

BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission)	Case Number: 20-G-0101
as to the Rates, Charges, Rules and)	
Regulations of Corning Natural Gas)	
Corporation for Gas Service.)	
_____)	

DIRECT TESTIMONY TESTIMONY OF BOB WYMAN

June 26, 2020

1 **Introduction**

2 **Q.** What is your name?

3 **A.** I am commonly known as Bob Wyman. My formal name is Robert Mark Wyman.

4 **Q.** Mr. Wyman, have you previously testified before the Commission?

5 **A.** Yes. I presented testimony during the recent Central Hudson, Orange & Rockland,
6 Consolidated Edison, NYSEG/RGE, and National Grid Downstate rate cases. I have
7 also given verbal testimony at a variety of PSC public hearings, have helped others
8 prepare testimony for a variety of PSC proceedings, and am an active party in a variety
9 of PSC matters.

10 **Q.** Do you always participate in PSC matters as an individual, representing only your-
11 self?

12 **A.** No. In addition to participating in PSC proceedings as an individual, I have, from
13 time to time, assisted others in preparing for these proceedings or have spoken for
14 them. For instance, I have several times assisted NY-GEO¹ in developing testimony
15 and/or evidence. I also represented NY-GEO as a participant in ConEd's "Peak Gas
16 Collaborative" which had been established as a result of the prior ConEd rate case
17 (16-G-0061).²

18 **Q.** What is your background?

19 **A.** I am a New York City-based advocate for renewable energy and Beneficial Electri-
20 fication with a focus on geothermal heat pumps. I am a member of the New York
21 Geothermal Energy Organization, (NY-GEO)³, and the Renewable Thermal Alliance⁴.

¹<https://ny-geo.org/>

²16-G-0061, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service.

³<https://ny-geo.org/>

⁴<https://cbey.yale.edu/programs-research/renewable-thermal-alliance>

1 I am a co-founder and shareholder, but not an employee, of Dandelion Energy⁵, the
2 Google X⁶ spin-off company that currently installs geothermal heat pump systems in
3 New York State.

4 Although most of my career was spent in the computer software business, during
5 which I worked for a variety of companies, including Digital Equipment Corporation,
6 Microsoft, Google, Medio Multimedia, and Pubsub Concepts,⁷ I have been advocat-
7 ing on energy related issues for at least 45 years, having first given public testimony in
8 hearings concerning Pres. Nixon's "Project Independence"⁸ in 1973. In recent years,
9 issues related to energy and environmental policy have been my primary focus.

⁵<https://dandelionenergy.com/>

⁶<https://x.company/>

⁷See my LinkedIn profile for more detail: <https://www.linkedin.com/in/bobwyman/>

⁸https://en.wikipedia.org/wiki/Project_Independence

1 **Purpose of Testimony**

2 **Q.** What is your purpose in submitting this testimony?

3 **A.** I wish to comment on several aspects of the proposals made by Corning Gas ("The
4 Company") in the current case and to advocate for several modifications of, or ad-
5 ditions to, those proposals. My testimony is intended to ensure a more complete
6 record and to advocate for policies that will be more fair, more in the public interest,
7 and more likely than those proposed by the Company to conform to existing laws and
8 government policies, including the requirements for carbon emission reductions es-
9 tablished as law by the Community Protection and Climate Leadership Act (CLCPA).

10 My comments in this testimony are focused on:

- 11 • The Company's proposals concerning depreciation and cost-recovery
- 12 • Planning an effective Process of Managed De-Capitalization
- 13 • Planning for elimination of carbon emissions

14 **Comments**

15 **Q.** Do you support the Company's proposal to accelerate cost recovery in such a way
16 that its gas assets are fully depreciated before 2050?

17 **A.** Yes. I applaud the Company for being the first of New York State's gas utilities to
18 clearly address the requirements established by the CLCPA. That act's requirement of
19 an 85% reduction in state-wide greenhouse gas (GHG) emissions by 2050 can only be
20 met if we effectively eliminate the bulk of, if not all of, the natural gas delivered by gas
21 utilities in our State. Given this, it is appropriate to recognize that, in order to reduce
22 the risk of stranded asset accumulation and of an unjust inter-generational shifting
23 of costs, we must ensure that costs of gas system assets are fully recovered during the

1 period in which those assets will be used and useful (i.e. before 2050).

2 Today, the rate of cost recovery for many of the Company's assets is based on an as-
3 sumption that those assets will have a useful life far beyond 2050. For instance, gas
4 mains are currently estimated to have an average service life (ASL) of 70 years and
5 gas services are assigned an ASL of 55 years.⁹ While such long estimates of average
6 service life may have been appropriate in the past, the CLCPA effectively limits the
7 reasonably expected ASLs to something less than the thirty years which remain be-
8 tween today and 2050.

9 **Q.** Does acceleration of cost-recovery conform to established principles of utility cost
10 allocation?

11 **A.** It is a well established principle of utility cost allocation that the asset's costs should
12 be paid by those who benefit from the use of those assets. In this case, if cost recovery
13 for the Company's fixed assets is not accelerated, costs will be shifted from customers
14 who either reduce or eliminate their gas use to an increasingly dwindling number of
15 unfortunate customers who remain reliant on the Company's gas service. If we do not
16 reduce the ASLs which drive the rate of cost recovery, we will find that gas customers
17 who cannot or have not eliminated their use of gas will be required to pay the costs of
18 gas assets they are no longer using. This would be inequitable and would not conform
19 to accepted principles for utility cost allocation.

20 **Q.** Explain why fixed costs are such a problem when sales decline.

21 **A.** If sales decline but fixed costs remain fixed, then the fixed costs will be recovered
22 from a smaller number of units sold. When sales decline, the per-unit cost recovery
23 of fixed costs must increase.

⁹See Schedule B of Exhibit CNG-11.

1 For example, if gas consumption were to decline by 80% between now and 2050, then
2 the per-unit cost recovery for an asset installed or in use today but still in use in 2050
3 would be 500% greater than it is today.¹⁰ This is because, in 2050, the fixed costs
4 would be spread over just 20% of the number of units sold in today. If the decline in
5 sales by 2050 is only 50%, then the per-unit cost would increase by a still substantial
6 200%.

7 Q. What is the likely result of the per-unit cost increases that will be driven by reduced
8 gas sales?

9 A. The result will be a gas “**death-spiral.**”

10 As gas’ per-unit allocation of fixed costs increases, alternatives to gas will become
11 more competitive and those ratepayers who have the capital or credit needed to in-
12 vest in alternatives to gas, such as heat pumps, will abandon gas and find shelter
13 with the cheaper alternatives. However, by abandoning gas, they will drive gas sales
14 even lower and that will increase the per-unit costs of gas to the point where even
15 more ratepayers decide to abandon gas. The cycle then repeats. As the per-unit costs
16 increase, gas sales will decrease even faster, forcing the per-unit costs increases to
17 accelerate. This is referred to as a “death-spiral.”

18 In time, we will find that gas will become known as the “poor-man’s fuel” since the
19 remaining gas users will increasingly be those who can’t afford to abandon it — no
20 matter how much they might wish to. Low and moderate income ratepayers, who
21 have the most limited financial resources and the greatest need for more affordable
22 energy, will end up carrying the burden of the stranded gas assets left behind by those
23 who are financially more fortunate.

¹⁰Compute the increase by dividing one by one minus the percentage decline. In this case, the formula would be: $\frac{1}{(1-.80)} = \frac{1}{.2} = 5$

1 Q. If cost recovery is accelerated, won't this create windfall profits for the Company's
2 Shareholders?

3 A. No. Accelerated cost recovery does not create a profit for shareholders. It simply
4 converts the shareholders' share of asset values into an equivalent share of more liq-
5 uid capital. If anything, one might argue that shareholders would prefer that cost-
6 recovery not be accelerated since doing so reduces the amount of equity which is
7 subject to the Company's allowed return on equity. However, failing to accelerate
8 cost-recovery will result in stranded assets and, if the magnitude of stranded assets
9 grows too great, there may be efforts to limit the Company's ability to fully recover
10 the costs of stranded assets. Thus, shareholders are better off getting their capital
11 returned to them in a form that allows it to be reinvested in non-gas assets that are
12 more likely to deliver acceptable returns over time.

13 Q. Is it fair to existing customers to accelerate cost-recovery now and thus increase their
14 rates?

15 A. Yes. In fact, many gas customers should be pleased to see this increase since the
16 proposed increase is less than the increase that would be required if delayed to a
17 future year.

18 It is inevitable that the Company will be required to accelerate cost-recovery to avoid
19 the accumulation of stranded assets. The cost increases must eventually be imposed
20 – the question is "when," not "if." However, the longer the delay before those in-
21 creases are imposed, the greater those increases must be since there will be less time
22 to accomplish the required cost recovery. Thus, by accelerating cost recovery now,
23 sooner rather than later, the impact on customers is reduced.

24 Q. Could the Company further reduce the impact of accelerating cost-recovery?

25 A. Yes. As currently proposed, the impact of accelerated cost recovery is concentrated

1 in the proposed Rate Year 1. The Company should consider phasing-in the increase
2 more smoothly over the three-years proposed for this rate case. Doing this would
3 increase the total cost to rate payers, because it creates a delay in cost-recovery, how-
4 ever, rate payers may find that it is easier for them to adjust to the higher rates if those
5 rates rise more slowly than proposed by the Company.

6 **Q.** Is accelerated cost-recovery a sufficient response to the requirements of the CLCPA?

7 **A.** No. While accelerated cost-recovery is an essential component of a process of man-
8 aged decapitalization, the Company can and should do more. In general, the Com-
9 pany should:

- 10 • Act to reduce the requirement to invest in new gas infrastructure.
- 11 • Develop and begin implementation of a plan for the managed decommissioning
12 of its gas infrastructure.

13 In essence, the Company should work to ensure that it doesn't make the problem
14 worse, by installing new fixed cost assets, and it should work to ensure a smooth and
15 equitable reduction of future gas sales.

16 **Q.** How can the Company reduce the requirement to invest in new gas infrastructure?

17 **A.** The Company should:

- 18 • Set an initial cap of "Net Zero Gas" sales growth during the period of this rate
19 case. Company programs should be designed to ensure that any additional, un-
20 avoidable, gas demand growth is offset by at least an equal amount of demand
21 reduction.
- 22 • Cease any programs or expenses whose purpose is to encourage either the
23 adoption of gas by new customers or an increase in gas use by existing cus-
24 tomers.
- 25 • Cease any efforts to obtain any new franchise agreements in areas not currently

1 served by the Company.

2 • Cease any efforts to obtain gas supply greater than that which is necessary to
3 provide safe and reliable service to existing customers. The speculatively de-
4 termined “needs” of potential new customers should not be considered when
5 computing gas supply needs.

6 • Commit to requesting that the PSC impose a new-connection moratorium if gas
7 supply becomes fully committed to existing customers.

8 • Ensure that prospective new gas customers have access to information that de-
9 scribes effective and sustainable alternatives to gas such as induction cooking,
10 heat pumps, etc.

11 **Q.** What can the Company do to begin ensuring a smooth and equitable reduction of
12 future gas sales

13 **A.** The Company should:

14 • Whenever possible, use non-pipe alternatives to gas infrastructure expansion –
15 especially when the cost of non-pipe alternatives is lower.

16 • Begin the process of defining a schedule for the managed and progressive de-
17 commissioning of its existing gas infrastructure over the next three decades.

18 • Petition the Public Service Commission to adjust the “100 foot rule” that it im-
19 poses on gas utilities so that it provides no more generous subsidies to new gas
20 customers than the minimum which is required by law.

21 **Q.** Does that conclude your direct testimony in this case?

22 **A.** Yes.