower than those contained in SEMP I, went largely unchallenged, except for a few minor exceptions noted below. Additionally, Draft SEMP II, which called for three new power plants compared to five in SEMP I, and for phased coal conversion of the approximately 6000 MW of existing oil-fired capacity included in SEMP I, was substantially identical to the supply plan proposed by the Power Pool in their April, 1981 annual \$5-112 Report. (The Power Pool's plan did not, however, include SEO's proposed Phase II conversions.)

Other parties, however, questioned the inclusion in the supply plan of the recently certified Arthur Kill plant and the 1000 MW pumped storage hydro facility. Several parties also argued that coal conversions should proceed only if they do not contribute any additional sulfur load to the atmosphere. And SEO's forecast of a decline in average annual use of natural gas over the planning period was challenged by NYGAS, which claimed that gas use would increase moderately over the forecast period.

Finally, the other individual plan elements received little attention from the parties, except in the area of conservation where several parties argued that the draft Plan failed to go far enough in calling for additional conservation actions. This contrasted with the Gas Group's position that SEO's recommendation for increased utility involvement in conservation went too far.

STATE ENERGY POLICIES

The twelve energy policies adopted in SEMP I, which are designed to achieve the basic goal of reducing the State's overdependence upon imported petroleum, are essentially repeated in Draft SEMP II. As in SEMP I, four basic strategies are set forth: increased penetration of conservation measures and technologies into every phase of energy use; increased use of renewable energy resources, including hydroelectric power, resource recovery, wood and solar; increased coal use; and improved gas use.

Of particular note, Draft SEMP II strengthens the transportation policy in line with the Board's recommendation in SEMP I that more comprehensive consideration be given to this sector. Draft SEMP II also proposes one new State energy policy pertaining to the need for comprehensive energy emergency preparedness activities at the State level. This policy is proposed in recognition of the Reagan Administration's abandonment of virtually all Federal programs necessary for an effective national response to future energy emergencies.

The parties to the proceeding generally did not challenge the energy policies included in Draft SEMP II, all but one of which had been the subject of considerable examination by both the parties and the Board in the first planning proceeding. NYGAS, however, urged that the utilities not be mandated to become more active purveyors of conservation and renewable resource technologies, as called for in Draft SEMP II energy policy number 9. This issue is discussed below in the section on conservation.

Upon review of the record, the Board concludes that the energy policies set forth in Draft SEMP II, and listed below, will provide the

need to clarify substantial uncertainties associated with economic, safety and regulatory issues related to the nuclear option. The electricity supply plan contemplates the continued availability of the state's current inventory of licensed nuclear plants.

7. All consuming sectors must be given increased choice among competing energy forms, including conventional fuels, conservation, and renewable resources. Increased choice will benefit consumers by increasing price competition among energy forms, and will benefit the State by stimulating innovation and efficiency improvements.
8. Government must act to remove any existing legislative and administrative barriers inhibiting the development of energy sources, competition among fuel forms and energy conservation, except where such action would clearly compromise public health, safety or environmental quality. Justification for any such institutional barriers must be reexamined in light of compelling State energy needs.
9. The State's electric and gas utilities, as well as PASNY, should encourage and stimulate conservation and efficient use of energy by their customers. Electric and gas utilities should become more active purveyors of conservation and renewable resource technologies.
10. No person should be without adequate heat or should be forced to forego conservation improvements by reason of inability to pay. A commitment to protect public health and safety requires no less.
11. The energy research, development and demonstration programs being pursued in New York must be expanded and must emphasize those technologies that will, over the mid- to long-term, mitigate energy cost increases and energy supply interruption. Formal and informal coordination of the numerous energy RD&D programs throughout the State is essential to assure that these activities support and complement State energy policy.
12. In view of the extensive reliance on oil in the transportation sector, the State should continue to take action to maximize the efficient use of energy in this sector. Moreover, the relatively energy efficient mass transit and railroad systems throughout the State must be maintained to prevent shifts of mass transit and railroad riders to less efficient automobiles.
13. Comprehensive energy emergency preparedness activities, directed at mitigating the adverse economic and social impacts of an interruption in petroleum supplies, must be continued and increased in order to protect public health and safety.

FIGURE 1

Forecast of New York State End-Use  
Energy Consumption by Sector, 1980-1996

<u>Sector of Energy Use</u>	<u>Trillion BTU</u>		<u>Average Annual Percent Change 1980-1996</u>
	<u>1980</u>	<u>1996</u>	
Residential	766.9	620.8	-1.3
Commercial	529.2	500.5	-0.3
Industrial	476.3	629.0	1.8
Transportation	1,053.3	1,025.8	-0.2
Total End Use Energy Consumption	2,843.1	2,800.0	-0.1

FIGURE 2

New York State End-Use Energy  
Consumption by Fuel Type, 1980-1996

<u>Fuel Type</u>	<u>Trillion BTU</u>		<u>Average Annual Percent Change 1980-1996</u>
	<u>1980</u>	<u>1996</u>	
Electricity	367.1	478.6	1.7
Natural Gas	592.6	541.6	-0.6
Petroleum Products	1,783.2	1,639.7	-0.5
Res, Com, and Ind.	737.9	628.6	-1.0
Transportation	1,045.3	1,011.1	-0.2
Coal	69.2	90.0	1.9
Wood	30.9	47.0	2.7
Solar	0.1	0.1	23.9
Total End-Use Energy Requirements	2,842.8	2,800.0	-0.1

FIGURE 4

Electricity Peak Demands  
and Growth Rates by Utility, 1980-1996<sup>a/</sup>

	Summer Peak (MW)			Winter Peak (MW)			System Peak Growth Rate (%) 1980-96
	1980	1996	Growth Rate (%) 1981-1996	1980	1996	Growth Rate (%) 1981-1996	
CHE&G	640	867	1.9	641	904	2.2	2.2
CON ED	6,980	7,140	0.1	5,005	4,968	-0.0	0.1
LILCO	2,975	3,717	1.4	2,504	3,407	1.9	1.4
NYSEG	1,830	2,788	2.7	2,170	3,776	3.6	3.6
NMPC	4,844	6,067	1.4	5,444	7,808	2.3	2.3
O&R	690	963	2.1	519	805	2.8	2.1
RG&E	1,001	1,512	2.6	946	1,854	4.3	3.9
PASNY	2,403	3,430	2.2	2,602	3,941	2.6	2.6
NYPP Co- incident Peak <sup>b/</sup>	20,889	25,618	1.3	19,381	26,657	2.0	1.5

a/Based upon weather normalized 1980 peak demands where available.

b/Includes the Village of Freeport and City of Jamestown; these loads are included in the PASNY forecast beginning in the winter of 1984-85.

FIGURE 5

Projected Average Annual Percent Change in Natural Gas  
and Electricity Residential Sector Prices, 1980-1996<sup>a/</sup>

<u>Fuel</u>	<u>1980-1986</u>	<u>1986-1991</u>	<u>1991-1996</u>	<u>1980-1996</u>
Natural Gas	7.1	5.6	2.7	5.2
Electricity	2.8	-2.2	0.1	0.4

a/Percent change in real price of fuel (excluding inflation).

Edison in its April 1981 \$5-112 filing, and do not include any projected savings from new buildings to be constructed. With respect to the impact of time-of-day rates, SEO states that Con Edison is incorrect in asserting that time-of-day rates were applied to all commercial and industrial customers, thereby overstating the impact of such rates; in fact, SEO maintains, it limited its forecasts of the impact of time-of-day rates to only large commercial and industrial customers.

Finally, the Energy Office notes that although there is considerable uncertainty associated with any long range economic predictions, the models it employed to predict levels of employment are reasonable. The commercial employment forecast objected to by Con Edison used the highly regarded New York Region Economic Model developed by Wharton Econometric Forecasting Associates, Inc., as well as SEO's own New York State Macro-economic model, which has not been challenged by any other utility or party.

RG&E's position is exactly the opposite of Con Edison's. It claims that SEO has overstated RG&E's 1996 electricity sales. RG&E suggests that its forecast of 1996 electricity sales of 7331 MWH based on an annual growth rate of 2.2% is more accurate than SEO's forecast of 8811 MWH, which is based on an annual growth rate of 3.4%.

RG&E argues that SEO's forecast is too high because additional and necessary computer runs were not completed by SEO, which, if done, would produce a lower sales forecast. SEO responds that the additional computer runs, while perhaps desirable, were not necessary and would not have materially affected the RG&E sales forecast.



end-use natural gas consumption to decline at an average annual rate of 0.6 percent over the next 15 years. Neither NYGAS nor any other party sponsored testimony supporting any alternative gas demand forecast. Instead, NYGAS chose to challenge specific assumptions relied on by SEO in order to demonstrate the validity of the forecast included in their April 1981 \$5-112 report that end-use gas consumption would increase over the forecast period at an average annual rate of 0.4 percent.

Both SEO and NYGAS acknowledge that the principal reason for the difference between their forecasts relates to projected gas demand in the residential sector. Both parties' forecasts are in accord with respect to projected consumption in the industrial and commercial sectors.

The Gas Group argues that certain assumptions used by SEO in the residential gas load forecast model are unreasonable. In particular, NYGAS claims that SEO used unreasonably high natural gas prices, based upon faulty equilibrium analyses involving supply, demand, and price; unreasonably low electricity prices in those service territories where electric space heating and water heating are expected to supplant use of natural gas; unreasonably low efficiencies for gas space heating and water heating, which suggests higher gas consumption and, hence, higher life cycle costs for those end-uses of gas; incorrect assumptions and outdated computations for building thermal integrity which inflates gas consumption for space heating; an unsupportably high discount rate which tends to exaggerate the life cycle cost of gas space and water heating relative to electric space and water heating; and incorrect assumptions regarding customer behavior in switching from gas water heating and cooking to electric water heating and cooking. All of the above would,



appliances, and that that estimate, which was related to space heating equipment, was lower than the efficiency level assumed by SEO for such equipment in its forecast.

The Energy Office also disagrees with the Gas Group's assertion that SEO used an outdated equation in estimating residential space heating requirements. SEO argues that the equation which it used is equivalent to that suggested by NYGAS and will produce the same results as NYGAS' equation when correct input assumptions are used.

With respect to the 20 percent discount rate used by SEO to reflect the time value assigned by customers to energy related expenditures, which NYGAS claims should instead be 10 percent, SEO argues that numerous studies support the 20 percent rate. SEO further argues that lowering the discount rate, as suggested by NYGAS, would not necessarily result in increased demand for gas. Indeed, gas customers considering replacing their heating systems would be more likely to switch to electricity if the discount rate were lower than assumed by SEO.

SEO also disagrees with NYGAS' assertion that SEO failed to account sufficiently for some customer preference for gas for cooking, even when more expensive than electricity, and failed to consider that replacements of water heaters often take place in an emergency and that a switch to a more cost-effective electric water heater may not, therefore, take place in many instances. SEO notes that its projections of fuel switching from gas to electricity for cooking and water heating are generally limited to the three upstate utilities where electricity prices are projected to be significantly lower than gas prices. SEO also notes that its forecast assumes an increased number of gas cooking customers statewide and that the number of gas water heating customers

that NYGAS' suggested changes to SEO's analysis are either incorrect or would not have a material effect on the SEO forecast, for the reasons suggested by SEO. Therefore, we adopt the -0.6 percent average annual growth rate projected by SEO.

Nevertheless, we recognize that any forecast of energy requirements over a 15 year period involves many complex factors. A forecast of natural gas consumption is particularly complicated in view of the difficulties of projecting the likely price of natural gas following decontrol of new gas supplies in 1985. In view of such uncertainties, and the substantial uncertainties associated with obtaining gas supplies beyond those currently under contract, we believe, despite our conclusion that end-use gas consumption will decline over the forecast period, that it is prudent for the State's gas utilities to aggressively pursue the acquisition of additional gas supplies, including supplemental supplies.

### CONSERVATION

Draft SEMP II continues to recognize conservation as the cornerstone of the State's energy policy and notes the substantial gains made over the past two years to improve energy efficiency. However, two principal problems affecting conservation are identified in Draft SEMP II: Federal abandonment of conservation programs, and removal of remaining barriers to conservation.

In response to these problems, Draft SEMP II calls for the continued implementation of existing conservation programs adopted over the past few years (many of which were recommended in SEMP I). The programs have only begun to achieve the tremendous energy conservation potential which exists in all sectors.

The draft Plan also recommends several new programs designed to expand the use of energy audits and the availability of conservation information and technical assistance for all sectors; to provide financing assistance to public schools, privately owned non-profit schools, colleges, hospitals and public care institutions, local governments, multifamily housing and small commercial buildings for the implementation of high front-end capital cost conservation improvements; to provide tax incentives for such improvements in industrial and commercial buildings; and to mandate conservation actions in the multifamily housing sector where market forces are inadequate to trigger voluntary actions.

Implementation of the new programs proposed in Draft SEMP II is projected to result in reduced end-use energy requirements equal to 47.6 TBTU's by 1996. These conservation programs, when coupled with the renewable resource measures called for in Draft SEMP II, would result in

a restriction on the use of unassisted electric resistance heating except when no other alternative is cost-effective; and establishment of appliance efficiency standards for equipment not now covered, particularly refrigerators and freezers.

The Attorney General recommends the following additional conservation programs: State-established building temperature restrictions similar to the Federal restrictions no longer in effect; restrictions on the use of unassisted electric resistance heating in residences; adoption of State appliance efficiency standards for all appliances for which Federal standards were to have been established under Federal law; and expansion of HIECA to require post energy audit visits.

In contrast to the call for additional conservation measures, the Gas Group argues that the conservation program proposed by SEO in the draft Plan goes too far. Specifically, they object to the Energy Office proposals which would expand HIECA's audit program to small commercial buildings and expand HIECA's financing program to both multifamily and small commercial buildings, unless such measures are financed through tax revenues. They also strenuously object to the EPL proposals to require utilities to compare the relative costs of customer-side conservation investments with other supply investments, and to any proposals which mandated utility involvement in customer conservation activities, such as EPL's proposal to require utilities to provide no-interest loans for low cost conservation measures.

Finally, one party, Dr. Henry Hurwitz, contends that Draft SEMP II's conservation plan fails to properly consider the potentially severe impact on indoor air quality which would be brought about by the

State's utilities to become more active purveyors of such technologies. Examples of activities the utilities could undertake in furtherance of the policy were provided in the draft Plan. During the proceedings, additional examples were suggested, principally by EPL\* and New York City, as described above. In addition, EPL suggested that a comprehensive process be established to require the utilities to compare the costs of utility investment in customer-side conservation with the cost of investments which increase the supply of electricity or gas through other means. As also noted above, the Gas Group opposed any proposals which mandated their involvement in customer conservation activities.

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\* In reviewing the record on this issue, we have carefully reviewed Exhibit EPL-4 to the EPL testimony, which Hearing Officer Melia determined was not relevant to this proceeding. We disagree. While we do not endorse the specific findings reached in the Exhibit, we do believe it reasonably suggests that the conservation potential remaining to be tapped in the State is substantial.

eliminate audit fees for one to four family residences. Many of these recent changes are now being implemented by the PSC. We would prefer to allow these changes to be integrated into the program before we endorse this substantial expansion of HIECA. Nevertheless, we believe the financing problems faced by the multifamily and small commercial sectors are serious and require attention by the State.

In addition to the proposals for greater utility involvement in encouraging conservation, there have been, as noted above, a number of conservation proposals made by the other parties. A few parties have called for the establishment of State appliance efficiency standards for some or all of the appliances for which Federal standards were to have been established under Federal law. While there may be some merit to adopting standards for appliances not now covered by State law, we note that the Federal government is currently considering the adoption of such standards or other action, which could preempt any additional State appliance efficiency standards as well as existing State standards. In view of the pending Federal action, as well as the fact that no party has demonstrated the desirability of New York adopting a standard with respect to a particular appliance, we are reluctant to endorse this proposal at this time.

Another proposal suggested by several parties is the establishment of a statewide building temperature restriction similar to the former Federal program. Although the Federal program did save energy, we do not believe it represents the best approach to energy conservation since it re-enforces the notion that energy conservation means doing without, rather than being more efficient. Moreover, we note that this program was and would be a particularly difficult program to enforce.

Budgeting System (EMBS), employed in virtually all State owned and operated buildings, which enables energy consumption to be tracked regularly and energy inefficient buildings to be identified; the participation of numerous State institutions in the Federal Schools and Hospitals grant program, administered by the State Energy Office, which has resulted in the awarding of Federal funds for energy conservation studies and capital improvements; and the operation of lighting conservation and boiler efficiency improvement programs by the Office of General Services.

The Board believes, however, that the opportunities to conserve energy and save money in State buildings remain very substantial, given the vast size of the building stock, and that investment of State funds in this area would be very cost-effective. We recommend, therefore, that programs be developed, and necessary funding sought, to increase the efficiency of energy use and reduce the use of petroleum in State buildings. In particular, consideration should be given to increasing the number of energy audits of State buildings, with particular emphasis given to buildings which have the largest potential for energy conservation. Consideration should also be given to the potential for cogenerating or using coal or wood in these buildings.

The Board also believes that a related area worthy of action pertains to locally owned, administered and operated buildings that the State aids through financial operating assistance. Examples of such buildings are public schools and community residences for the developmentally disabled or problem youths. An examination of the degree of energy conservation being achieved in such buildings should be undertaken and appropriate programs should be developed to ensure that conservation in these buildings is vigorously pursued.



RENEWABLE RESOURCES

Draft SEMP II projects an even greater role for renewable energy technology and systems and for cogeneration in meeting State energy needs than had been projected in SEMP I. Renewable resources and cogeneration are now projected to produce 100 TBTU's of energy by the end of the planning period compared with 75 TBTU's projected in SEMP I. Passive solar is projected to increase seven-fold over the estimates contained in SEMP I. These projected increases are due in large part to the effects of the various financial and regulatory programs adopted in the past two years, most of which were recommended in SEMP I, and which are just beginning to show results.

Draft SEMP II also projects increased contributions of renewable resource technologies to the State's electricity supply over the next 15 years. A total of 1482 MW of additional electric capacity by 1996 is expected from small hydro, resource recovery, cogeneration and wind facilities; this is 269 MW higher than was forecast in SEMP I for 1994.

As with conservation, Draft SEMP II points out that a number of financial, technical assistance, technological and regulatory problems remain, and proposes a number of actions to address these problems. Implementation of these additional actions is projected to reduce end-use energy requirements by 18.55 TBTU's by 1996, and provide 1314 MW of alternative electric generation capacity.

No party to the proceeding, with the exception of Con Edison, proposes any significant modification either to the role given to renewable resources and cogeneration in Draft SEMP II, or to the forecasts of energy expected to be produced from such facilities.



New York's energy supply system, are generally benign in terms of environmental impacts, and will create new job opportunities in the State instead of exporting the State's wealth to pay for conventional fuel imports.

With respect to Con Edison's objection to the encouragement given the use of oil and gas-fired cogeneration in the draft Plan, we believe that such encouragement is appropriate. The record demonstrates that the use of efficient oil-fired cogeneration facilities will save oil in the downstate area at least through the remainder of this century and that there are adequate environmental safeguards to ensure that all air quality standards will be complied with. Moreover, we believe that gas-fired cogeneration is a highly desirable use for gas since it is efficient and would generally occur in facilities with low stacks, thereby further contributing to an improvement in New York City's air quality. Accordingly, we approve the renewable resources section of the draft Plan.

We have also considered the forecasts of the contribution of renewable resources as well as cogeneration to the State's energy supplies contained in the draft Plan, which are set forth in Figures 6 and 7, and find them to be reasonable. We do not believe that the record supports the adoption of the higher small hydro capacity figure suggested by New York City. We, therefore, approve the forecasts set forth in Figures 6 and 7.

NATURAL GAS

Draft SEMP II states that there continue to be sound economic, environmental and energy security advantages associated with the use of natural gas as an alternative to imported petroleum. The draft Plan endorses the improved use of natural gas in all sectors as one of the strategies for reducing reliance upon foreign oil.

Despite Draft SEMP II's endorsement of natural gas, the draft Plan does not project any overall net growth in natural gas use in the State's energy mix over the forecast period. While substantial numbers of new customers are expected to be attached, future conservation actions among all gas customers, responding to the substantial price increases which are projected, should more than offset the increased gas use from these new customers. As previously noted, Draft SEMP II projects demand for natural gas to decrease over the forecast period at an average annual rate of 0.6 percent.

Draft SEMP II also projects that natural gas supplies will exceed forecasted end-use demand over the planning period. Nonetheless, because of the substantial uncertainties involved in projecting future gas demands and obtaining gas supplies beyond those under contract, and because of the substantial advantages associated with natural gas use (such as to meet the current backlog of applications by large users for natural gas in the Con Edison service territory or to use as part of an air quality strategy associated with coal conversion), Draft SEMP II reaffirms the acquisition and end-user pricing policies approved by the Board in SEMP I. Briefly, the gas acquisition policy was designed to encourage the purchase by the State's distribution companies of additional economic supplies of natural gas. The pricing policy was

companies; a freeze in real property taxes applicable to moveable machinery and equipment; a reduction in assessed value of gas pipeline equipment to the values used for purposes of ratemaking; an increase in the current excess dividends tax exclusion from the current 4 percent of paid-in capital to 14 percent; and, finally, removal of all remaining local sales taxes on residential energy use. The Energy Association shares NYGAS's call for tax relief, urging any or all of the following: a cap on the gross receipts taxes paid by electric, gas and steam companies; replacing the gross receipts tax with a 10 percent corporate income tax; and reclassification of the gross receipts taxes as sales taxes. Both NYGAS and the Energy Association emphasize that such tax relief is necessary to promote the State's economy and reduce the burden of such taxes on the State's energy consumers, particularly the elderly and poor. They note that the taxes paid by the State's utilities are higher than those paid by other corporations in the State, and higher than taxes paid by utilities elsewhere.

With respect to the SEMP II proposal that the PSC allocate gas supplies which are available after priority attachments to those customers and facilities which will use the gas in the most efficient manner (i.e. cogeneration facilities), the Gas Group, Con Edison and the Department of Public Service raised objections. The Gas Group argues that this proposal would be difficult to administer and unfair to prospective gas customers, and called for continuation of PSC's current first-come first-served policy. Con Edison objects to this proposal as part of its general opposition to Draft SEMP II's encouragement of gas cogeneration in New York City. Finally, the DPS argues that the assignment of gas should not be based solely on energy efficiency; they

FIGURE 8

PROJECTED TOTAL NEW YORK STATE  
NATURAL GAS SUPPLIES 1981-1996  
(BCF/YR)

<u>1981</u>	<u>1986</u>	<u>1991</u>	<u>1996</u>
664.4	677.7	673.0	684.6

In addition, because of the importance of obtaining additional natural gas supplies and the advantages associated with its use, we reaffirm the following natural gas acquisition and pricing policies approved by the Board in its Opinion and Order for SEMP I.

Natural gas supplies should be acquired:

- (1) whenever they can be delivered to New York markets at a price that will be equal to or less than the delivered price of imported oil; or
- (2) whenever it is demonstrated that acquisitions are in the public interest.

Natural gas should be priced to consumers in a manner that will:

- (1) encourage New York consumers to rely on natural gas instead of oil in markets where use of gas is an economic alternative to imported oil;
- (2) encourage efficient use of gas by all consumers; and
- (3) advance the policies and objectives of this plan.

While we recognize that there is considerable uncertainty surrounding the future price of natural gas upon decontrol of new natural gas supplies in 1985, we believe that the draft Plan's forecasts of changes in natural gas prices over the 15 year planning period (see Figure 5) are reasonable, and they are adopted.

A reduction in taxes paid by utilities may indeed be desirable; however, such a change in policy, which would necessitate a corresponding increase in other taxes, is beyond the purview of the Board. We believe the State should re-examine whether the current taxing policy regarding the State's utilities should continue.

SEMP I also called for the conversion of 21 oil-fired power plants (approximately 6000 MW) to coal, consistent with all environmental requirements. After acknowledging the slow progress being made with coal conversions, Draft SEMP II recommends that the coal conversion program be divided into two phases in recognition of the more substantial economic, technical and environmental issues surrounding certain of the conversion candidates. Phase I, on which the State's efforts should be focused, consists of 15 units totalling 3549 MW (see Figure 9 for a listing of those units). Phase II consists of six units totaling 2044 MW (Northport Units 1-4, Ravenswood Units 1 & 2). The disappointing progress with coal conversions stems, according to Draft SEMP II, from regulatory uncertainty, particularly over the need for scrubbers at particular units, utility company concern over the economic risk involved in coal conversions, and, for certain utilities, financing problems.

The cumulative environmental impacts associated with this coal conversion program -- a major concern of the Board in the SEMP I proceeding -- have been examined in two major studies prepared separately by DOE and ERDA (with the assistance of SEO and DEC). These studies conclude that converting approximately 6000 MW of oil-fired capacity to coal and constructing five new coal-fired plants, as proposed in SEMP I, would not cause significant adverse environmental effects, provided that appropriate mitigation measures and coordinated planning take place as required. It may be noted that implementation of SEMP II should result in a smaller increase in environmental impacts than projected in SEMP I and considered in these studies because of the fewer number of central station coal plants recommended to be

FIGURE 9  
ELECTRICITY SUPPLY PLAN  
(1981-1996)

<u>New Facilities</u>	<u>Capacity (MW)</u>	<u>Fuel</u>	<u>Date</u>	
<u>Under Construction</u>				
Shoreham	813	Nuclear	1983	
Somerset	625	Coal	1984	
Nine Mile Point 2	1080	Nuclear	1986	
<u>Licensed</u>				
Arthur Kill	700	Coal/RDF	1987	
Lake Erie	800	Coal	1989	
Jamesport	850	Coal	1991	
<u>Planned</u>				
Pumped Storage Hydro	1000	PS Hydro	1987	
<u>Oil to Coal Conversion (MW After Conversion)</u>				
(PHASE I)				
Ravenswood 3	923		1983	
Lovett 4 & 5	387		1982-83	
Arthur Kill 3	491		1983	
Arthur Kill 2	333		1984	
Albany 1-4	396		1984	
Danskammer 3	137		1986	
Danskammer 4	231		1986	
E.F. Barrett 1 & 2	348		1987	
Port Jefferson 3 & 4	348		1987	
<u>Alternative Electric Generation</u>	<u>1981</u>	<u>1986</u>	<u>1991</u>	<u>1996</u>
(Cumulative Additions Since 1979)				
Small Hydro	11.1	266.5	490.8	725.0
Cogeneration	26.7	230.5	322.5	373.5
Solid Waste	32.0	169.5	353.5	395.5
Wind	0.2	4.5	13.5	58.5
<u>Canadian Imports</u>	<u>1981-1983</u>	<u>1984-1987</u>	<u>1988-1996</u>	
Energy (Billions of KWH per year)	10.5	12.5	14.5	

to switch rapidly between pumping and generating to allow for a quick response to an upswing in demand or to a loss of other generating capacity.

With respect to DEC's call for a prohibition of construction of such facilities on bodies of water with "high quality" fisheries, SEO argues that no such prohibition should be adopted since the impact on fisheries is only one of many issues to be considered in siting such a facility. SEO further notes that the Board has ample evidence before it that pumped storage facilities can operate on a variety of water bodies without unacceptable adverse environmental impacts and that any further consideration of the environmental impacts of such facilities should be considered on a site specific basis.

PASNY joins SEO in these arguments and both note the absence of any DEC designation of "high quality" fisheries on a statewide basis, or any objective criteria by which anyone outside DEC could determine whether such standard would apply.

#### Discussion

We have considered the arguments made by New York City that sufficient energy could be provided through alternative means and thereby eliminate the economic justification for any new downstate coal plant and find them to be unpersuasive. We believe that Draft SEMP II reasonably reflects the potential for increased conservation and the use of renewables and cogeneration. Although, as noted later, the projections of imports of Canadian hydro power over the 15 year planning period approved herein are somewhat higher than the figures included in Draft SEMP II, this additional non-firm energy cannot be viewed as a substitute for new capacity. Moreover, we believe that the economic



possesses "high quality" fisheries. At the outset, we note that SEO and PASNY correctly assert that there currently is no standard regarding what constitutes a "high quality" fishery resource, and no clear definition has been provided by any party.

While the Board recognizes that the potential effects of a pumped storage hydroelectric facility on fisheries and other aquatic resources are significant, these effects must be balanced with the need for this type of facility and the benefits to the consumers of the State. Our review of the record convinces us that many of the adverse impacts of pumped storage facilities can be mitigated, and that pumped storage facilities do not necessarily lead to unacceptable adverse impact on the environment. Many pumped storage facilities presently operate in the United States without apparent unacceptable adverse environmental impact.

The relative impact on aquatic populations from a particular project can only be evaluated on a site-specific basis. Such site-specific review is, of course, required under Federal law. This Federal review, coupled with any site-specific State review, is sufficient to assure the environmental compatibility of any proposed pumped storage hydroelectric facility.

The Board is also reluctant to modify the electricity supply plan insofar as it includes the Nine Mile Point II power plant, which is currently under construction. We find nothing in the record which demonstrates that completion of this facility will not be desirable. Moreover, we note that the PSC, which recently completed a detailed review of the financial and economic implications of completing construction of this facility, concluded that the plant should be completed.

areas, or any health impact. To this end, EDF recommends that coal conversions proceed only as long as they do not cause any net increase in sulfur loading to the atmosphere. The Adirondack Park Agency joins in this recommendation, insofar as it applies to the Adirondack Park. The Attorney General not only joins in this recommendation, but argues that any increases in SO<sub>2</sub> emissions, even if they did not result in any violation of air quality standards, would nevertheless violate SEQRA and the Federal Clean Air Act, as well as jeopardize the State's lawsuits against Ohio and other midwestern states.

SEO and Orange & Rockland Utilities (O&R) oppose the adoption of what in essence amounts to a cap on statewide SO<sub>2</sub> emissions for coal conversions. They argue that imposing such limits on SO<sub>2</sub> emissions, beyond what is necessary to comply with already stringent air quality standards, must be balanced against the costs of implementing such limitations, as well as other considerations. As noted by O&R, EDF has not addressed what their proposal would cost to implement. O&R further notes that SEMP I concluded (as did DEC) that prevailing winds would carry most downstate power plant emissions over the ocean, and not over sensitive areas such as the Adirondack Park.

#### Discussion

We believe that phasing the coal conversions, as recommended in the draft Plan, is a reasonable way to proceed to accomplish our coal conversion objectives. It will properly focus the State's resources on those plants which have the greatest likelihood of being converted in the near future. Although we agree that the State should focus its attention on the conversion candidates included in Phase I, we nevertheless believe that the units included in Phase II should also be

conversions and new coal plant construction included in the updated plan is likely to be very small in comparison to the enormous quantity of sulfur emitted by facilities in the midwestern states. Finally, the sulfur proposal ignores the fact that most of the projected sulfur emissions from the coal conversions would be deposited into the Atlantic Ocean, thus having only a slight impact on land forms. These findings are also supported by the Federal Department of Energy in its recently issued Draft Northeast Regional Environmental Impact Statement on the Potential Conversion of Forty-two Power Plants from Oil to Coal or Alternative Fuels, dated October, 1981.

#### Other Matters

##### Financing

Draft SEMP II identified the need for new financing measures to enable utilities to raise capital necessary to construct the facilities included in the Draft SEMP II electricity supply plan. The draft Plan identified a number of proposals which had been advanced to enhance the utilities' financing capabilities, such as tax normalization, inclusion of CWIP in rate base, and adoption of a policy of accelerated recovery of coal conversion construction costs out of the anticipated fuel savings. Draft SEMP II further noted two ongoing PSC proceedings to consider these financing measures and urged their expeditious completion.

The Attorney General and CPB argue that additional financing measures are unnecessary and inappropriate. The Gas Group and Power Pool urge adoption of such measures. EDF notes that any financial incentives for coal conversion should be applied equally to other approaches to reduce oil consumption including utility investments in conservation, cogeneration and renewables.

non-firm surplus energy to be imported into the State during the period 1984-1987 and for greater amounts of such energy during the period 1988-1996 than had been previously agreed to by PASNY and Hydro-Quebec and which had been incorporated into Draft SEMP II.\*

As a result of this recent agreement, the projections of total imports of Canadian hydroelectricity contained in the Draft SEMP II electricity supply plan should be revised as follows: for the period 1984-1987 to 12.5 billion Kwh per year from the 14.8 billion Kwh figure; for the year 1988 to 14.5 billion Kwh from the 14.8 billion Kwh figure; and for the period 1989-1996 to 14.5 billion Kwh per year from the 8.5 billion Kwh figure.

Adirondack Park

APA, supported by a number of other parties, urges the Board to reaffirm its SEMP I policies that: the areas protected by Article XIV of the State Constitution and the State Wild, Scenic and Recreational Rivers System Act will not be used for construction of hydro projects; with respect to the State's wood resources, in accordance with Article XIV of the State Constitution, the State's Forest Preserve will not be used or encroached upon in any way; any increased harvest of wood on private lands will be in accordance with sound timber practices and in full compliance with all applicable environmental laws; and that no transmission line importing power shall traverse the Adirondack Park in violation of Article XIV, or any other applicable environmental laws, or in such manner as will cause degradation to the environmental quality and open space characteristics of the Park. No party opposes APA's request, and we hereby reaffirm these policies.

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\*Under the terms of the agreement, PASNY expects to import up to 7 billion Kwh per year of non-firm electric energy for the period 1984-1987 and up to 9 billion Kwh per year for the period 1988-1997.

COAL

Draft SEMP II calls for the State to maintain its commitment to increased use of coal in all sectors. Coal can provide a reliable and secure source of supply and is expected to maintain its competitive cost advantage over oil during the forecast period. Demand for coal in the State by all sectors, however, is expected to decrease by 5.3 million tons by the end of the forecast period compared to projections of coal demand in SEMP I. This reduced demand principally reflects the elimination of two new coal-fired power plants from the SEMP I electricity supply plan.

Draft SEMP II acknowledges that little progress has been made in accelerating the use of coal in the State. Several recommendations are included in the draft Plan to address this problem, including new financing mechanisms for coal conversions (since adopted by the PSC), revision of the Federal Clean Air Act in the manner suggested by the Governor's Clean Air Act Task Force, and federal tax incentives to stimulate industrial use of coal.

Most of the issues raised by the parties concerning the use of coal in the State were addressed in the electricity section. Two additional matters were raised by one party, EDF, who argues that the Board should reject two of the Draft SEMP II recommendations. EDF objects to the recommendation for the establishment of a five member Coal Conversion Board within DEC which would be authorized to override local ordinances found to be unreasonably restrictive, claiming that utility rate and air quality impacts of conversions are primarily matters of local concern. EDF also opposes the Draft SEMP II endorsement of the Governor's Clean Air Act Task Force recommendation that PSD requirements be eliminated in

and the chairman of the Public Service Commission; their recommendations clearly reflect a consensus that such modifications would further the interests of New York. We note further that the National Commission on Air Quality, in its March, 1981 Report, To Breathe Clean Air, found that the PSD program did not influence interregional economic development. We, therefore, disagree with EDF's suggestions that the sunbelt states will benefit from these proposals at the expense of development in New York.

PETROLEUM

Draft SEMP II, as did SEMP I, emphasizes the need for the Federal and State governments to pursue policies aimed at reducing our dependence on petroleum, particularly foreign petroleum. Although the State has made considerable progress in the past two years in reducing its consumption of oil, the State remains vulnerable to petroleum supply disruptions and price increases to a significant extent.

Draft SEMP II recognizes, however, that New York State can do little on its own to improve its oil supply situation, although it can and is doing much to reduce demand for petroleum. Draft SEMP II proposes a number of actions designed to further reduce our demand for imported petroleum, including increased conservation, use of renewables and cogeneration, coal and natural gas use, and Canadian hydroelectric and natural gas imports. These recommendations, if fully implemented, are projected to reduce the State's dependence on imported petroleum to 12 percent of total energy supplies by 1996. The draft Plan also calls for further actions by the Federal government to improve the security of petroleum supplies, including continuing and expanding Federal synfuels activities, accelerating filling of the Strategic Petroleum Reserve, encouraging a shift to Western Hemisphere sources of supply for imports, and providing uniform tax incentives for construction of petroleum storage facilities to replace aging outdated facilities and increase storage capacity.

No party objects to either the need to reduce our reliance on petroleum or the approach taken to achieve this objective.

TRANSPORTATION

Draft SEMP II comprehensively examined the ability of the State to take action to reduce the consumption of petroleum products in the transportation sector, consistent with the Board's recommendation in SEMP I that it undertake this detailed analysis. The draft plan notes that nearly one-half of all petroleum products consumed in the State are consumed in the transportation sector.

The draft Plan concluded that, unlike other sectors which rely heavily on petroleum and for which a number of State actions were proposed to reduce its use significantly, the State, acting alone, is quite limited in its ability to substantially reduce consumption in the transportation sector. Indeed, the draft Plan notes that the most pressing concern for the State may be maintaining the relatively high efficiency of the existing transportation system.

Draft SEMP II urges the State to resist proposed Federal cutbacks in assistance for mass transit, railroad and highway systems, since such cutbacks would cause a shift of riders to automobiles. In addition, the draft Plan proposes a number of limited State actions to improve conservation and energy efficiency in this sector, including proposals to establish tax incentives to stimulate vanpooling and ridesharing, encourage expansion of park and ride activities in the State, and establish a surcharge on all speeding citations for violation of the 55 mph speed limit.

The only party to respond to this section<sup>6</sup> of the Plan was New York City which generally supports SEO's recommendations. New York City also urges that additional funds be made available for street repair, to



RISING ENERGY COSTS AND LOW INCOME HOUSEHOLDS

The draft Plan continues to endorse the SEMP I policy that no person should be without adequate heat or should be forced to forego conservation improvements by reason of inability to pay. A commitment to public health and safety requires no less.

To combat the dramatic increases in residential energy costs which have occurred since the adoption of SEMP I, and which are expected to continue to rise in real terms over the 15 year planning period, the State must continue to support increased funding for Federal energy assistance programs and more flexibility in the use of available funds. Specifically, the draft Plan calls for funding the HEAP program at a level higher than the \$1.82 billion authorized during 1980-81. New York's share of these Federal funds was sufficient to provide limited assistance to less than half of the eligible households in the State. Draft SEMP II also calls for continuation of the weatherization program, with a shift in emphasis to urban buildings.

Recently, the Federal government authorized funding for the HEAP program of \$1.88 billion. New York State's share of the program will amount to \$237 million. Under the 1982 authorization, up to 15 percent of this amount may be spent by a state for energy conservation purposes. SEO is currently working with other state agencies to develop a plan for the use of some of this HEAP money for conservation purposes. We endorse this approach because it provides continuing savings for the recipient.

Three parties commented on this section of the draft Plan. The Gas Group notes the need for increased assistance to low and fixed income households, but urges that any additional assistance come from state

taxpayers and not utility ratepayers. In particular, they call for some form of direct payment to utilities in order to reduce the growing burden which uncollectible accounts currently place on customers who pay their bills. One possible program suggested by NYGAS is the use of vouchers or coupons.

NYGAS, joined by the Energy Association, also endorses a recent legislative proposal to credit against the utilities' gross receipt tax payment, amounts expended for the benefit of low and fixed income customers. Under this proposal, the utilities would reduce the energy bills of SSI recipients (the low income elderly, blind and disabled) by 25 percent.

Finally, the Attorney General supports the draft Plan's call for increased Federal funding, but claims that such funding is insufficient and that additional state actions are necessary to "insure that all families can afford basic energy and energy conservation services."

#### Discussion

No group in the State has been more adversely affected by the enormous run-up in energy costs over the past few years than low income households. Not only do they have less money to spend, but they are also likely to live in old, energy-inefficient, oil heated dwellings, particularly multifamily dwellings. As noted in the draft Plan, the elderly living on relatively fixed incomes are particularly hard hit, since they are likely to need additional heat or lighting because of poor health and declining perceptual abilities.

While a number of helpful actions have been taken by government over the past few years to alleviate energy burdens on low income and elderly households, this section of the draft Plan properly emphasizes

CONTINGENCY PLANNING

The State has always had a strong need to maintain a standby emergency preparedness program because of its exceptional vulnerability to supply disruption. As noted in Draft SEMP II, this need has become even stronger because of the Reagan Administration's withdrawal from an active role in emergency planning. If an emergency occurs, the burden of responding to it will fall almost entirely upon the State.

To meet this responsibility, the draft Plan proposes a series of State actions to continue and increase its own contingency planning and emergency preparedness efforts, including a continuous petroleum supply and price monitoring program and up-to-date standby electronic data processing capability; a periodic review and update of the State Energy Emergency Plan, addressing all forms of energy emergencies; standby transportation fuel emergency measures, such as minimum purchase and odd/even; and a standby State fuel set-aside program.

The draft Plan also notes, however, that State actions will not be sufficient. Draft SEMP II, therefore, calls for a variety of Federal actions, including continuation of Federal energy data collection programs; continuation of the Emergency Energy Conservation Act program with adequate funding; accelerated filling of the Strategic Petroleum Reserve with public monies and the establishment of the regional petroleum reserves required by statute; and authorization of a Federal standby petroleum price and allocation program to replace the Emergency Petroleum Allocation Act which recently expired.

No party commented on this section of the draft Plan.

### Discussion

The Board has reviewed the record concerning this issue and finds that the need for a strong standby emergency preparedness program for the State is compelling. The recommended actions are reasonable steps which must be taken to assure that the State can respond to any future supply disruptions, and they are endorsed by the Board.

The draft Plan also correctly emphasizes the serious policy mistake made by the Reagan Administration in eliminating a strong Federal role in emergency planning. The Administration's reliance upon market forces as the primary response to all but the most severe energy emergencies will not be sufficient to address the economic, social and public health and safety dislocations likely to occur during any crisis, for several reasons. First, the national security and economic ramifications of a major disruption of the supply of imported oil would be so far-ranging in impact as to require a coordinated Federal response including, if necessary, allocation of limited supplies to assure the continuation of vital services and functions. Second, without Federal monitoring of critical energy supply data, information essential for a readjustment during an emergency would not be available. Finally, notions of basic equity require that government assure that the burden of any disruption be shared in a manner that is generally acknowledged to be fair and equitable.

Unfortunately, the President has recently vetoed legislation which would have restored, to a limited extent, the President's power to allocate crude oil and to set prices during a major oil shortage. Congress, regrettably, did not override the President's veto.

## FINDINGS AND DETERMINATIONS

### THE ENERGY PLANNING BOARD FINDS AND DETERMINES:

1. The broad State energy policy objectives set forth in Energy Law Section 3-101 were refined in the first State Energy Master Plan and have been refined further during the course of the current planning process into a set of specific energy policies, as required by Energy Law Section 5-110(b)(4). These energy policies, approved herein, are the major themes from which the recommendations for legislative and administrative actions also approved herein flow. Together, these approved policies and legislative and administrative actions provide clear direction to State efforts to fashion its energy future.
2. Construction of the new electric generating capacity set forth in Figure 9 in this Opinion will assure that adequate reserve margins are met, and will allow existing oil-fired facilities to be operated less frequently.
3. Conversion to coal of the existing oil-fired electric generating facilities set forth in Figure 9 in this Opinion will substantially reduce oil consumption in the electric utility sector, may well result in substantial savings to ratepayers, and appears to be achievable with capital investments substantially less than such investments for new generating capacity.
4. The requirements of 6 NYCRR Part 617, State Environmental Quality Review, have in all respects been met and the Final Environmental Impact Statement provides an adequate basis to permit the Board to make the following findings:

8. Individual electric utility and PASNY energy sales and peak demand are likely to increase over the next 15 years at the rates set forth in Figures 3 and 4, respectively, herein.
9. Real prices for electricity are likely to increase at an average rate of 0.4 percent per year, on a statewide basis, over the next 15 years.
10. Statewide natural gas demand is likely to decrease at an average rate of 0.6 percent per year over the next 15 years. Supply should be adequate to meet this projected demand.
11. Real prices for natural gas are likely to increase at an average rate of 5.2 percent per year, on a statewide basis, over the next 15 years.


ORDER

THE ENERGY PLANNING BOARD ORDERS:

1. The 1981 Draft State Energy Master Plan and Long-Range Electric and Gas Report, as modified herein, is approved.
2. The State Energy Office is directed to adopt and issue a final State Energy Master Plan and Long-Range Electric and Gas Report, in conformance with this Opinion and Order.
3. Unless otherwise determined herein, all pending motions are denied.

BY THE ENERGY PLANNING BOARD,

(SIGNED)

  
JAMES L. LAROCCA  
CHAIRMAN

APPENDIX A

LIST OF ACTIVE PARTIES

1. Adirondack Park Agency
2. Consolidated Edison Company of New York, Inc.
3. Energy Association of New York State
4. Environmental Defense Fund
5. Environmental Planning Lobby
6. Henry Hurwitz, Jr.
7. Multiple Intervenors
8. New York City Energy Office
9. New York Gas Group
10. New York Power Pool
11. New York State Consumer Protection Board
12. New York State Department of Environmental  
Conservation
13. New York State Department of Law
14. New York State Department of Public Service
15. New York State Energy Office
16. Orange & Rockland Utilities, Inc.
17. Port Authority of New York and  
New Jersey
18. Power Authority of the State of  
New York
19. Rochester Gas & Electric Corporation

STATE OF NEW YORK  
ENERGY PLANNING BOARD

State Energy Master Planning and Long-Range Electric and Gas System  
Planning Proceeding

ROBERT F. FLACKE, Commissioner, Department of Environmental  
Conservation, concurring in part and dissenting in part:

I am in basic accord with the Opinion and Order of the Energy  
Planning Board with, however, two substantive reservations which I feel  
compelled to comment upon.

First, I believe that the Board should explicitly state that the  
State Energy Master Plan (SEMP), as a planning document, is not intended  
to function as a substitute for site-specific assessments of individual  
projects. Although other members of the Board may believe that this  
caveat to the SEMF is sufficiently implicit in our function as a  
planning body as to be unworthy of comment, I believe that clarification  
of this point is necessary. Experience shows that, in some instances,  
SEMP I was mistakenly perceived as a "mandate" intended to supersede  
applicable laws and regulations. To overcome this misconception, the  
Board should emphasize that inclusion of a project in the SEMF in no way  
serves to supersede or alter environmental, health and other applicable  
laws and regulations. This interpretation was clearly intended by the  
Legislature which created the SEMF process for the purpose of providing  
"a framework for energy related decisions made throughout the state"  
[Energy Law §5-110; emphasis added]. Case-by-case reviews become  
especially critical in light of the broad-brush approach to