Joint Principles on Residential Fixed Charges in New York

Endorsed by:

Acadia Center
All Our Energy
Alliance for a Green Economy
Alliance for Clean Energy New York
The Alliance for Solar Choice
Association for Energy Affordability
Binghamton Regional Sustainability Coalition
Campaign for Renewable Energy
Chhaya Community Development Corporation
Citizen Action of New York
Citizens' Environmental Coalition
Citizens for Local Power
Dryden Resource Awareness Coalition
Environment America
Environment New York
Environmental Entrepreneurs (E2) New York Metro Chapter
Fossil Free Tompkins
Greater Syracuse Tenants Network
Greening USA
Lime
Mission:data
Mothers Out Front - New York
National Consumer Law Center (on behalf of its low-income clients)
Natural Resources Defense Council
Nobody Leaves Mid-Hudson
New York Public Interest Research Group
New York Solar Energy Industries Association
Pace Energy and Climate Center
Partnership for the Public Good
PEACE, Inc.
Public Citizen
Public Utility Law Project of N.Y.
PUSH Buffalo
RUPCO
Sane Energy Project
Sealed
Sierra Club
Solar Energy Industries Association
Sullivan Alliance for Sustainable Development
Syracuse Peace Council
Syracuse United Neighbors
U.S. Public Interest Research Group
Vote Solar
WE ACT for Environmental Justice
WNY Peace Center

New York's energy system is undergoing a fundamental transition as new technologies and changing costs upend the historic model of supplying energy to consumers. Customer-sited generation, energy efficiency, and smart energy management are enabling many consumers to reduce their costs as the state moves toward a clean energy future with ambitious reforms as part of its Reforming the Energy Vision initiative, or REV. However, the current high residential fixed charges[1] in New York, which are fees that every customer pays regardless of the amount of electricity used, make this future more difficult to reach.

High fixed charges are regressive and contrary to the realities of a modern power grid and the public interest. First, they undermine incentives to save energy, install distributed generation, or engage in other behaviors that deliver value to the system. Second, because low-income customers tend to use less energy, higher fixed charges shift costs from bigger energy users to more vulnerable populations, exacerbating the

[1] Also known as customer charges or basic service charges.

regressivity that already exists in home energy burdens.[2] Overall, these charges run contrary to and would frustrate achievement of many of the initiatives and reforms envisioned by REV, including, facilitating greater reliance upon energy efficiency and clean distributed energy, ensuring affordable, reliable home energy service for all residential utility customers, and enabling customer control of energy bills.

New York has very high fixed customer charges compared to other states. For example, National Grid has a residential fixed charge of $17 in New York, but only $5 in Rhode Island and $5.50 in Massachusetts. Central Hudson has even higher fixed charges at $24, which it is seeking to increase to $25, as well as an additional tiered "service size charge" for many customers. Acadia Center found that current average residential customer charges for major investor-owned utilities are higher in New York than all of its neighboring states. [3] New York's fixed charges are even higher than Wisconsin, a state that has been widely criticized for approving large fixed charge increases since 2014. While high fixed charges have been the norm in New York for many years, the Public Service Commission should be commended for denying fixed charge increases since 2015. It should now join states such as Connecticut which are taking the next step and begin reducing them.

The endorsing organizations believe that, based on national experience, a reasonable definition for residential fixed charges[4] typically results in $5 to $10 a month per customer.[5] In the current National Grid rate case, testimony has shown that residential customer charges of $17 per month are not justified and that a reasonable range would be between $5.57 and $8.30 per month. A major reduction in residential fixed charges in the current National Grid and Central Hudson rate cases would benefit a majority of residential customers by lowering their bills, and would particularly help low-usage customers, which significantly includes low-income households, seniors, the disabled, and conservation-minded customers. Lower fixed charges would also improve incentives for energy efficiency and distributed energy resources, and is necessary to achieve the energy future envisioned by REV and to meet the state's ambitious greenhouse gas reduction commitments.

[2] See generally https://www.nclc.org/energy-utilities-communications/utility-rate-design.html and, for a New York analysis, see http://www.nclc.org/images/pdf/energy_utility_telecom/rate_design/NY-FINAL2.pdf.
[3] See http://acadiacenter.org/document/residential-fixed-charges-in-new-york/.
[4] The definition should be limited to the incremental cost of connecting a customer, such as simple metering, billing, service line, and certain elements of customer service.
[5] Lazar, J. and Gonzalez, W. (2015), *Smart Rate Design for a Smart Future*, p. 36. Montpelier, VT: Regulatory Assistance Project. Available at: http://www.raponline.org/document/download/id/7680.